SA SA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 178)

Interim Results for the six months ended 30 September 2009 Dividends and Closure of Books

Highlights

- The Group's turnover increased by 8.3% to HK$1,764.6 million from HK$1,629.8 million
- Turnover of the retail business in Hong Kong and Macau registered growth of 5.1% as compared to the same period last year
- Turnover and profitability of all markets and business units improved
- Profit for the period was HK$123.5 million, an increase of 40.9% from HK$87.7 million in the same period last year
- The gross profit margin of the Group increased to 43.9% from 42.7% last year
- Basic earnings per share were 8.9 HK cents as compared to 6.4 HK cents for the same period last year
- Dividend per share was 9.0 HK cents, representing a dividend payout ratio of approximately 100%, while dividend per share for the corresponding period last year was 6.0 HK cents
- Sa Sa ranked 5th in Best Investor Relations and 8th in Best Corporate Governance among all listed companies in Hong Kong in Asia's Best Companies Poll 2009 published by FinanceAsia magazine

The Board of Directors of Sa Sa International Holdings Limited 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 2009 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 auditor, 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 interim financial information will be included in the interim report for distribution to shareholders.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	**Unaudited Six months ended 30 September 2009 HK$'000**	2008 HK$'000
Turnover	3	**1,764,556**	1,629,767
Cost of sales		**(990,033)**	(933,179)
Gross profit		**774,523**	696,588
Other income		**12,790**	11,720
Selling and distribution costs		**(554,356)**	(518,911)
Administrative expenses		**(85,690)**	(89,233)
Other net gains		**776**	878
Operating profit		**148,043**	101,042
Finance income		**4,133**	8,345
Profit before income tax	4	**152,176**	109,387
Income tax expenses	5	**(28,660)**	(21,724)
Profit for the period		**123,516**	87,663
Earnings per share for profit for the period (expressed in HK cents per share)	6		
Basic		**8.9**	6.4
Diluted		**8.9**	6.3
Dividends	7	**124,545**	82,876

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2009 HK$'000	2008 HK$'000
Profit for the period	**123,516**	87,663
Other comprehensive income		
Depreciation transfer on buildings, net of tax	**44**	44
Currency translation differences	**8,654**	(7,889)
Other comprehensive income for the period, net of tax	**8,698**	(7,845)
Total comprehensive income for the period	**132,214**	79,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2009 HK$'000**	Audited 31 March 2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**113,811**	114,774
Leasehold land		**27,566**	27,964
Investment property		**10,000**	10,000
Rental deposits and other assets		**81,151**	63,885
Deferred income tax assets		**2,573**	2,657
		235,101	219,280
Current assets			
Inventories		**637,847**	468,670
Trade receivables	8	**30,004**	25,280
Other receivables, deposits and prepayments		**79,452**	81,456
Bank deposits over three months		**157,366**	35,863
Cash and cash equivalents		**325,524**	584,633
		1,230,193	1,195,902
LIABILITIES			
Current liabilities			
Trade and bills payables	9	**257,212**	144,475
Other payables and accruals		**133,912**	111,397
Income tax payable		**31,687**	21,851
		422,811	277,723
Net current assets		**807,382**	918,179
Total assets less current liabilities		**1,042,483**	1,137,459
Non-current liabilities			
Retirement benefit obligations		**4,603**	4,193
Deferred income tax liabilities		**1,273**	1,256
Other payables		**9,949**	9,261
		15,825	14,710
Net assets		**1,026,658**	1,122,749
EQUITY			
Capital and reserves			
Share capital		**138,333**	138,125
Reserves		**763,780**	749,809
Proposed dividends		**124,545**	234,815
Total equity		**1,026,658**	1,122,749

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2009 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 2009, which has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS).

2. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those annual financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

- HKFRS 2 (amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented, as the previously reported retail and wholesale has been split into geographic perspective including Hong Kong & Macau, Mainland China and All other segments.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Executive directors of the Group are identified as the chief operating decision-maker that make strategic and operating decisions.

2. Accounting policies (continued)

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 March 2010.

- HK(IFRIC) 13, 'Customer loyalty programmes' - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), 'Borrowing costs'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

- Amendment to HKAS 39, 'Financial instruments: recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 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.

- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

2. **Accounting policies** (continued)

HKICPA's improvements to HKFRS published in May 2009.

- Amendment to HKFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009.
- Amendment to HKFRS 5 'Non-current assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010.
- Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 17 'Leases', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009.
- Amendment to HKAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010.
- Amendment to HK(IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009.
- Amendment to HK(IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009.

3. Segment information

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results. Business reportable segments identified are Hong Kong & Macau, Mainland China and All other segments. All other segments refer to segment results from markets in Singapore, Malaysia, Taiwan and e-commerce business.

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

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

	Six months ended 30 September 2009			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover	1,386,176	42,217	336,163	1,764,556
Results				
Segment results	112,022	(10,933)	22,427	123,516
Other information				
Capital expenditure	14,054	4,642	10,426	29,122
Finance income	3,237	29	867	4,133
Income tax expense	23,943	-	4,717	28,660
Depreciation	20,200	3,624	6,425	30,249
Amortisation	398	-	-	398
Provision for slow moving inventories and stock shrinkage	2,881	844	974	4,699

3. **Segment information** (continued)

	Six months ended 30 September 2008			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover	1,333,591	24,802	271,374	1,629,767
Results				
Segment results	96,957	(14,526)	5,232	87,663
Other information				
Capital expenditure	35,438	7,453	4,902	47,793
Finance income	7,201	34	1,110	8,345
Income tax expense	18,248	-	3,476	21,724
Depreciation	23,025	2,559	7,009	32,593
Amortisation	398	-	-	398
Provision for slow moving inventories and stock shrinkage	13,068	2,680	6,005	21,753

	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
At 30 September 2009				
Total segment assets	1,163,001	51,345	247,625	1,461,971
Deferred income tax assets				2,573
Unallocated corporate asset				750
				1,465,294
At 31 March 2009				
Total segment assets	1,169,941	38,599	203,235	1,411,775
Deferred income tax assets				2,657
Unallocated corporate asset				750
				1,415,182

4. Profit before income tax

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

	Six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
Crediting		
Net exchange gains	**776**	878
Charging		
Depreciation of property, plant and equipment	**30,249**	32,593
Amortisation of leasehold land	**398**	398
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**178,280**	170,450
- contingent rent	**6,045**	3,469
Provision for slow moving inventories and stock shrinkage	**4,699**	21,753

5. Income tax expenses

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) 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:

	Six months ended 30 September	
	2009	2008
	HK$'000	HK$'000
Hong Kong profits tax		
Current	**25,432**	17,324
Under provision in previous periods	**158**	-
Overseas taxation		
Current	**3,251**	3,337
Over provision in previous periods	**(448)**	(47)
Deferred income tax relating to origination and reversal of temporary differences	**267**	1,076
Change in tax rate	**-**	34
	28,660	21,724

6. Earnings per share

(a) The calculation of basic and diluted earnings is based on the Group’s profit for the period of HK$123,516,000 (2008: HK$87,663,000).

(b) The calculation of basic earnings per share is based on the weighted average number of 1,381,619,690 (2008: 1,379,769,214) shares in issue during the period.

(c) Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The calculation of diluted earnings per share is based on the weighted average number of 1,381,619,690 (2008: 1,379,769,214) shares in issue during the period plus the weighted average number of 4,427,242 (2008: 2,993,847) shares deemed to be issued. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to outstanding share options.

7. Dividends

	Six months ended 30 September	
	2009	2008
	HK$’000	HK$’000
Interim, proposed – 3.0 HK cents (2008: 3.0 HK cents) per share	**41,515**	41,438
Special, proposed – 6.0 HK cents (2008: 3.0 HK cents) per share	**83,030**	41,438
	124,545	82,876

At a meeting held on 27 November 2009, the Directors declared an interim dividend of 3.0 HK cents and a special dividend of 6.0 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 2010.

8. Trade receivables

The Group’s turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 45 days. The ageing analysis of trade receivables is as follows:

	30 September 2009	31 March 2009
	HK$’000	HK$’000
Within 1 month	**23,344**	21,513
1 to 3 months	**5,476**	3,085
Over 3 months	**1,184**	682
	30,004	25,280

The fair values of trade receivables approximate their carrying amounts.

9. Trade and bills payables

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

	30 September 2009 HK$'000	31 March 2009 HK$'000
Within 1 month	**170,478**	84,507
1 to 3 months	**76,431**	49,277
Over 3 months	**10,303**	10,691
	257,212	144,475

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

MANAGEMENT DISCUSSION & ANALYSIS

Interim Results

For the six months ended 30 September 2009, the Group's consolidated turnover amounted to HK$1,764.6 million, representing an increase of 8.3% from HK$1,629.8 million in the same period last year. Turnover and profitability in all markets and business units improved, with markedly higher growth in online business and markets outside Hong Kong and Macau. The Group's profit for the period was HK$123.5 million, representing an increase of 40.9% from the HK$87.7 million in the same period last year. The gross profit margin of the Group increased by 1.2% to 43.9% from 42.7% in the same period last year. Our inventory turnover days were 111 days as at 30 September 2009, as compared to 120 days on 30 September 2008.

Basic earnings per share amounted to 8.9 HK cents, as compared to 6.4 HK cents for the same period last year. The Board resolved to declare an Interim Dividend of 3.0 HK cents (2008: 3.0 HK cents) and a Special Dividend of 6.0 HK cents (2008: 3.0 HK cents) per share.

Market Overview

The global economic downturn has continued to affect the Asian economies to varying degrees. In addition, the ongoing H1N1 swine flu pandemic has had an impact on tourist inflow as well as on the local retail sector, including cosmetics, in various regional markets. In Singapore where tourism makes a significant contribution to the economy, the H1N1 swine flu effect on Sa Sa's sales was apparent during the period under review. Similarly, in Hong Kong, Mainland tourist arrivals fell from +7.8% in April to -13.7% in July, although in August the decline was reversed. This trend was reflected in the value of total retail sales in Hong Kong, which reverted to positive growth in September following seven consecutive months of negative growth. Sa Sa's sales in Hong Kong and Macau also staged a strong recovery in August after remaining flat in May and June.

Indeed, the cosmetics market proved relatively resilient throughout the period under review. Although customers have been switching from prestige to mid-market brands and trading down, the volume of purchases remained constant or growing, suggesting that consumers want to look and feel good in such an environment, with cosmetics and toiletries as their basic aids to well-being. In reflection of this, cosmetics have continued to be ranked as top items in the shopping lists of Mainland tourists in Hong Kong and Macau.

Looking ahead, we believe that the gradual improvement in the local economy of Hong Kong, Macau and our regional markets will support consumer confidence. We also believe that the competitive edge of the local beauty market, together with the consumption trends of PRC tourists, will ensure that consumers continue to make strong purchases of cosmetics.

Operations Review

Retail & Wholesale Business

Hong Kong and Macau

Turnover in Hong Kong and Macau rose by 3.9% to HK$1,386.2 million for the six months ended 30 September 2009, with same store growth increasing by 2.5%. In response to customers' demand for lower price products and the market becoming more price-sensitive in a challenging environment, we continued to deploy different distribution and marketing strategies to target different sectors and to provide all our customers with products that represent good value. Turnover growth was mostly driven by an increase in transactions from both local residents and Mainland China tourists, reflecting the growth in the number of our customers and our broadening customer base.

Building on last year's strong platform, the gross profit margin of our retail and wholesale business in Hong Kong and Macau increased by 1.0% to 43.7% from 42.7% in the corresponding period last year. This was largely the result of improved inventory management, which reduced provision for slow moving and obsolescent stock. Together with other effective cost control measures such as the tightening of marketing expenses, the performance of Hong Kong and Macau market was much enhanced.

The outbreak of H1N1 swine flu from May to July 2009 affected the flow of tourist arrivals from Mainland China, which in turn impacted on our business. Tourist arrivals saw a double-digit decline from May to July, with the biggest decline from Mainland tourists occurring in July. However, Sa Sa's sales in Hong Kong and Macau staged a strong recovery in August.

During the period under review, the Group had a net increase of seven stores in Hong Kong and Macau. As at 30 September 2009, there were 69 Sa Sa stores (including eight in Macau), one La Colline specialty store and one Elizabeth Arden counter.

Mainland China
Sa Sa recorded turnover growth of 70.2% to HK$42.2 million and a 14.6% increase in same store growth in Mainland China in the six months ended 30 September 2009. The loss was narrowed. We focused on driving same store growth over the period to rapidly increase the contribution of multi-brand "Sasa" stores. We opened two "Sasa" stores in Wuhan and one store in Shanghai. At the same time, in order to improve overall network productivity, we consolidated our Suisse Programme counters by closing six non-performing counters and improved the performance of others. As a result, our counter network recorded double-digit turnover growth as well as double-digit same store sales growth during the period under review.

Overall, the improvement in our performance in Mainland China was due to changes in the management team, improved product offerings, an emphasis on staff training and productivity, more stringent cost control measures and a growing network of contributing stores.

As at 30 September 2009, there were 13 "Sasa" stores and 17 beauty counters under Suisse Programme in the Mainland market.

Singapore and Malaysia
Our core business strategy for the Singapore and Malaysia market continues to focus on providing enhanced service to Sa Sa's customers, cooperation with beauty brands and strengthening our network to gain market share through increased sales.

Although both markets were affected by the global financial crisis and the outbreak of H1N1 swine flu, turnover for the Singapore market grew by 6.1% to HK$75.9 million while same store growth decreased by 3.9% during the period. A small profit was recorded. The improved performance was due to several factors: an improvement in stores' operational efficiency and increased sales productivity; a higher gross profit attributable to strengthened relationships with suppliers and to an enhanced sales mix; and more stringent cost control measures and inventory management.

Two new stores were opened during the period and one store was closed. As at 30 September 2009, the total number of "Sasa" stores in Singapore was 15.

Despite a weakening local economy and the H1N1 swine flu outbreak, the performance of our Malaysian operations as well as their contribution to the Group continued. Turnover rose 23.5% to HK$80.3 million, and same store growth reached 14.5%. The Malaysian operation now consistently contributes to the overall Group profits.

This strong growth momentum was supported by strengthened relationships with suppliers, improved product offerings, tightening of cost controls and more focused marketing activities. Two new stores were added to our portfolio. As at 30 September 2009, the number of "Sasa" stores in Malaysia stood at 28.

Taiwan

Turnover in the Group's Taiwan business increased by 2.7% to HK$68.1 million during the first six months of the fiscal year, same store sales rose 9.0% and the loss continued to narrow. Despite the shadows thrown by the financial crisis and consumer sentiment being affected by the typhoon disaster in August, our performance improved on the back of more effective marketing promotions, increasing brand awareness of Sa Sa and carefully applied cost controls. We opened one "Sasa" store and one Suisse Programme counter during the period. As at 30 September 2009, there were 14 "Sasa" stores and one Suisse Programme counter in Taiwan.

E-commerce – Sasa.com

Turnover for Sasa.com amounted to HK$111.9 million, representing an increase of 63.3% over the corresponding period of the previous fiscal year. Performance improved and profits were enhanced. The significant growth in turnover was due to an improved product offering and an upgraded online shopping experience, with more efficient browsing and ordering. Orders from repeat customers increased by 56.0% while the number of transactions from new customers increased by 37.0%.

Overall, the robust performance of Sasa.com was attributable to more cost-effective and targeted marketing activities, which helped generate customers and enhance profitability, as well as improvements in the sales mix and gross profit margin.

Brand Management

Group sales of own-label and exclusively distributed products increased by 6.5%, contributing 37.6% of the Group's total retail sales as compared to 38.6% last year. The strategic change in focus towards mid-to-low-end products, which began in the second half of last fiscal year, included product development for exclusive products and sourcing. The result was that products launched in the period under review were more competitive in the market. This competitiveness was supported by an emphasis on the "trendiness" and time-to-market of our new products, as well as further diversification in the product categories.

Outlook

Meeting Challenges

In order to meet the challenges of the second half of the fiscal year, emphasis will be placed on seeking opportunities in the current economic climate to grow market share, particularly in those markets where we have a strong foothold. We expect that our core markets of Hong Kong and Macau will continue to provide steady growth and a sound profit base to the Group. In addition, we are confident that our overseas markets and online business will remain strong growth drivers, offering additional streams of profits to the Group while we build the foundations for future high growth in Mainland China.

Pro-active Strategies

Through diversification of our retail network, we aim to serve different customer groups more efficiently and to increase the impact of Sa Sa's beauty brands' image. In order to facilitate diversification of the product portfolio, we will further strengthen our relationship with beauty brands and suppliers.

Sa Sa is also seeking to bolster overall operational management. We will undertake an internal review of all operational aspects of the Group for further improvement in operational efficiency. All management and operational systems will be strengthened to improve effectiveness. Meanwhile, the Group is streamlining the logistics process, improving warehouse management and upgrading our IT infrastructure to better support Sa Sa’s regional operations as well as our business expansion plan.

The tightening of cost controls and inventory management will continue to be high priorities. The Group will increase support to non-Hong Kong markets, including adjusting organisational structure, resources allocation and work flow systems to facilitate better co-ordination, support and information sharing between our headquarters in Hong Kong and branch offices. At the same time, we are developing human resources strategies and strengthening measures for training and management development to sustain our regional growth.

Overall, our management continues to be recognised for its efficiency, high standards of governance, transparency and timely disclosure. In May, Sa Sa ranked 5th in Best Investor Relations and 8th in Best Corporate Governance among all listed companies in Hong Kong in Asia's Best Companies Poll 2009 conducted by FinanceAsia magazine.

Brand Management

In terms of brand management, we will continue to strengthen our product and brand portfolio with more diversification to serve different customer groups and fuel future growth. To increase the competitiveness of our new products, we will conduct in-depth market research and analysis to support the product development and sourcing of new exclusive products while serving customers from various sectors better by introducing more fresh-to-market and trendy products. In order to build the brand image of exclusive brands and increase our customers’ awareness of them, we will intensify our marketing activities.

Overseas Markets and Online Business

We have implemented four major strategies to support the growth momentum in our overseas markets: increasing market share; raising the contributions of individual markets to the Group; enhancing the product portfolio; and improving service quality. In our online business, due to the high base of comparison in the second half of the last fiscal year, we expect year-on-year growth in the second half of fiscal year 2009 will slow somewhat in comparison with that of the first half. Nevertheless, we expect a continuing strong performance.

Hong Kong and Macau

In our core market, we believe that consumer sentiment will continue to improve and that the overall retail market and sales of cosmetics will benefit as long as economic growth gradually takes hold. However, this optimistic view is conditional on there being no major shift in the overall policy on the Individual Visit Scheme for Mainland tourists and no widespread outbreak of a serious epidemic in the region.

Against this background, we will continue the expansion of our store network in the second half of the fiscal year by opening three to four new stores in Hong Kong, including a store of about 13,000 square feet in Tsim Sha Tsui.

Mainland China

We are making progress with laying the foundations for the expansion of Sa Sa’s business in Mainland China. In the second half of the fiscal year, the Group will focus strongly on developing our multi-brand “Sasa” stores, which are already delivering an improving performance and gradually gaining more market recognition. At the same time, the Group will strengthen our counter network to increase the penetration of our exclusive brands while we will taking a cautious approach to other distribution strategies or formats, such as developing wholesale business through local distributors.

Expansion of "Sasa" Stores

Since an increasing number of "Sasa" stores are now generating contributions to the Group, we will accelerate the programme of store launches with a target of 20 stores in total by March 2010. These stores will open in geographical clusters to enable more efficient management and use of marketing resources. They will be located around our existing operational bases in northern China, eastern China and central China; namely in Beijing, Shanghai and Wuhan. We will also consider expanding our operations to a city in western and northern China such as Chengdu or Shenyang.

To support our network expansion, in the second half of fiscal year 2009 we will focus on increasing each store's productivity and operational efficiency, strengthening back office functions and internal co-ordination, and intensifying marketing and training efforts. Product offerings will be enriched with a broader spectrum of products and brands in stores, service standards will be enhanced and the IT infrastructure and logistics systems will be strengthened to support the development of the Mainland market at the next stage.

Counters Network

Beauty counters help promote the image of exclusive brands and increase their market penetration. However, they need to be positioned very carefully to attain their marketing goals. In the second half of fiscal year 2009, we will continue to consolidate our Suisse Programme beauty counters in Mainland China by closing non-performing ones and relocating some to better locations. The target number of counters is 22 by March 2010. To improve sales performance, we will strengthen the training of sales staff and supervisors and will step up marketing efforts to increase brand awareness.

Conclusion

Despite a number of difficult challenges and a volatile economic environment, Sa Sa's retail business has continued to show consistency and resilience in performance. Our sound financial platform, prudent strategies, zero gearing and high standards of management have enabled us to build a broad customer base and to continue developing the potential of both our local market, Mainland China and other markets. Although there are still clouds on the economic horizon, the Group remains confident of our ability to navigate market conditions whatever they may be, and we are confident that Sa Sa will continue to deliver sustained growth.

Human Resources

As at 30 September 2009, the Group had a total of 2,648 employees. Staff costs for the period under review were HK$255.9 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 2009, the Group's total equity funds were HK$1,026.7 million including reserves of HK$888.3 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$482.9 million. The Group's working capital was HK$807.4 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 2009 were HK$1,026.7 million, which represented a 8.6% decrease over the total funds employed of HK$1,122.8 million as at 31 March 2009.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 30 September 2009 and 31 March 2009.

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 bank 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 buying 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 2009, no Group asset was charged to any financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2009.

Capital Commitments

As at 30 September 2009, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$45.2 million.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board resolved to declare an Interim Dividend of 3.0 HK cents (2008: 3.0 HK cents) per share and a Special Dividend of 6.0 HK cents (2008: 3.0 HK cents) per share for the six months ended 30 September 2009, payable to shareholders whose names appear on the Register of Members of the Company on Tuesday, 15 December 2009.

The Interim Dividend and Special Dividend will be paid on or around Tuesday, 22 December 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance practices that promote accountability, transparency and responsibility.

Throughout the six months ended 30 September 2009, the Company had complied with all the Code Provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, except for the deviation from Code Provision A.2.1 described below. The Company reviews its corporate governance practices regularly in light of developments both locally and internationally.

Code Provision A.2.1 - Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("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.

Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. His responsibilities are 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 will nevertheless review this structure and its appropriateness from time to time.

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

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

The interim report of the Company for the six months ended 30 September 2009 containing more information on its corporate governance will be dispatched to the shareholders on or around Thursday, 10 December 2009, and be published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 14 December 2009 to Tuesday, 15 December 2009, 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 for the transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 December 2009.

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 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 2009

As at the date of this announcement, the directors of the Company are:-

Executive Directors
Dr KWOK Siu Ming Simon, *JP* (Chairman and CEO)
Dr KWOK LAW Kwai Chun Eleanor, *BBS* (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, *PhD, BBS, JP*
Dr LEUNG Kwok Fai Thomas, *PhD, BBS, JP*
Ms TAM Wai Chu Maria, *GBS, JP*
Ms KI Man Fung Leonie, *SBS, JP*