SA SA INTERNATIONAL HOLDINGS LIMITED
莎莎國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 178)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Highlights

- The Group's consolidated turnover amounted to HK$1,629.8 million, representing an increase of 16.5% from HK$1,399.0 million in the same period last year when comparing the continuing retail and wholesale business of both years
- Sa Sa's retail and wholesale business turnover in Hong Kong and Macau registered a growth of 12.5% as compared to the same period last year
- The Group's operating profit was HK$101.0 million, representing an increase of 4.1% from HK$97.1 million in the same period last year when comparing the continuing retail and wholesale business of both years
- Profit attributable to equity holders of the Company was HK$87.7 million, as compared to HK$88.1 million from the continuing retail and wholesale business in the same period last year
- Basic earnings per share were 6.4 HK cents, the same amount as for the continuing retail and wholesale business in the same period last year
- Dividend per share was 6.0 HK cents, same as that of the corresponding period last year, representing a dividend payout ratio of approximately 100%

The Board of Directors ("Board") of Sa Sa International Holdings Limited ("Company") has pleasure in presenting the unaudited condensed consolidated interim financial information of the Company and its subsidiaries ("Group") for the six months ended 30 September 2008 as follows. The unaudited condensed consolidated interim financial information has been reviewed with no disagreement by the Audit Committee of the Company and the Company's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of condensed consolidated interim financial information will be included in the interim financial information which will be distributed to equity holders.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 September **2008** **HK$'000**	2007 HK$'000
Continuing operations			
Turnover	3	**1,629,767**	1,399,012
Cost of sales		**(933,179)**	(808,245)
Gross profit		**696,588**	590,767
Other income		**11,720**	9,593
Selling and distribution costs		**(518,911)**	(434,261)
Administrative expenses		**(89,233)**	(68,041)
Other net gains / (losses)		**878**	(968)
Operating profit		**101,042**	97,090
Interest income		**8,345**	13,341
Profit before income tax	4	**109,387**	110,431
Income tax expense	5	**(21,724)**	(22,285)
Profit for the period from continuing operations		**87,663**	88,146
Discontinued operations			
Profit for the period from discontinued operations	8	**-**	2,526
Profit for the period, attributable to equity holders of the Company		**87,663**	90,672
Earnings per share for profit from continuing operations attributable to equity holders of the Company during the period (expressed in HK cents per share)	6		
Basic		**6.4**	6.4
Diluted		**6.3**	6.4
Earnings per share for profit from discontinued operations attributable to equity holders of the Company during the period (expressed in HK cents per share)	6		
Basic		**-**	0.2
Diluted		**-**	0.2
Dividends	7	**82,876**	82,596

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 September 2008 HK$'000	Audited 31 March 2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**121,374**	109,476
Leasehold land		**28,362**	28,760
Investment property		**11,500**	11,500
Rental deposits and other assets		**61,588**	69,995
Deferred income tax assets		**2,557**	2,625
		225,381	222,356
Current assets			
Inventories		**643,107**	470,543
Trade receivables	9	**35,316**	28,265
Other receivables, deposits and prepayments		**69,849**	70,317
Bank deposits over three months to maturity		**15,393**	227,262
Cash and cash equivalents		**368,394**	424,381
		1,132,059	1,220,768
LIABILITIES			
Current liabilities			
Trade and bills payables	10	**197,071**	178,458
Other payables and accruals		**125,212**	113,965
Income tax payable		**38,196**	32,608
		360,479	325,031
Net current assets		**771,580**	895,737
Total assets less current liabilities		**996,961**	1,118,093
Non-current liabilities			
Retirement benefit obligations		**4,796**	4,629
Deferred income tax liabilities		**2,174**	1,025
Other payables		**3,970**	3,946
		10,940	9,600
Net assets		**986,021**	1,108,493
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**138,125**	137,894
Reserves		**765,020**	763,651
Proposed dividends		**82,876**	206,948
Total equity		**986,021**	1,108,493

Notes:

1. **Basis of preparation**

This condensed consolidated interim financial information for the half-year ended 30 September 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2008, which has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS).

2. **Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not expected to have any impact on the Group's financial statements:

HK(IFRIC) - Int 12, 'Service concession arrangements'

HK(IFRIC) - Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2008 and have not been early adopted:

HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009.

HKAS 23 (Revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009.

HKFRS 2 (Amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009.

HKFRS 3 (Revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 1 (Revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009.

HKAS 32 (Amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009.

HKAS 39 and HKFRS 7 (Amendment), 'Reclassification of financial assets', effective for annual periods beginning on or after 1 October 2008.

2. **Accounting policies** (continued)

HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008.

HK(IFRIC) – Int 15, 'Agreements for the construction of real estate', effective for annual periods beginning on or after 1 January 2009.

HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008.

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations of HKFRS upon initial application. In the opinion of the directors, the above new/revised standards are not expected to result in substantial changes to the Group's accounting policies or have material impact on the Group's financial statements.

3. Segment information

The Group is principally engaged in the retailing and wholesaling of cosmetic products. Turnover represents the invoiced sales value of goods supplied to customers.

(a) Primary reporting format - business segments

(i) The segment results and other segment information are as follows:

	Six months ended 30 September 2008		
	Continuing operations	**Discontinued operations**	
	Retail and wholesale HK$'000	**Beauty and health club services HK$'000**	**Total HK$'000**
Turnover	**1,629,767**	**-**	**1,629,767**
Results			
Segment results	**101,042**	**-**	**101,042**
Interest income			**8,345**
Profit before income tax			**109,387**
Income tax expense			**(21,724)**
Profit for the period			**87,663**
Other information			
Capital expenditure	**47,793**	**-**	**47,793**
Depreciation	**32,593**	**-**	**32,593**
Amortisation	**398**	**-**	**398**
Provision for slow moving inventories and stock shrinkage	**21,753**	**-**	**21,753**

3. Segment information (continued)

(a) Primary reporting format - business segments (continued)

(i) The segment results and other segment information are as follow: (continued)

	Six months ended 30 September 2007		
	Continuing operations	Discontinued operations	
	Retail and wholesale HK$'000	Beauty and health club services HK$'000	Total HK$'000
Turnover	1,399,012	117,014	1,516,026
Results			
Segment results	97,090	1,114	98,204
Interest income			14,263
Profit before income tax			112,467
Income tax expense			(21,795)
Profit for the period			90,672
Other information			
Capital expenditure	23,521	2,792	26,313
Depreciation	32,457	5,372	37,829
Amortisation	398	-	398
Provision for slow moving inventories and stock shrinkage	18,697	57	18,754

Capital expenditure comprises additions to property, plant and equipment, leasehold land and investment property.

(ii) No separate disclosure for segment assets and liabilities is necessary as there is only one segment under primary reporting format as at 30 September and 31 March 2008.

3. **Segment information** (continued)

(b) Secondary reporting format - geographical segments

The Group operates in Mainland China and Special Administrative Regions ("SAR"), Taiwan and South Asia. SAR includes Hong Kong and Macau. South Asia comprises Thailand, Malaysia and Singapore.

(i) The Group's turnover and capital expenditure are as follows:

Turnover is allocated based on the places in which the customers are located.

Capital expenditure, comprising additions to property, plant and equipment, leasehold land and investment property, is allocated based on where the assets are located.

	Six months ended 30 September 2008			
	Mainland China and SAR HK$'000	**Taiwan HK$'000**	**South Asia HK$'000**	**Total HK$'000**
Turnover				
- Continuing operations	**1,426,902**	**66,292**	**136,573**	**1,629,767**
- Discontinued operations	**-**	**-**	**-**	**-**
	1,426,902	**66,292**	**136,573**	**1,629,767**
Capital expenditure				
- Continuing operations	**43,335**	**193**	**4,265**	**47,793**
- Discontinued operations	**-**	**-**	**-**	**-**
	43,335	**193**	**4,265**	**47,793**

	Six months ended 30 September 2007			
	Mainland China and SAR HK$'000	Taiwan HK$'000	South Asia HK$'000	Total HK$'000
Turnover				
- Continuing operations	1,231,854	64,122	103,036	1,399,012
- Discontinued operations	78,296	-	38,718	117,014
	1,310,150	64,122	141,754	1,516,026
Capital expenditure				
- Continuing operations	16,398	3,897	3,226	23,521
- Discontinued operations	1,344	-	1,448	2,792
	17,742	3,897	4,674	26,313

3. **Segment information** (continued)

(b) **Secondary reporting format - geographical segments** (continued)

(ii) The segment assets are as follows:

Segment assets consist primarily of property, plant and equipment, leasehold land, investment property, inventories, receivables and operating cash, and exclude certain corporate assets and tax.

Total assets are allocated based on where the assets are located.

	As at 30 September 2008			
	Mainland China and SAR HK$'000	**Taiwan HK$'000**	**South Asia HK$'000**	**Total HK$'000**
Segment assets	**1,158,037**	**50,516**	**145,580**	**1,354,133**
Unallocated corporate assets				**3,307**
Total assets				**1,357,440**

	As at 31 March 2008			
	Mainland China and SAR HK$'000	Taiwan HK$'000	South Asia HK$'000	Total HK$'000
Segment assets	1,243,860	53,573	142,316	1,439,749
Unallocated corporate assets				3,375
Total assets				1,443,124

4. Profit before income tax

Profit before income tax is stated after crediting and charging the following:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Crediting						
Net exchange gains	**878**	-	-	-	**878**	-
Charging						
Depreciation of property, plant and equipment	**32,593**	32,457	**-**	5,372	**32,593**	37,829
Amortisation of leasehold land	**398**	398	-	-	**398**	398
Operating lease rentals in respect of land and buildings						
- minimum lease payments	**170,450**	142,236	-	13,736	**170,450**	155,972
- contingent rent	**3,469**	1,566	-	1,724	**3,469**	3,290
Provision for slow moving inventories and stock shrinkage	**21,753**	18,697	-	57	**21,753**	18,754
Net exchange losses	-	968	-	16	-	984

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the condensed consolidated interim income statement represents:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong profits tax						
Current	**17,324**	20,763	**-**	73	**17,324**	20,836
Over provision in previous periods	**-**	3	**-**	(9)	**-**	(6)
Overseas taxation						
Current	**3,337**	2,168	-	483	**3,337**	2,651
Over provision in previous periods	**(47)**	-	-	(777)	**(47)**	(777)
Deferred income tax relating to origination and reversal of temporary differences	**1,076**	(682)	-	(260)	**1,076**	(942)
Change in tax rate	**34**	33	-	-	**34**	33
	21,724	22,285	-	(490)	**21,724**	21,795

6. Earnings per share

(a) The calculation of basic and diluted earnings per share from continuing operations is based on the Group's profit from continuing operations attributable to equity holders of the Company of HK$87,663,000 (2007: HK$88,146,000).

(b) The calculation of basic and diluted earnings per share from discontinued operations is based on the Group's profit from discontinued operations attributable to equity holders of the Company of HK$2,526,000 in 2007.

(c) The calculation of basic earnings per share from continuing operations and discontinued operations is based on the weighted average of 1,379,769,214 (2007: 1,371,363,331) shares in issue during the period.

(d) The calculation of diluted earnings per share from continuing operations and discontinued operations is based on the weighted average of 1,379,769,214 (2007: 1,371,363,331) shares in issue during the period plus the weighted average of 2,993,847 (2007: 4,195,014) shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. Dividends

	Six months ended 30 September	
	2008	2007
	HK$'000	HK$'000
Interim, proposed – 3.0 HK cents (2007: 3.0 HK cents) per share	**41,438**	41,298
Special, proposed – 3.0 HK cents (2007: 3.0 HK cents) per share	**41,438**	41,298
	82,876	82,596

At a meeting held on 27 November 2008, the Directors declared an interim dividend of 3.0 HK cents and a special dividend of 3.0 HK cents per share. These proposed dividends are not reflected as dividend payables in this condensed consolidated interim financial information, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2009.

8. Profit for the period from discontinued operations

On 19 February 2008, Highmove Enterprises Limited ("Highmove"), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Fullgoal International Limited, for the sale of the entire issued share capital of Lisbeth Enterprises Limited ("Lisbeth"), a wholly owned subsidiary of the Company, and the assignment of the sales debt in the sum of HK$87,000,000 owing by Lisbeth to Highmove for an aggregate consideration of HK$20,000,000. The disposal was completed on 31 March 2008.

The result of the discontinued operations for the period ended 30 September 2007 included in the condensed consolidated income statement is set out below.

	Note	Six months ended 30 September 2007 HK$'000
Turnover	3	117,014
Cost of sales		(43,799)
Gross profit		73,215
Other income		519
Selling and distribution costs		(65,486)
Administrative expenses		(7,118)
Other net losses		(16)
Operating profit		1,114
Interest income		922
Profit before income tax	4	2,036
Income tax expense	5	490
Profit for the period from discontinued operations		2,526

9. Trade receivables

The Group's turnover is mainly cash and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 30 days. The ageing analysis of trade receivables is as follows:

	30 September 2008 HK$'000	31 March 2008 HK$'000
Within 1 month	**26,293**	22,958
1 to 3 months	**8,035**	3,225
Over 3 months	**988**	2,082
	35,316	28,265

The fair values of trade receivables approximate their carrying amounts.

10. Trade and bills payables

The ageing analysis of trade and bills payables is as follows:

	30 September 2008 HK$'000	31 March 2008 HK$'000
Within 1 month	**120,030**	78,539
1 to 3 months	**62,758**	82,431
Over 3 months	**14,283**	17,488
	197,071	178,458

The fair values of trade and bills payables approximate their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2008, the Group's consolidated turnover amounted to HK$1,629.8 million, representing an increase of 16.5% from HK$1,399.0 million in the same period last year when comparing the continuing retail and wholesale business of both years. The Group's consolidated turnover recorded an increase of 7.5% from HK$1,516.0 million in the same period last year, if the discontinued business of beauty services last year (disposed on 31 March 2008) is included as a base for comparison. The Group's operating profit was HK$101.0 million, representing an increase of 4.1% from HK$97.1 million in the same period last year when comparing the continuing retail and wholesale business of both years. The Group's unaudited profit attributable to equity holders of the Company was HK$87.7 million, as compared to HK$88.1 million from the continuing retail and wholesale business last year, and HK$90.7 million, the aggregate profit of continuing retail and wholesale business and the discontinued beauty services business in the same period last year. Basic earnings per share amounted to 6.4 HK cents, the same amount as that generated from the continuing retail and wholesale business for the same period last year.

Retail & Wholesale Business

The Group's retail and wholesale business saw an increase in turnover of 16.5%, reaching HK$1,629.8 million. Turnover growth was recorded in all markets, as well as our online business. The overall gross profit margin increased 0.5% to 42.7% as compared to 42.2% in the same period last year, due to improvement in product mix. Our inventory turnover days were 120 days as at 30 September 2008 as compared to 123 days on 30 September 2007.

Hong Kong and Macau

Turnover rose by 12.5% for the six months ended 30 September 2008, with same store growth increasing by 5.2%. Turnover growth was driven by a 12.6% increase in the number of transactions. This performance reflected a growing customer base from both Mainland China tourists and local residents.

Our strategy of rebalancing our growth rate and product offerings to broaden our customer base continued its growth momentum from last fiscal year into the current fiscal year. The first quarter saw double-digit growth despite the tragic earthquake in the Sichuan province of China, and the exceptionally rainy weather in June.

Building on last year's strong platform, Sa Sa's sales performance in July 2008 was satisfactory. However, the month of August's figures were affected by the attention focused on the Olympic Games. It was only in September that the impact of the global financial turmoil on Hong Kong could be identified as a contributing factor to slowing sales growth.

Nevertheless, reflecting the improvement in our product portfolio, the gross profit margin of our retail business in Hong Kong and Macau improved by 0.5% to 42.7% from 42.2% in the corresponding period last year. In order to manage the continuing challenge of rental costs and to improve the store network contribution, a prudent strategy was adopted in regard to lease renewals and store relocation.

This year being the 30th anniversary of Sa Sa's founding, we launched a new corporate branding campaign including a TV commercial that reinforced Sa Sa's refreshing and young image and our passion about beauty. This was in addition to ongoing sponsorship activities such as the Miss Hong Kong Pageant 2008 and Ladies' Purse Day, one of the most popular and high-profile racing days in Hong Kong.

To celebrate our 30th anniversary as well as strengthening our corporate and exclusive brands' images in Hong Kong, advertising and promotion expenses increased by HK$11.7 million in Hong Kong and Macau for the period under review.

During the period under review, the Group had a net increase of four stores. As at 30 September 2008, there were 62 Sa Sa stores (including six in Macau), one La Colline specialty store and one Elizabeth Arden counter.

Mainland China

Sa Sa recorded both turnover growth and same store growth in Mainland China in the six months ended 30 September 2008. Both the expansion of multi-brand Sa Sa stores and single-brand counters progressed as planned. We continued to consolidate the store network in Shanghai to enhance our overall performance and to improve our product offering by seeking cooperation with various other brands. Three new Sa Sa stores were opened in Beijing, all of which delivered an encouraging performance, and nine counters were added under the Group's exclusive brand, Suisse Programme. Two additional stores were secured in Beijing during the period.

The Group is now preparing for the establishment of a wholesale business through the appointment of local distributors. In such a large, complex and fragmented market, we see the clear benefits in enhancing Sa Sa's expertise and resources through working with local partners and we will continue to look at various options to develop the Mainland market's potential. As at 30 September 2008, there were seven Sa Sa stores and 21 beauty counters under the Suisse Programme in the Mainland market.

Singapore and Malaysia

Our core business strategy for the Singapore and Malaysia market continues to focus on gaining market share through increased sales and enhancing our network to provide improved service to Sa Sa's customers and beauty brands. During the period, turnover for the overall Singapore and Malaysia market grew by 32.5% to HK$136.6 million, while same store growth increased by 2.8% in Singapore and 11.8% in Malaysia. Singapore and Malaysia together increased their contribution to the Group.

In Singapore, our performance improved in the second quarter as the adjustment in our product portfolio to comply with the ASEAN Cosmetics Directive, effective 2008, entered its final stages. One new store was opened during the period. As at 30 September 2008, the total number of Sa Sa stores in Singapore was 14.

The profitability of our Malaysian operations as well as their contribution to the Group were much enhanced. The strong growth momentum continued due to wide market acceptance and increasing popularity led by effective positioning, strengthened marketing activities and increased sales productivity. Two new stores were added to our portfolio. As at 30 September 2008, the number of Sa Sa stores in Malaysia stood at 23.

Taiwan

Turnover in the Group's Taiwan business increased by 3.4% to HK$66.3 million during the first six months of the fiscal year and the loss narrowed. Our performance was affected by the weakness of the local economy, which in turn affected consumer sentiment. In order to highlight our positioning as the number one channel for fragrances and to increase Sa Sa's market share, we hosted a fragrance festival with an integrated marketing campaign for the second successive year. The total number of stores in Taiwan remained at 14 as at 30 September 2008.

E-commerce - Sasa.com
Turnover for Sasa.com amounted to HK$68.5 million, representing an increase of 101.3% over the corresponding period of the previous fiscal year. Profitability improved. We expanded the product range and strengthened marketing activities in order to increase sales. The enhancement of the e-commerce platform helped facilitate more efficient browsing and ordering, thereby increasing sales capacity. Overall, the on-line shopping experience was further enhanced, which encouraged repeat purchases.

Brand Management

Group sales of own-brands and exclusively distributed products increased by 16.9% and contributed to 35.5% of the Group's total retail sales as compared to 35.3% last year. Over 750 new products were added to our exclusive product portfolio during the six-month period. In order to increase market penetration, considerable marketing efforts were devoted to strengthening the appeal of the exclusive trendy and upcoming brands secured last year, including the use of print advertisements and public relations activities. We also laid special emphasis on the product development of Sa Sa's own-brands, including the introduction of more new products and expansion of the product range. New product lines and popular trendy products were added to boost sales.

Following the appointment of a new senior executive to head the management of our own-brands towards the end of fiscal 2007, the team structure was further enhanced. More experienced personnel were brought in to bolster brand building and the product development of our own-brands.

Outlook

We remain confident, although prudently watchful, about the growth of our retail business in the medium to long term. There is no doubt that the second half of fiscal 2008 will be highly challenging. We foresee that the uncertainties arising from the global financial crisis, which first became fully apparent in September, will continue to strongly affect consumer sentiment and hence consumption patterns in the near term. The relatively high base and strong consumer platform of the second half of fiscal 2007 was a result of robust retail growth, which in turn reflected buoyant property and stock markets in Mainland China and Hong Kong. Although the rental market has begun to soften, rental costs will continue to be a challenge for Sa Sa due to the lag effect.

Nevertheless, we believe that Sa Sa will continue to benefit from the relative underlying strength of the economies of both Mainland China and Hong Kong in the global downturn. There are other positive factors. Beauty products have become a daily necessity for consumers whatever the market situation, and the competitive edge of the local beauty market, together with the "holiday mindset" of PRC tourists, are likely to ensure that they will continue to make strong purchases of cosmetics in Hong Kong and Macau.

Pro-active measures
In order to meet the market challenges of the second half of the fiscal year, emphasis will be placed on adapting product offerings to suit customers' changing preferences in the new economic climate. This, together with the initiative to drive sales with more aggressive promotions, will put pressure on the gross profit margin in the second half. Indeed, the year-on-year gross profit margin for Hong Kong and Macau was already slightly impacted to the extent of about 1% in September and October 2008. In addition, we will implement cost control measures, including improving the cost-effectiveness of marketing activities. We will tighten inventory management to reduce risks in relation to inventory and we will enhance stock productivity. In order to manage rental pressures, we will improve the efficiency of the overall retail network and its contribution while continuing our prudent cash management policy.

Network expansion

In terms of growing our network, we will pursue cautious network expansion in markets with growth prospects such as Mainland China and Malaysia. In the Mainland, we have secured two new stores in Beijing and will continue to look for store spaces in Beijing, Shanghai and Wuhan. We will also make strenuous efforts to improve the sales productivity of Suisse Programme counters in the Mainland while continuing to seek good counter spaces. The preparation for the wholesale business via local distributors is now well underway and we aim to launch it in early next fiscal year. We have also committed to opening three new stores in Malaysia in the second half of this fiscal year, including two in Kota Kinabalu.

Sa Sa's retail business has shown a consistency in performance through both good and difficult market conditions. By maintaining our strict adherence to prudent financial management, zero gearing, and high standards of management adaptability, we have continued to build a broad customer base and a sound financial platform. The Group therefore remains confident of our ability to weather the market conditions as they arise, and we believe that Sa Sa is well positioned to continue to deliver solid returns to our shareholders well into the future.

HUMAN RESOURCES

As at 30 September 2008, the Group had a total of 2,452 employees. Staff costs for the year under review were HK$240.3 million. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. Performance bonus and share options are then offered to qualified employees. A performance-based element is included in the annual discretionary bonus for all staff as well as in share options for supervisory and managerial staff. The Group places strong emphasis on staff training and development in order to realise the full potential of our employees. In addition to supporting the graduate trainee programme, various staff development initiatives were implemented during the period through in-house and external training programmes. Financial subsidies for further studies in related fields were also provided.

FINANCIAL REVIEW

Capital Resources and Liquidity

As at 30 September 2008, the Group's total equity funds were HK$986.0 million including reserves of HK$847.9 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$383.8 million. The Group's working capital was HK$771.6 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

During the period, the majority of the Group's cash and bank balances was in Hong Kong or U.S. dollars and deposited in leading banks with maturity dates falling within one year. This is in line with the Group's policy to maintain liquidity of its funds and continue to contribute a stable yield to the Group.

Financial Position

Subsequent to the payment of final and special dividends, total funds employed (representing total equity) as at 30 September 2008 were HK$986.0 million, which represented a 11.0% decrease over the total funds employed of HK$1,108.5 million as at 31 March 2008.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 30 September 2008 and 31 March 2008.

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no significant borrowing during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong or U.S. dollars. Due to the volatility of the foreign exchange market and the potential downside exposure arising from the forward foreign exchange contracts, the Group minimised its non U.S. dollar foreign exchange exposure by way of hedging against order at spot and maintaining no long position. These hedging policies are regularly reviewed by the Group.

Charge on Group Asset

As at 30 September 2008, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2008.

Capital Commitments

As at 30 September 2008, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$29.5 million.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board resolved to declare the interim dividend ("Interim Dividend") of 3.0 HK cents (2007: 3.0 HK cents) per share and the special dividend ("Special Dividend") of 3.0 HK cents (2007: 3.0 HK cents) per share for the six months ended 30 September 2008, payable to shareholders whose names appear on the register of members of the Company ("Register of Members") on 15 December 2008.

The Interim Dividend and Special Dividend will be paid around 24 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 12 December 2008 to 15 December 2008, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the Interim Dividend and Special Dividend, all valid documents in respect of transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Abacus Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 11 December 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

(I) Code on Corporate Governance Practices ("CG Code")

The Company is committed to good corporate governance principles and practices. The Board appreciates that corporate responsibility initiatives can scale up their impact by linking to corporate governance frameworks and recognizes that it is essential to safeguard the interests of stockholders, customers and employees and uphold accountability, transparency and responsibility of the Company.

The Company has complied with the code provisions ("Code Provision(s)") in the CG Code set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 September 2008 except for deviation from the Code Provision A.2.1, particulars of which are set out below. With a view to monitoring and continuously improving its performance, the Company reviews its corporate governance practices from time to time and always aims to enhance its corporate governance practices to be in line with local and international practices.

Code Provision A.2.1 - Chairman and Chief Executive Officer ("CEO")

The Code Provision A.2.1 of the CG Code stipulated that the roles of chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

Mr. Kwok Siu Ming, Simon has been both the chairman and CEO of the Company whose responsibilities were clearly set out in writing and approved by the Board effective on 1 April 2005. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise.

(II) Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules ("Company's Code"). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's Code throughout the period.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.sasa.com under "Corporate Information/Corporate Governance/Announcement" respectively. The interim report of the Company for the six months ended 30 September 2008 will be dispatched to the shareholders around 11 December 2008 and published on the HKEX's and the Company's websites in due course.

On behalf of the Board, I would like to extend my thanks and appreciation to all our staff for their hard work and commitment and to all of our customers, suppliers and shareholders for their continued support.

By Order of the Board
Kwok Siu Ming, Simon
Chairman and CEO

Hong Kong, 27 November 2008

As at the date of this announcement, the Board comprises the following directors:-

Executive Directors:
Mr. Kwok Siu Ming, Simon, *J.P.* *(Chairman and CEO)*
Mrs. Kwok Law Kwai Chun, Eleanor *(Vice-chairman)*
Mr. Look Guy *(Chief financial officer)*

Non-executive Director:
Mrs. Lee Look Ngan Kwan, Christina

Independent Non-executive Directors:
Professor Chan Yuk Shee, *J.P.*
Dr. Leung Kwok Fai, Thomas, *J.P.*
Ms. Tam Wai Chu, Maria, *GBS, J.P.*
Ms. Ki Man Fung, Leonie, *SBS, J.P.*