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 2010
Dividends and Proposed Bonus Issue of Shares
Closure of Books

Highlights

- The Group's turnover increased by 19.0% from HK$1,764.6 million to HK$2,099.2 million for the same period last year
- Turnover improved in all markets and business units
- Turnover of the retail business in Hong Kong and Macau registered growth of 16.8% as compared to the same period last year
- Profit for the period was HK$176.3 million, an increase of 42.3% from HK$123.9 million for the same period last year
- The gross profit margin of the Group increased from 43.9% in the previous year to 45.0% for the current year
- The sales mix of the Group's exclusive products increased from 37.6% last year to 39.4% for the current year
- Basic earnings per share is 12.7 HK cents as compared to 9.0 HK cents for the same period last year
- Dividend per share is 9.0 HK cents, same as that for the corresponding period last year
- sasa.com is recognised as "Top 30 Best Global Online B2C Retailers 2010" by Alibaba Group, China Electronic Commerce Association and Hangzhou Municipal Government in the PRC
- The Board proposed a bonus issue of shares to the Company's shareholders on the basis of one bonus share for every one existing ordinary share. A circular containing details of the proposed bonus issue and other information will be dispatched to shareholders as soon as practicable.

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 (the "Group") for the six months ended 30 September 2010 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 2010 HK$'000	As restated 2009 HK$'000
Turnover	3	**2,099,164**	1,764,556
Cost of sales		**(1,154,149)**	(990,033)
Gross profit		**945,015**	774,523
Other income		**14,398**	12,790
Selling and distribution costs		**(667,081)**	(554,356)
Administrative expenses		**(91,923)**	(85,293)
Other gains- net	4	**12,328**	776
Operating profit		**212,737**	148,440
Finance income		**2,830**	4,133
Profit before income tax	5	**215,567**	152,573
Income tax expenses	6	**(39,276)**	(28,660)
Profit for the period		**176,291**	123,913
Earnings per share for profit for the period (expressed in HK cents per share)	7		
Basic		**12.7**	9.0
Diluted		**12.5**	8.9
Dividends	8	**125,677**	124,803

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
		As restated
	2010	2009
	HK$'000	HK$'000
Profit for the period	**176,291**	123,913
Other comprehensive income		
Currency translation differences	**10,126**	8,654
Other comprehensive income for the period, net of tax	**10,126**	8,654
Total comprehensive income for the period	**186,417**	132,567

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 September 2010 HK$'000	As restated Audited 31 March 2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**173,593**	148,231
Investment property		**11,700**	11,700
Rental deposits and other assets		**93,327**	92,212
Deferred income tax assets		**2,448**	3,468
		281,068	255,611
Current assets			
Inventories		**778,877**	563,159
Trade receivables	9	**36,251**	38,589
Other receivables, deposits and prepayments		**79,402**	65,818
Time deposits		**46,383**	253,728
Cash and cash equivalents		**456,273**	392,580
		1,397,186	1,313,874
LIABILITIES			
Current liabilities			
Trade and bills payables	10	**298,489**	175,912
Other payables and accruals		**186,292**	156,337
Income tax payable		**55,449**	35,372
		540,230	367,621
Net current assets		**856,956**	946,253
Total assets less current liabilities		**1,138,024**	1,201,864
Non-current liabilities			
Retirement benefit obligations		**4,101**	4,111
Deferred income tax liabilities		**312**	1,964
Other payables		**12,116**	11,015
		16,529	17,090
Net assets		**1,121,495**	1,184,774
EQUITY			
Capital and reserves			
Share capital		**139,636**	139,131
Reserves		**856,182**	780,821
Proposed dividends		**125,677**	264,822
Total equity		**1,121,495**	1,184,774

Notes:

1. **Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 September 2010 has been prepared in accordance with Hong Kong Accounting Standard (the "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 2010, which has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

2. **Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements.

Amended standard adopted by the Group

In 2010, the Group has adopted the following amendment to existing standard which is mandatory for the first time for the Group's financial year beginning 1 April 2010 and is relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under 'Leasehold land' and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the lease term.

- If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property.

The effect of adoption of this amendment is analysed on pages 7 and 8.

2. **Accounting policies** (continued)

The following new standards, amendments to standards and interpretations are effective for the financial year beginning 1 April 2010 but not relevant to the Group.

- HKFRS 2 (Amendment), 'Group Cash-Settled Share-Based Payment Transaction' is effective for annual periods beginning on or after 1 January 2010.

- 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', are 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) Int 17, 'Distributions of Non-Cash Assets to Owners' is effective for annual periods beginning on or after 1 July 2009.

- 'Additional Exemptions for First-Time Adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010.

- HKAS 32 (Amendment), 'Classification of Rights Issues' is effective for annual periods beginning on or after 1 February 2010.

- HKAS 39 (Amendment), 'Eligible Hedged Items' is effective for annual periods beginning on or after 1 July 2009.

- The improvement related to HKFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' is effective for annual period on or after 1 July 2009, which was part of the first improvements to Hong Kong Financial Reporting Standards (2008) issued in October 2008 by the HKICPA.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA and effective for financial year beginning on 1 April 2010. All improvements are not relevant except HKAS 17 (Amendment) 'Leases'.

The following new standard, new interpretations, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

- HKFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2013).

- HKAS 24 (Revised), 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011).

- Amendments to HK(IFRIC) Int 14, 'Prepayments of a Minimum Funding Requirement' (effective for annual periods beginning 1 January 2011).

- HK(IFRIC) Int 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010).

- Amendment to HKFRS 1, 'Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters' (effective for annual periods beginning on or after 1 July 2010).

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA (effective for financial year beginning on 1 April 2011).

2. **Accounting policies** (continued)

Change in accounting policy

The Group has changed its accounting policy for measurement of leasehold building to cost less accumulated depreciation (the "cost model") instead of fair value amounts less subsequent depreciation. This change means that the building component and the more significant land component of property leases are measured on the same cost basis. The change has been applied retrospectively to remaining useful lives at the date of change of accounting policy.

The effect of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated interim income statement is as follows:

	Unaudited six months ended 30 September 2010		Unaudited six months ended 30 September 2009	
	HKAS 17 (Amendment) for land HK$'000	**Change to cost model for buildings HK$'000**	HKAS 17 (Amendment) for land HK$'000	Change to cost model for buildings HK$'000
(Increase) / decrease in depreciation under administrative expenses	**(398)**	**926**	(398)	397
Decrease in amortization of leasehold land under administrative expenses	**398**	**-**	398	-
Total increase in profit for the period	**-**	**926**	-	397
Increase in basic earnings per share	**-**	**0.1 cent**	-	0.1 cent
Increase in diluted earnings per share	**-**	**0.1 cent**	-	-

2. **Accounting policies** (continued)

Change in accounting policy (continued)

The effect of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated interim statement of financial position is as follows:

	Unaudited As at 30 September 2010		As at 31 March 2010		As at 31 March 2009	
	HKAS 17 (Amendment) for land HK$'000	**Change to cost model for buildings HK$'000**	HKAS 17 (Amendment) for land HK$'000	Change to cost model for buildings HK$'000	HKAS 17 (Amendment) for land HK$'000	Change to cost model for buildings HK$'000
Increase / (decrease)in property, plant and equipment	**26,769**	**(11,866)**	27,167	(12,792)	27,964	(6,270)
Decrease in leasehold land	**(26,769)**	**-**	(27,167)	-	(27,964)	-
Decrease in deferred income tax liabilities	**-**	**(1,543)**	-	(1,696)	-	(577)
Decrease in building revaluation reserve	**-**	**(7,809)**	-	(8,582)	-	(2,919)
Decrease in retained earnings	**-**	**(2,514)**	-	(2,514)	-	(2,774)

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 segments results from markets in Singapore, Malaysia, Taiwan and e-commerce.

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, investment property, inventories, receivables and operating cash, and exclude certain corporate assets and tax. Capital expenditure comprises additions to property, plant and equipment and investment property.

3. **Segment information** (continued)

	Six months ended 30 September 2010			
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**All other segments HK$'000**	**Total HK$'000**
Turnover	**1,629,400**	**60,000**	**409,764**	**2,099,164**
Results				
Segment results	**164,525**	**(10,756)**	**22,522**	**176,291**
Other information				
Capital expenditure	**41,493**	**5,822**	**14,643**	**61,958**
Finance income	**1,814**	**51**	**965**	**2,830**
Income tax expenses	**32,548**	**-**	**6,728**	**39,276**
Depreciation	**24,035**	**4,775**	**8,016**	**36,826**

	Six months ended 30 September 2009 (As restated)			
	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	112,419	(10,933)	22,427	123,913
Other information				
Capital expenditure	14,054	4,642	10,426	29,122
Finance income	3,237	29	867	4,133
Income tax expenses	23,943	-	4,717	28,660
Depreciation	20,201	3,624	6,425	30,250

3. Segment information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
At 30 September 2010				
Non-current assets	**210,169**	**17,443**	**50,258**	**277,870**
Current assets	**1,043,224**	**68,959**	**285,003**	**1,397,186**
Deferred income tax assets				**2,448**
Unallocated corporate asset				**750**
				1,678,254
As restated				
At 31 March 2010				
Non-current assets	197,038	16,471	37,884	251,393
Current assets	1,020,742	56,305	236,827	1,313,874
Deferred income tax assets				3,468
Unallocated corporate asset				750
				1,569,485

4. Other gains - net

	Six months ended 30 September 2010 HK$'000	2009 HK$'000
Net exchange gains	**12,328**	776

5. Expenses by nature

	Six months ended 30 September	
		As restated
	2010	2009
	HK$'000	HK$'000
Cost of inventories sold	**1,144,181**	985,334
Provision for slow moving inventories and stock shrinkage	**9,968**	4,699
Employee benefit expenses (including directors' emoluments)	**296,716**	255,906
Depreciation of property, plant and equipment	**36,826**	30,250
Write-off of property, plant and equipment	**623**	863
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**218,993**	178,280
- contingent rent	**8,741**	6,045
Auditors' remuneration	**1,565**	1,592
Advertising and promotion expenses	**38,713**	34,979
Others	**156,827**	131,734
	1,913,153	1,629,682
Representing:		
Cost of sales	**1,154,149**	990,033
Selling and distribution costs	**667,081**	554,356
Administrative expenses	**91,923**	85,293
	1,913,153	1,629,682

6. Income tax expenses

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 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	
	2010	2009
	HK$'000	HK$'000
Hong Kong profits tax		
Current	**34,401**	25,432
Under provision in previous periods	**-**	158
Overseas taxation		
Current	**5,691**	3,251
Over provision in previous periods	**(312)**	(448)
Deferred income tax relating to origination and reversal of temporary differences	**(504)**	267
	39,276	28,660

7. Earnings per share

(a) The calculation of basic and diluted earnings is based on the Group's profit for the period of HK$176,291,000 (2009: HK$123,913,000, as restated).

(b) The calculation of basic earnings per share is based on the weighted average number of 1,393,160,919 (2009: 1,381,619,690) 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 1,393,160,919 (2009: 1,381,619,690) shares in issue during the period plus the weighted average number of 11,675,382 (2009: 4,427,242) 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.

8. Dividends

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Interim, proposed – 3.0 HK cents (2009: 3.0 HK cents) per share	**41,892**	41,601
Special, proposed – 6.0 HK cents (2009: 6.0 HK cents) per share	**83,785**	83,202
	125,677	124,803

At a meeting held on 18 November 2010, 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 payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2011.

9. 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 90 days. The ageing analysis of trade receivables is as follows:

	30 September 2010	31 March 2010
	HK$'000	HK$'000
Within 1 month	**30,304**	29,544
1 to 3 months	**5,610**	7,933
Over 3 months	**337**	1,112
	36,251	38,589

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 2010	31 March 2010
	HK$'000	HK$'000
Within 1 month	**197,882**	105,164
1 to 3 months	**88,562**	61,814
Over 3 months	**12,045**	8,934
	298,489	175,912

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

MANAGEMENT DISCUSSION & ANALYSIS

Interim Results

For the six months ended 30 September 2010, the Group's consolidated turnover amounted to HK$2,099.2 million, representing an increase of 19.0% from HK$1,764.6 million in the same period last year. Turnover in all markets and business units continued to improve. The Group's profit for the period was HK$176.3 million, representing an increase of 42.3% from HK$123.9 million in the same period last year. The overall gross profit margin of our retail and wholesale businesses increased to 45.0% from 43.9% last year. Basic earnings per share amounted to 12.7 HK cents as compared to 9.0 HK cents for the previous year.

Market Overview

Asia continued to be a major driver of world growth in 2010, supported by the robust performance of Mainland China and many other Asian economies. Hong Kong maintained its broad-based economic recovery in the second and third quarter of 2010, and our strategic markets in Singapore, Malaysia and Taiwan also benefited from the strong growth momentum in the region.

Several factors stimulated the performance of our retail business in Hong Kong. Among these was the weakening of the US dollar, to which the HK dollar is pegged, making our products cheaper for visitors from non-US dollar based countries and Mainland China. Both consumer confidence and the labour market continued to improve against a background of 7.2% overall growth in GDP in the first half of 2010. The robust performance of inbound tourism was also highly supportive of the retail market in Hong Kong. Overall visitor arrivals increased by about 30.0% during the period as compared to the previous year, as did the number of Mainland visitors. Buoyant stock and property markets also helped strengthen consumer sentiment. For the period from 1 January to 30 September 2010, total retail sales in the Hong Kong market increased by 17.9%, and that of cosmetics and medicine increased by 16.2 % over the same period in the previous year.

Operations Review

Retail and Wholesale Business

Hong Kong and Macau

Turnover in Hong Kong and Macau rose by 17.5% to HK$1,629.4 million for the six months ended 30 September 2010, with same store sales increasing by 9.3%. The increase in turnover was mainly driven by strong revenue growth from Mainland tourists as well as tourists from overseas. Sales to local residents in Hong Kong and Macau also rose. The weakening US dollar made the price of cosmetic products here even more appealing for tourists during this period. Turnover was also driven by growth in both the number of transactions and the average value of each transaction.

New products drove the sales increase of own-branded products. Strong new own-branded products and focused marketing led to an improvement in sales mix, enhancing the gross profit margin of our retail and wholesale business in Hong Kong and Macau, which rose from 43.7% to 45.0%. This enhanced gross profit margin more than offset the increase in rental costs as a percentage of sales. We maintained our improvement in inventory management and added two new "Sasa" stores during the period. As at 30 September 2010, there were 72 "Sasa" stores (including nine in Macau), one Suisse Programme specialty store and one La Colline specialty store.

Mainland China
In Mainland China, we are switching our strategic priority from time to breakeven to that of faster network expansion. Our next stage of development requires more expertise in the Mainland market, more commitment of resources and time, more drive in terms of strategy and more diligence in terms of implementation. These requirements have necessitated certain changes in our business plan, which resulted in short-term under-performance in sales during the period.

The Group's Mainland China business recorded turnover growth of 42.1% to HK$60.0 million. The loss continued to be under control. We added two new "Sasa" stores, one in Tianjin and one in Shanghai, and added one Suisse Programme counter to the network.

During the period, we focused on building a stronger platform for future turnover growth and same-store sales growth in areas such as management planning, human resources, information technology, and more efficient store operation. Proactive measures include better store location with higher productivity, broadening the product range, improving the overall product offerings, increasing the number of new products, enhancing inventory management and category management, and strengthening promotions planning.

A new retail ERP and Business Intelligence system will be launched in the second half of the year to provide scalability. The new system operates in a real-time, centralised environment and combines the functions of Point of Sale (POS), merchandising, auto replenishment, customer relationship management and business intelligence. We are also strengthening recruitment and staff training in a more systematic manner, with regional training backed up by central planning and coordination.

As at 30 September 2010, there were 19 "Sasa" stores and 19 Suisse Programme counters 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. In the first half of the fiscal year, the combined turnover for our Singapore and Malaysia operations was HK$196.0 million. Both markets achieved steady growth in both turnover and profit.

Boosted by the economic recovery in Singapore, as well as a revival in tourist arrivals and improved consumer confidence, the retail sector enjoyed positive growth from the first quarter of 2010 onwards. Turnover for the Singapore market grew by 23.6% to HK$93.9 million while same store growth increased to 5.2%. Higher profit contribution was generated than in the same period last year.

We broadened the product range and added new product categories. This helped expand the customer base and increase the number of transactions. We also introduced more frequent and effective new product launches and enhanced the management of our overall product offerings. In particular, we strengthened the relationship with our suppliers to bolster product launch management, the overall product mix and the sales growth potential of our products. As at 30 September 2010, the total number of "Sasa" stores in Singapore was 18.

Turnover of our Malaysian operations rose 27.2% to HK$102.1 million, and same store growth reached 5.3%. Improvement in product launches, product mix and product management resulted in a rise in profitability. Own-branded products, particularly new products, performed well. As in Singapore, we strengthened our relationships with suppliers and broadened our product offerings to increase their appeal to different customer segments.

Through continuous efforts to build the profile of "Sa Sa" and its exclusive brands, as well as through strengthened marketing activities, we continued to improve our market status and consumer recognition. Among the many concerted initiatives we undertook, we sponsored various large-scale PR and marketing events together with influential media in Malaysia. We also increased brand building and advertising efforts for our own-brands, added new elements to our marketing and promotional mechanics such as social networks, and devised more coordinated and integrated marketing campaigns for new product launches. This helped us increase our gross profit margin and our penetration into new market segments.

Three new stores were added to our portfolio. As at 30 September 2010, the number of "Sasa" stores in Malaysia stood at 33.

Taiwan
Turnover in the Group's Taiwan business increased by 13.1% to HK$77.0 million during the first six months of the fiscal year, same store sales rose 1.2% and the loss continued to narrow. Against a background of buoyant consumer sentiment, in particular in the second quarter, we enhanced our sales mix, broadened the product range and added new product categories such as beauty supplements. The result was a rise in profitability. We also strengthened our relationship with suppliers and improved our overall product offering.

The attractiveness and high quality of our new own-branded products helped increase traffic and secure repeat purchases. We enhanced the depth and breath of our marketing activities by employing more marketing channels, making them more cost-effective and maintaining cautious cost controls. In the interests of operation efficiency, we moved our offices and warehouse to a location that could better support our expanding operations. Overall, Sa Sa continued to be the dominant retailer of fragrances in Taiwan.

As at 30 September 2010, there were 15 "Sasa" stores and two Suisse Programme counters in Taiwan.

E-commerce - sasa.com
Turnover for sasa.com amounted to HK$136.7 million, representing an increase of 22.2% over the corresponding period of the previous fiscal year.

Performance of sasa.com for the period was affected by the changes in the customs regulations for mailed products in the Mainland China market. During the period under review, we worked towards a more diversified market mix. We continued to monitor the lowering of the import duty exemption limit by the Mainland China Customs and its effects on the market. Among new measures being considered are an increase in the sales mix of non-US dollar denominated markets and the opening of an online store in Mainland China.

As part of our aim to broaden our e-commerce reach to drive traffic and generate more effective promotional efforts, TVBS, a Taiwanese TV channel, granted us permission to reproduce the content of a popular Beauty TV programme, W Queen (女人我最大). We also obtained permission from W Queen magazine (女人我最大) to use the magazine's materials to enrich the content of our website.

To understand more about our customers' needs and preferences, we continued to improve customer relationship management and devise more targeted and cost-effective marketing initiatives, thereby enhancing customer loyalty and encouraging repeat purchases. sasa.com's enhanced online shopping experience includes refined product searches, improved user interface and enriched content.

During the period under review, orders from repeat customers increased by 14.7% while the number of transactions from new customers increased by 7.4%.

In the "Global Netrepreneur Award 2010" jointly organised by the Alibaba Group, China Electronic Commerce Association and Hangzhou Municipal Government in the PRC, sasa.com is among the "Top 30 Best Global Online B2C Retailers 2010", in recognition of its outstanding performance in innovation, credibility, social responsibility and globalization.

Brand Management

The Group's sales of own-label and exclusively distributed products increased by 23.9%, contributing 39.4% of the Group's total retail sales as compared to 37.6% for the same period last year. In terms of product development and purchasing, we continued to systematically target different customer segments and offer a variety of product concepts and pricing. In addition, we maintained our close attention to market trends by launching trendy and timely new exclusive products catering to different customers. The good word-of-mouth these new products gained, along with effective marketing, drove the strong sales growth of our exclusive products and increased the gross profit margin. We will continue our diversification strategy in the product categories as well as our emphasis on broadening our appeal to more market segments.

Outlook

The Asian economy continues to strengthen. Asian markets including Hong Kong, Macau and Taiwan, are seeing continuous expansion led by a vigorous Chinese economy. The robust consumption-led growth in Mainland China, the wealth effect resulting from asset appreciation, the broadening of customer segments driven by the rise of the middle class, and the weakening US dollar will benefit the retail market in Hong Kong and Macau.

The Group is well placed to benefit from this improving economic environment. The Hong Kong government forecasts that GDP for 2010 will expand by 6.5% in real terms. We will continue to invest in the expansion of our core markets and those with promising prospects. Barring major unforeseen circumstances, the Group has confidence in Sa Sa's growth prospects for the second half of this fiscal year as well as for the long-term future.

Hong Kong and Macau

We believe that the steady economic growth of Mainland China and the strong growth momentum in Mainland tourist arrivals will continue to bolster the retail market of Hong Kong and Macau in the second half of the fiscal year. That said, the growth rate may be slightly lower than the six months to 30 September, a period that was flattered by a relatively low base in the previous year.

The Group will strive to continue our store opening strategy in order to achieve a more balanced store network in both residential and tourist areas. We will also maintain our focus on improving our exclusive brand portfolio, category management and product mapping of our own-branded products to enhance the sales mix; and therefore the gross profit margin. An improved gross profit margin will help address rental pressure and to ensure that rental costs are kept under control.

Mainland China

Our number one priority in the Mainland China is to accelerate our network expansion. To support this strategy, we will increase the allocation of resources and enhance our product offerings. We will also take a more proactive approach to seek out sites with high traffic and high productivity. So far we have two 'clusters' of sites with separate management teams. We will open more stores in existing cities to increase market penetration, and enter into new cities within the existing 'clusters' of stores. Overall, three more 'clusters' will be added to provide five independent engines of growth.

In terms of sourcing, we will tune our product mix in accordance with the climate, culture, customer spending patterns and market trends in different cities. While building our product sourcing and product development capabilities, we will establish separate teams for store management and store expansion, as well as separate teams for multi-brand "Sasa" stores and for department store counters. However, we will also standardise policy, procedures and implementation of systems to enable scalability.

Store sales productivity will be enhanced through improved product offerings, more attractive shop images and product display, higher service standards, and heightened monitoring and management.

We believe that to build a solid platform to facilitate our business expansion, we must focus on managing the shortage of retail management talents. We will strengthen training in terms of scalability and structure, and we will broaden the scope of training to support a large frontline base. We will also reinforce our brand equity by improved use of existing “Sasa” stores as a means of communicating the Sa Sa brand equity to vendors, staff and customers. At the same time, we will intensify our marketing efforts to capture the buoyant Mainland China market.

We have invited Mr Tan Wee Seng to join the Group as a non-executive director and also as a consultant for the strategic review and restructuring of Sa Sa’s business in the Mainland China. Mr Tan is a former Chief Financial Officer and executive director of Li Ning Company Limited and has extensive experience in Mainland China retail business. We are confident that he will help strengthen our understanding of the Mainland market while providing invaluable input to our strategic development plans for this promising market.

Other Markets

Barring major disruptions to the economies of our other markets, retail sales are likely to continue to grow for the rest of the year. In Singapore, the massive injection of new retail space that began in 2009 will continue well beyond the current fiscal year. This will not only provide more network expansion opportunities but also make the retail landscape more competitive. We will continue to expand our retail network in the island state to increase market penetration and tap market growth opportunities.

In Malaysia, we will continue to leverage on Sa Sa’s increasing market status and strong brand equity to achieve further sales growth and increase market penetration. In Taiwan, we expect consumer sentiment to continue to improve on the back of a stable political climate and the resurgence of Taiwan’s economy. We will also closely monitor the development of the Individual Visit Scheme for Mainland tourists in Taiwan, and if appropriate, prepare measures to respond to this potential new demand.

Overall, in these three markets, we aim to enhance the recognition of the “Sa Sa” brand as well as our exclusive brands in order to sharpen our competitiveness. By strengthening marketing initiatives to broaden our customer base, continuing to improve our product mix and working more closely with suppliers, we will continue to build a stable platform to support future growth, which will in turn enhance these markets’ contribution to the Group.

In our online business, we will continue our drive for diversification of markets and work more closely with various beauty brands and online partners.

Conclusion

The buoyant Asian economic environment, the increase in travel and tourism, and the upsurge in consumer confidence, all give us reason to believe that the upcoming period will be favourable for the continuing growth of our business. The soundness of our financial platform, the flexibility and forward vision of our management, and the consistency and resilience of our performance, have enabled us to continue broadening our customer base while developing the potential both of our core Hong Kong and Macau markets, and of our Mainland China and other markets. We are confident that Sa Sa will continue to deliver sustained growth for the rest of the fiscal year and beyond.

Human Resources

As at 30 September 2010, the Group had a total of 3,172 employees. Staff costs for the period under review were HK$296.7 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 to qualified employees.

Financial Review

Capital Resources and Liquidity
As at 30 September 2010, the Group's total equity funds were HK$1,121.5 million including reserves of HK$981.9 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$502.7 million. The Group's working capital was HK$857.0 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 treasury 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 2010 were HK$1,121.5 million, which represented a 5.3% decrease over the total funds employed of HK$1,184.8 million as at 31 March 2010.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 30 September 2010 and 31 March 2010.

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 period. 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 2010, no Group asset was under charge to a financial institution.

Contingent Liabilities
The Group had no significant contingent liability as at 30 September 2010.

Capital Commitments
As at 30 September 2010, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$75.5 million.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board resolved to declare an interim dividend of 3.0 HK cents (2009: 3.0 HK cents) per share and a special dividend of 6.0 HK cents (2009: 6.0 HK cents) per share for the six months ended 30 September 2010, payable to shareholders whose names appear on the Register of Members of the Company on Monday, 20 December 2010.

The interim dividend and special dividend will be paid on or around Friday, 24 December 2010.

BONUS ISSUE

The Board proposed to make a bonus issue to the shareholders of the Company on the basis of one bonus share (the "Bonus Share(s)") for every one existing ordinary share of par value of HK$0.1 each in the share capital of the Company (the "Bonus Issue"). Certain shareholders residing overseas may be excluded if, upon enquiry, the Board considers such exclusion to be necessary or expedient. Details regarding the arrangements for shareholders residing overseas will be provided in the circular to be dispatched to shareholders. The proposed Bonus Shares will be credited as fully paid by way of capitalisation of an amount in the share premium account of the Company. The proposed Bonus Shares will rank pari passu in all respects with the ordinary shares of the Company.

The completion of the Bonus Issue is conditional upon:

(i) the approval of the Bonus Issue by the shareholders of the Company at an extraordinary general meeting;

(ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listings of, and permission to deal in, the Bonus Shares; and

(iii) compliance with the relevant provisions under the Company Law of the Cayman Islands and the articles of association of the Company to effect the Bonus Issue.

An expected timetable for the Bonus Issue will be provided in a separate announcement. The necessary resolutions will be proposed at an extraordinary general meeting of the Company. A circular, containing further details of the Bonus Issue together with a notice convening the extraordinary general meeting, will be dispatched to the shareholders of the Company as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2010, 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 ("CG Code")

Our directors are committed to maintaining the highest standard of corporate governance practices which they believe will create long term value for shareholders. Our system of governance is not just a matter for the Board but is fostered throughout the organization, and forms the basis for the accountability of executive management to the Board and of the Board to shareholders.

Throughout the six months ended 30 September 2010, the Company has complied with all the Code Provisions (the "Code Provision") of the CG Code as set out in Appendix 14 to the Listing Rules, except for one deviation explained below.

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 (the "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.

The Company has deviated from the Code Provision in this respect in that Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. The respective responsibilities of the chairman and the CEO, however, are clearly set out in writing and approved by the Board. 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 the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

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

The Company adopts a code of conduct regarding securities transactions on terms no less exacting than the Model Code. This code applies to all directors and certain relevant employees who, because of their office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its shares. Having made specific enquiry of all directors and the relevant employees, all of them have confirmed their compliance with the Company's code of conduct throughout the reporting period.

The interim report of the Company for the six months ended 30 September 2010 containing more information on its corporate governance practices will be dispatched to the shareholders on or around Wednesday, 1 December 2010, 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

For the purpose of ascertaining entitlement to the interim dividend, special dividend and Bonus Shares, the Register of Members of the Company will be closed from Thursday, 16 December 2010 to Monday, 20 December 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, special dividend and Bonus Shares, 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 Wednesday, 15 December 2010.

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, 18 November 2010

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 Directors
Mrs LEE LOOK Ngan Kwan Christina
Mr TAN Wee Seng

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*