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 2011
Dividends and Closure of Books

Highlights

- The Group's turnover increased by 32.7% from HK$2,099.2 million to HK$2,786.0 million for the same period last year
- Turnover of the retail and wholesale business in Hong Kong and Macau registered growth of 35.3% from HK$1,629.4 million to HK$2,205.0 million as compared to the same period last year
- Profit for the period was HK$224.3 million, an increase of 27.3% from HK$176.3 million for the same period last year
- The adoption of Hong Kong International Financial Reporting Interpretation Committee - Interpretation 13 ("HK(IFRIC) - Int 13") on the new bonus point system, resulted in a decrease in the Group's profit for the period of approximately HK$25.2 million. For comparison purpose, if we exclude this impact, the Group's profit for the period would be approximately HK$249.5 million, representing a year-on-year increase of 41.5%
- The Group attained a net margin of 8.1%
- Basic earnings per share is 8.0 HK cents as compared to 6.3* HK cents for the same period last year
- Dividend per share is 6.0 HK cents, increased from 4.5* HK cents for the same period last year
- Sa Sa becomes a constituent member of the Hang Seng Sustainability Benchmark Index

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 2011 as follows. The unaudited condensed consolidated interim financial information has been reviewed 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.

* Adjusted for the 1:1 Bonus Issue, please see circular dated 1 December 2010 for details.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 September **2011** **HK$'000**	 2010 HK$'000
Turnover	4	**2,786,037**	2,099,164
Cost of sales		**(1,561,618)**	(1,154,149)
Gross profit		**1,224,419**	945,015
Other income		**18,996**	14,398
Selling and distribution costs		**(866,499)**	(667,081)
Administrative expenses		**(97,928)**	(91,923)
Other (losses)/gains - net	5	**(9,745)**	12,328
Operating profit		**269,243**	212,737
Finance income		**3,675**	2,830
Profit before income tax	6	**272,918**	215,567
Income tax expenses	7	**(48,585)**	(39,276)
Profit for the period		**224,333**	176,291
Earnings per share (expressed in HK cents per share)	8		
Basic		**8.0**	6.3*
Diluted		**7.9**	6.3*
Dividends	9	**168,516**	125,677

* Adjusted for the 1:1 Bonus Issue, please see circular dated 1 December 2010 for details.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Profit for the period	**224,333**	176,291
Other comprehensive (loss)/income		
Currency translation differences	**(5,790)**	10,126
Other comprehensive (loss)/income for the period, net of tax	**(5,790)**	10,126
Total comprehensive income for the period	**218,543**	186,417

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2011 HK$'000**	Audited 31 March 2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**264,299**	205,465
Rental deposits and other assets		**121,437**	105,891
Deferred income tax assets		**7,165**	4,961
		392,901	316,317
Current assets			
Inventories		**1,108,084**	802,185
Trade receivables	10	**45,887**	48,231
Other receivables, deposits and prepayments		**128,035**	91,364
Time deposits		**27,017**	94,134
Cash and cash equivalents		**427,716**	524,280
		1,736,739	1,560,194
LIABILITIES			
Current liabilities			
Trade and bills payables	11	**420,157**	254,416
Other payables and accruals		**296,850**	200,347
Income tax payable		**78,114**	50,757
		795,121	505,520
Net current assets		**941,618**	1,054,674
Total assets less current liabilities		**1,334,519**	1,370,991
Non-current liabilities			
Retirement benefit obligations		**3,702**	3,863
Deferred income tax liabilities		**325**	348
Other payables		**16,502**	14,087
		20,529	18,298
Net assets		**1,313,990**	1,352,693
EQUITY			
Capital and reserves			
Share capital		**280,855**	280,253
Reserves		**1,033,135**	1,072,440
Total equity		**1,313,990**	1,352,693

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2011 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 2011, 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 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

In the current period, the Group has adopted HK (IFRIC) - Int 13, "Customer loyalty programme" as a result of the operation of a loyalty programme. The Group operates the programme where certain customers accumulate points for purchases made which entitle them to purchase goods for free or at a discount price. According to HK (IFRIC) - Int 13, the award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed or expired. The amount of initial revenue recognised is based on the number of points redeemed relative to the total number expected to be redeemed. The maximum life of award points is up to 12 months from date of issue.

a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 April 2011.

- HKAS 24 (Revised), "Related party disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

2. **Accounting policies** (continued)

a) **Amendments to existing standards adopted by the Group** (continued)

- HKAS 34 (Amendment), "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

b) **Amendments and interpretations to existing standards effective for the financial year beginning 1 April 2011 but not relevant to the Group**

- HKAS 32 (Amendment), "Classification of rights issues" is effective for annual periods beginning on or after 1 February 2010.

- HK(IFRIC) - Int 14 (Amendment), "Prepayments of a minimum funding requirement" is effective for annual periods beginning on or after 1 January 2011.

- HK(IFRIC) - Int 19, "Extinguishing financial liabilities with equity instruments" is 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, except for amendment to HKAS 34 "Interim financial reporting" as disclosed in note 2(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the year ending 31 March 2012.

c) **The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted:**

- HKFRS 1 (Amendment), "Disclosures - severe hyperinflation and removal of fixed dates for first-time adopters" (effective for annual periods beginning on or after 1 July 2011).

- HKFRS 7 (Amendment), "Disclosures – transfers of financial assets" (effective for annual periods beginning 1 July 2011).

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

- HKFRS 10, "Consolidated financial statements" (effective for annual periods beginning on or after 1 January 2013).

- HKFRS 11, "Joint arrangements" (effective for annual periods beginning on or after 1 January 2013).

2. **Accounting policies** (continued)

c) **The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted** (continued)

- HKFRS 12, “Disclosure of interests in other entities” (effective for annual periods beginning on or after 1 January 2013).

- HKFRS 13, “Fair value measurements” (effective for annual periods beginning on or after 1 January 2013).

- HKAS 1 (Amendment), “Presentation of financial statements” (effective for annual periods beginning on or after 1 July 2012).

- HKAS 12 (Amendment), “Deferred tax: recovery of underlying assets” (effective for annual periods beginning on or after 1 January 2012).

- HKAS 19 (Amendment), “Employee benefits” (effective for annual periods beginning on or after 1 January 2013).

3. **Estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

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

4. **Segment information** (continued)

	Six months ended 30 September 2011			
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**All other segments HK$'000**	**Total HK$'000**
Turnover from external customers	**2,205,024**	**108,467**	**472,546**	**2,786,037**
Results				
Segment results	**222,211**	**(19,745)**	**21,867**	**224,333**
Other information				
Capital expenditure	**72,022**	**26,341**	**13,087**	**111,450**
Finance income	**2,274**	**174**	**1,227**	**3,675**
Income tax expenses	**43,394**	**-**	**5,191**	**48,585**
Depreciation	**29,643**	**9,690**	**11,007**	**50,340**

	Six months ended 30 September 2010			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover from external customers	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

4. Segment information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
At 30 September 2011				
Non-current assets	**265,085**	**53,002**	**62,097**	**380,184**
Current assets	**1,233,026**	**176,845**	**326,868**	**1,736,739**
Deferred income tax assets				**7,165**
Unallocated corporate asset				**5,552**
				2,129,640
At 31 March 2011				
Non-current assets	213,549	31,332	60,923	305,804
Current assets	1,144,368	103,095	312,731	1,560,194
Deferred income tax assets				4,961
Unallocated corporate asset				5,552
				1,876,511

5. Other (losses)/gains - net

	Six months ended 30 September	
	2011 **HK$'000**	2010 HK$'000
Net exchange (losses)/gains	**(9,745)**	12,328

6. Expenses by nature

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Cost of inventories sold	**1,551,281**	1,144,181
Provision for slow moving inventories and stock shrinkage	**10,337**	9,968
Employee benefit expenses (including directors' emoluments)	**374,839**	296,716
Depreciation of property, plant and equipment	**50,340**	36,826
Write-off of property, plant and equipment	**1,561**	623
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**276,449**	218,993
- contingent rent	**16,627**	8,741
Auditors' remuneration	**1,650**	1,565
Advertising and promotion expenses	**47,609**	38,713
Others	**195,352**	156,827
	2,526,045	1,913,153
Representing:		
Cost of sales	**1,561,618**	1,154,149
Selling and distribution costs	**866,499**	667,081
Administrative expenses	**97,928**	91,923
	2,526,045	1,913,153

7. Income tax expenses

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 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 respectively.

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

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Hong Kong profits tax		
Current	**43,536**	34,401
Under provision in previous periods	**3**	-
Overseas taxation		
Current	**7,718**	5,691
Over provision in previous periods	**(340)**	(312)
Deferred income tax relating to origination and reversal of temporary differences	**(2,332)**	(504)
	48,585	39,276

8. Earnings per share

(a) The calculation of basic and diluted earnings is based on the Group's profit for the period of HK$224,333,000 (2010: HK$176,291,000).

(b) The calculation of basic earnings per share is based on the weighted average number of 2,805,186,118 (2010: 2,786,321,838*) 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 2,805,186,118 (2010: 2,786,321,838*) shares in issue during the period plus the weighted average number of 20,878,870 (2010: 23,350,764*) 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.

9. Dividends

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Interim, proposed – 2.0 HK cents (2010: 1.5* HK cents) per share	**56,172**	41,892
Special, proposed – 4.0 HK cents (2010: 3.0* HK cents) per share	**112,344**	83,785
	168,516	125,677

At a meeting held on 17 November 2011, the Directors declared an interim dividend of 2.0 HK cents and a special dividend of 4.0 HK cents per share. These proposed dividends are not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in shareholders' equity in the year ending 31 March 2012.

* Adjusted for the 1:1 Bonus Issue, please see circular dated 1 December 2010 for details.

10. 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 2011 HK$'000	31 March 2011 HK$'000
Within 1 month	**37,768**	39,670
1 to 3 months	**7,909**	8,522
Over 3 months	**210**	39
	45,887	48,231

The fair values of trade receivables approximate their carrying amounts.

11. Trade and bills payables

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

	30 September 2011 HK$'000	31 March 2011 HK$'000
Within 1 month	**257,263**	171,937
1 to 3 months	**145,201**	64,243
Over 3 months	**17,693**	18,236
	420,157	254,416

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

MANAGEMENT DISCUSSION & ANALYSIS

Interim Results

For the six months ended 30 September 2011, the Group's consolidated turnover amounted to HK$2,786.0 million, representing an increase of 32.7% from HK$2,099.2 million in the same period last year. The Group's performance benefited from the strong performance of the core market Hong Kong and Macau.

New business drivers led to robust sales growth, which in turn generated a strong operating leverage in terms of a decrease in rental and staff costs as a percentage of sales. The high sales growth also resulted in a change in the sales mix. Combined with the effect of our new bonus points system in Hong Kong and Macau, the changed sales mix reduced the retail and wholesale business' gross profit margin from 45.0% to 43.9%. An overall exchange loss with tax impact of HK$7.9 million was recorded mainly due to marking to market for "open positions" that arose from hedged forex positions against products that have not yet arrived.

The Group's profit reported for the period was HK$224.3 million, representing an increase of 27.3% from HK$176.3 million in the same period last year, while operating profits rose 26.6%. The adoption of HK(IFRIC) - Int 13 on our new bonus point system requires a portion of the revenue to be deferred until the award points are redeemed. Once the bonus points from the scheme are redeemed or expire on 31 March 2012, revenue on the deferred income and the corresponding profit will be realized into the consolidated income statement for the year ending 31 March 2012. As a result, the adoption of HK(IFRIC) - Int 13 led to a decrease in the Group's profit for the period of approximately HK$25.2 million. For comparison purpose, if we exclude this impact, the Group's profit for the period would be approximately HK$249.5 million, representing a year-on-year increase of 41.5%.

Basic earnings per share amounted to 8.0 HK cents as compared to 6.3* HK cents for the same period last year. The Board resolved to declare an interim dividend of 2.0 HK cents (2010: 1.5* HK cents) per share and a special dividend of 4.0 HK cents (2010: 3.0* HK cents) per share.

Sa Sa's inclusion as a constituent member of Hang Seng Corporate Sustainability Benchmark Index was a highlight of the period under review reflecting the Group's commitment to sustainable growth and high standards of corporate governance. Sa Sa's Annual Report 2009/10 was ranked in the Top 50 annual reports worldwide by the League of American Communications Professionals in the 2010 Vision Awards Annual Report Competition, achieving a position in the Top 10 in the Asia-Pacific region and as number one in the Greater China region.

Market Overview

The economies of Asia continued to expand in 2011, supported by the continuing robust performance of Mainland China. However, since the beginning of the year a level of uncertainty has emerged in the external environment. The fragile economic recovery and fiscal positions of the US and the lingering sovereign debt problem in the eurozone remain the key sources of downside risk to the global economy.

The Hong Kong economy continued to expand at an above average pace in the second quarter of 2011, by 5.1% in real terms over a year earlier, and GDP is forecast to grow at a similar rate for the full year of 2011. Retail sales growth further stepped up in 2011, buoyed by growing numbers of Mainland and overseas tourists, encouraged by the weakening of the US dollar, while local consumer spending was underpinned by improving income and employment conditions.

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* Adjusted for the 1:1 Bonus Issue, please see circular dated 1 December 2010 for details.

In Mainland China, real GDP growth is forecast to reach 9.1% in 2011, moderating only slightly in 2012. Domestic consumer spending is gradually gaining more weight in China's economy and the aspirations of the country's burgeoning middle class, growth in per capita disposable income and continuous urbanisation are generating a new set of opportunities for retailers.

Our strategic markets in Singapore, Malaysia and Taiwan continued to benefit from the growth momentum in the region, but faltering global demand for exports created a weaker external environment. Nevertheless, the domestic-oriented and tourism sectors continued to record steady growth in 2011.

Operations Review

Retail and Wholesale Business

Hong Kong and Macau

Turnover in Hong Kong and Macau rose by 35.3% from HK$1,629.4 million to HK$2,205.0 million for the six months ended 30 September 2011, with same store sales rising by 24.1%. The increase in turnover was mainly driven by buoyant consumer demand that reinforced Sa Sa's position as the top-of-the-mind cosmetics retailer among Mainland tourists, visitors from overseas, and local residents of Hong Kong and Macau.

Several other factors also played a role. A new product and inventory strategy resulted in an improvement in the product mix that in turn made our offering more attractive. More efficient inventory management through increased accountability of the purchasing team and a review of inventory planning led to enhanced variety in product offerings such as a broader range of products, an expanding customer base and therefore strong growth in turnover. We also added more exclusive brands to make our product portfolio more attractive. Gains from the marked growth in sales more than offset the impact of a lower gross profit margin and led to the subsequent stronger operating leverage enjoyed in this market.

A weakening US dollar and high inflation on the Mainland also made the price of cosmetic products in this market more appealing. Turnover growth was driven more by the number of transactions than average value per transaction, reflecting a growing and vibrant customer base, although both figures recorded an increase.

The adoption of HK(IFRIC) - Int 13 on our new bonus points system, which was launched in late May 2011, led to a decrease in revenue and gross profit margin during the period. However, when the bonus points from the scheme are redeemed or expire on 31 March 2012, the revenue from the deferred income will be realised.

We added six new "Sasa" stores during the period. As at 30 September 2011, there were 84 "Sasa" stores (including eight in Macau), one Suisse Programme specialty store and one La Colline specialty store.

Mainland China

The Group's Mainland China business recorded turnover growth of 80.8% to HK$108.5 million. Overall, our performance was slightly below expectation and a loss was recorded of HK$19.7 million. Same store sales decreased by 3.0%, although this was largely because we added 13 "Sasa" stores to our network, seven of which were opened in the second quarter. Other factors that impacted same store sales included the transfer of experienced staff to support the more productive new stores and the challenge of providing inventory support for a growing portfolio of stores. We also signed a number of leases for new stores during the period under review, of which 15 were not yet opened as of 30 September 2011.

In Mainland China, our strategy and operations are undergoing growing pains, which are only to be expected in a new market. Staff training has not yet matched our pace of expansion. Our pool of experienced staff, drawn from a base of only 15 stores that have operated for more than a year, has been stretched across an expanding network. This in turn has resulted in the decreased productivity of existing stores as more experienced staff are transferred to provide on-the-job training for new staff in new stores.

The performance of this market also reflected the increased overheads to support expansion and store opening expenses. In the next round of store openings, we aim to balance the benefits of rapidly expanding against the costs and risks of doing so, thereby achieving scalability. Such a strategy would also include opening stores in closer proximity to each other, thereby building smaller, more intensive clusters within each of the five regional clusters.

On the positive side, the Group continued to make progress in the implementation of our Mainland China strategy. We achieved double-digit turnover growth and comparable store sales growth for the counter network under exclusive brand in the department store channel. We increased our presence in the market to cover eight provinces and 14 cities with 39 stores, as compared to 26 stores in 9 cities as of 31 March 2011. Gross retail footage grew year on year to 113,040 sq ft from 52,645 sq ft, and we increased the number of frontline staff from about 330 to about 600. The growing number of stores and the expansion of the network will inevitably attract new suppliers and beauty brands to support our business.

A new store image was launched in Mainland China, offering more space to beauty brands for image counters, easier browsing with enhanced product display and store layout by colour zones, and facilitating customers' access to both products and beauty consultants. As for the products themselves, in order to enhance our portfolio, Sa Sa became an official distributor for several established beauty brands. These include L'Oréal, Maybelline and Yue Sai, under the L'Oréal Group, and Za of the Shiseido Group, in addition to the Estée Lauder Group. As these brands roll out into our stores, they will inevitably enhance the appeal of Sa Sa's product range and store image. Although the benefits of a broader offering will take time to make an impact on store traffic, the performance of our stores will undoubtedly improve with better training, product display and cooperation on marketing and promotions. The introduction of more own brands will also bolster our performance.

During the period under review, we continued to receive increasing support from landlords and shopping mall developers. Our alliances with new landlords are a leading factor in the selection of store locations in new and existing malls. In October 2011, we opened a flagship "Sasa" store of 6,000 sq ft in a new Henderson Land mall in Shanghai where the largest Apple store in Mainland China is located. In the same period, we received an award for "The Most Popular Store 2011" from Wanda, one of the major property developers in Mainland China.

As for the online business, we established a dedicated team to develop the Mainland China market, outsourced the logistics function and enhanced the backend support operations. In a parallel move, we further developed Sa Sa's official store at the Taobao site, the most popular shopping site in China. Sa Sa also established official stores at other popular online shopping sites in Mainland China, such as 360Buy, Paipai, Redbaby and Easybuy.

As at 30 September 2011, there were 39 "Sasa" stores and 21 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, partnership 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$234.6 million. Both markets achieved modest growth in both turnover as well as consistent profits.

During the period, the Singapore and Malaysia markets were under the influence of the global financial volatility, with Singapore being more affected as it is more interwoven with the global economy. The strength of the Singapore and Malaysian dollars affected sales from tourists and drove local people to shop outside their home country. The delay in the roll-out of some new own-branded products due to the 311 incident in Japan also impacted sales growth and same store sales growth in both markets. Same store sales decreased 4.5% in Singapore and 1.6% in Malaysia.

Nevertheless, Sa Sa's sales performance was better than that of the overall retail market in Singapore and Malaysia. Both markets saw growth in the number of transactions on a same store basis, reflecting the strength of a broadening product range and the success of launching integrated marketing campaigns with various forms of media. These helped Sa Sa gain customers even in such a challenging climate. Both markets also benefited from the success of our house brands.

Turnover for the Singapore market grew by 24.6% to HK$117.0 million. As at 30 September 2011, the total number of "Sasa" stores in Singapore remained at 20.

Turnover of our Malaysia operations rose 15.2% to HK$117.6 million. Contribution from new stores and continued success of house brands resulted in a continued rise in profits.

Our market leader status and strong consumer recognition were attributable to our continuous efforts in brand building of "Sa Sa" and its exclusive brands, as well as strengthened marketing activities. Effective promotional initiatives were launched, such as sponsorships of high profile public relations events; continuous investment in social media and networks, TV programmes and other channels; and integrated marketing campaigns for new product launches. This concerted approach helped us broaden our customer base and target new market segments.

One new store was added to our portfolio. As at 30 September 2011, the number of "Sasa" stores in Malaysia stood at 39.

Taiwan
Turnover in the Group's Taiwan business increased by 39.2% to HK$107.2 million during the first six months of the fiscal year, same store sales rose 4.1% and breakeven was achieved.

Against a background of increasing consumer confidence and a more buoyant retail market, our sales continued to improve. Closer cooperation with local vendors on popular products helped increase traffic and secure repeat purchases, while more effective promotion and marketing campaigns drove strong sales growth. Overall, Sa Sa continued to be the leading retailer of fragrances in Taiwan.

We added two new stores during the period. As at 30 September 2011, there were 21 "Sasa" stores and one Suisse Programme counter in Taiwan.

E-commerce – sasa.com
Turnover for sasa.com amounted to HK$130.8 million, representing a decrease of 4.4% over the corresponding period of the previous fiscal year. A month-on-month improvement in sales performance was maintained during the second quarter.

During a period in which non-Mainland China markets were growing at a rate of more than 37.0%, sasa.com focused on achieving a more balanced and diversified market mix. A higher sales mix of own-branded products, increased repeat customers and enhanced customer loyalty drove an improvement in the gross profit margin. The operating margin also improved once logistics costs are excluded; this is a more meaningful comparison since logistics support was provided in house last year but was subcontracted out this year.

In other initiatives, we launched a successful reactivation and loyalty programme that reflects sales growth and the increase in repeat customers. We also introduced a new iPhone app, which received the Certificate of Merit – Retail in the "2011 WTIA Marketing Smartphone Apps Industry Excellence Awards" organised by Hong Kong Wireless Technology Industry Association. Our strong social media presence and active online community helped our brand stay connected with loyal customers, underlining the importance of social media as a marketing tool for sasa.com.

Brand Management

The Group's sales of own-label and exclusively distributed products increased by 0.2%, contributing 41.4% of the Group's total retail sales as compared to 41.2% for the same period last year. The quantity of own-branded products sold rose 48.4%, the highest growth in terms of quantity sold among all product categories and clear evidence of the popularity of our own-branded products. We launched three house brands under different product concepts: a mass Japanese skin care, home spa products, and natural and organic skin care products.

Our strategy of paying close attention to market trends by launching timely new exclusive products catering to different customers continued to generate fruitful returns. The good word-of-mouth these new products gained, along with effective marketing, drove the strong sales growth of our exclusive products. We will continue our diversification strategy in the product categories as well as our emphasis on broadening our appeal to more market segments such as the young people market sector.

Awards

In the first half of the fiscal year, we achieved several awards for the Group's exclusive products from leading beauty magazines in Singapore, Malaysia and Taiwan.

Location	Exclusive Products at Sa Sa	Awards
Singapore	Suisse Programme *Cellular Boosting Solution*	Editors' Choice for Favourite Daily Skincare Essence in "CozyCot Holy Grail Beauty & Fashion Awards 2011"
Malaysia	Cyber Colors *Cyber Snow*	Winner of the Best Compact Foundation of the under-RM100 category in "The Malaysian Women Weekly - Best Beauty Buys 2011" organised by The Malaysian Women Weekly
Malaysia	Cyber Colors *Sparkling Liquid Eyeliner*	Winner of the Best Shimmery Liquid Eyeliner in "The CLEO Beauty Hall of Fame 2011" organised by Cleo magazine
Malaysia	Hadatuko *Manten-Hada Eye Mask*	Winner of the Best Eye Mask of the above-RM100 category in "The CLEO Beauty Hall of Fame 2011" organised by Cleo magazine
Malaysia	Collistar *Intensive Abdomen and Hip Treatment Night*	Winner of the Best Firming Cream in "The CLEO Beauty Hall of Fame 2011" organised by Cleo magazine
Malaysia	The Balm *Batter Up Cream Eyeshadow*	Winner of the Best Cream Eyeshadow in "The CLEO Beauty Hall of Fame 2011" organised by Cleo magazine
Singapore	Natio *Renew Radiance Night Cream*	Favourite Night Moisturizer in "CozyCot Holy Grail Beauty & Fashion Awards 2011"
Singapore	Gianfranco *Ferre Rose Princess EDP*	The Best Floral Scent in "The CLEO Beauty Hall of Fame 2011" organised by Cleo magazine
Taiwan	DSQUARED^2 *He Wood Ocean*	No.1 Men's Frangrance in "The Men's Care Awards" organized by GQ magazine

Retail branding awards in Malaysia:

- In "The BrandLaureate Awards 2010-2011" organised by The BrandLaureate, Sa Sa (Malaysia) received the Best Brands in Retail (Cosmetic and Skin Care) of the Corporate Branding category
- Sa Sa was awarded the Fair Price Shop Award 2011 by the Ministry of Domestic Trade and Consumer Affairs of Malaysia

Outlook

China's robust economic growth continues. An increasingly affluent and expanding middle class, buoyant consumer sentiment and the growing strength of the Renminbi will benefit the retail market, including the cosmetics sector, in Hong Kong and Macau. Indeed, a recent survey by a magazine in Mainland China has shown that cosmetic products are the number one item on the shopping list of Mainland tourists in Hong Kong.

At the same time, Hong Kong will continue to benefit from continuing integration with Mainland China. Various major cross-border infrastructure projects, when completed, will further facilitate the flow of people between Hong Kong and the Mainland. Robust inbound tourism is expected to continue in the second half of the fiscal year, bringing further benefits to retail segments such as cosmetics. We will continue to monitor the retail market development in various Asian markets and act accordingly.

Hong Kong and Macau

We believe that the steady economic expansion of Mainland China and the strong growth momentum in Mainland tourist arrivals will continue to support the cosmetics retail market of Hong Kong and Macau in the second half of the fiscal year. Therefore, we have reason to be cautiously optimistic about the sales growth of beauty products in Hong Kong and Macau.

Sa Sa has always shown resilience in rising to the challenges of different market situations, demonstrating a high degree of flexibility both in our business model and in the adaptability of our experienced management team. The Group will continue to implement our store opening strategy according to market conditions in order to achieve a more balanced store network in both residential and tourist areas.

Our enhanced product and inventory planning strategy and broadened product mix will also remain a driving force of the sales growth of the Group for the full year, in particular for the Hong Kong and Macau market. We will maintain our focus on improving our exclusive brand portfolio by ensuring that a series of promising own-branded and exclusive products is consistently in the pipeline. Although the rental market is highly competitive and buoyant, particularly in the tourist areas, leading to high rental reversions, we believe our strong sales growth rate will enable us to maintain the rental to sales percentage within a reasonable range.

Mainland China

Our main priority in Mainland China is to strengthen our efforts to achieve scalability. To support this strategy, we will allocate more resources to build the management team and strengthen the back end support team, with particular focus on the human resources function. We will further strengthen both recruitment and our training capacity. Measures will include setting up regional training centres in each of the clusters, increasing automation to improve staff productivity, emphasising the division of work such as separate teams for running stores and new store development, and establishing systems to enable rapid expansion. These systems will include managing workflow, improving inventory management and strengthening operational efficiency.

In November 2011, we will conduct a careful review of the store-opening plan to decide the pace and methodology of expansion. The 15 store-openings for which leases have already been signed will proceed as planned. We will also conduct a review of existing stores and consolidate the store network with particular regard to those stores that have underperformed. In regard to the clusters for geographical expansion, we will focus more on the cities where there are already "Sasa" stores. This will improve the efficiency of operational management.

Overall, we are developing a product strategy for Mainland China that includes new product positioning and a measured roll-out schedule. In order to enhance our product offerings, we are securing more renowned international beauty brands from local suppliers as well as major global and regional beauty groups. We are also adding more exclusive and own-branded products to drive for a more diversified brand portfolio. Measures include introducing more popular and trendy brands and products, building relationships with suppliers and beauty brands, and broadening the range of fragrances by adding famous brands such as Mont Blanc, Chloe, Porsche, Swarovski and Cerruti.

In order to increase store sales productivity, we will continue to improve inventory and logistics management, enhance sales analysis to have a better knowledge of consumer behaviour and preferences, and strengthen the incentive scheme for our sales staff.

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, despite a challenging market situation, we will continue to expand our retail network to gain market share and increase scalability.

In Malaysia, we will leverage on Sa Sa's market leading status and strong brand equity to achieve further sales growth and increase market penetration through network expansion. In Taiwan, we will tap the opportunities arising from development of the Individual Visit Scheme for Mainland tourists to Taiwan.

Overall, in all markets we aim to enhance the recognition of the "Sa Sa" brand and broaden our customer base. We will expand the retail network to sharpen our competitiveness and gain market share. To facilitate this network expansion, we will continue to build good working relationships with our landlords. We will also work closely with brands to establish long term business partnerships and further invest in the brand building of our own labels. These measures, together with continuing investment in human resources and IT to enable scalability, will strengthen our platform to support future growth and enhance these markets' contribution to the Group.

For our online business, we will roll out a new platform to enable further market diversification, and strengthen our marketing efforts including in social media, to increase our penetration in the international market as well as in the Mainland China market.

In terms of brand management, we will continue our drive for diversification and strengthen our partnership with major beauty groups including Estée Lauder Group, which has offered exclusive distribution rights of Goodskin Labs, a cosmeseutical brand, to the Group in Hong Kong and Macau, Singapore, Malaysia and Taiwan.

Conclusion

For the Group as a whole, the ongoing strength of the Chinese economy and the further development of inbound tourism in Hong Kong and Macau, are all reasons to believe that our business will continue to grow in the upcoming period. The Group's success has long been rooted in the solidity of our financial platform, the flexibility and long-term vision of our management, and on our track record of resilience in challenging conditions. These characteristics have enabled us to continue expanding our customer base while developing the potential both of our core Hong Kong and Macau market, and of our Mainland China and other markets. We believe that Sa Sa will continue to deliver sustainable growth for the rest of the fiscal year and beyond.

Human Resources

As at 30 September 2011, the Group had a total of 4,036 employees. Staff costs for the period under review were HK$374.8 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 2011, the Group's total equity funds were HK$1,314.0 million including reserves of HK$1,033.1 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$454.7 million. The Group's working capital was HK$941.6 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next 12 months.

During the period, the majority of the Group's cash and bank balances were in Hong Kong dollars, US dollars, Euro or Renminbi and deposited in reputable financial institutions 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 relatively stable yield.

Financial Position
Subsequent to the payment of final and special dividends, total funds employed (representing total equity) as at 30 September 2011 were HK$1,314.0 million, which represented a 2.9% decrease over the total funds employed of HK$1,352.7 million as at 31 March 2011.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 30 September 2011 and 31 March 2011.

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 dollars, US dollars, Euro or Renminbi. Based on purchase order placed, the Group minimised its foreign exchange exposure by way of buying against order at spot or entering into foreign currency forward contracts with reputable financial institutions. For practical purposes, we maintain no open positions. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets
As at 30 September 2011, no Group assets were under charge to a financial institution.

Contingent Liabilities
The Group had no significant contingent liability as at 30 September 2011.

Capital Commitments
As at 30 September 2011, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$107.6 million.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board resolved to declare an interim dividend of 2.0 HK cents (2010: 1.5* HK cents) per share and a special dividend of 4.0 HK cents (2010: 3.0* HK cents) per share for the six months ended 30 September 2011, payable to shareholders whose names appear on the Register of Members of the Company on Tuesday, 13 December 2011.

The interim and special dividends will be paid on or around Thursday, 22 December 2011.

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* Adjusted for the 1:1 Bonus Issue, please see circular dated 1 December 2010 for details.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2011, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

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

The Board sets, maintains and reviews on a regular basis its corporate governance practices and regards them as an essential part and important aspect of the work of the Board. 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 2011, 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 that they have complied with the Company's code of conduct throughout the reporting period.

The interim report of the Company for the six months ended 30 September 2011 containing more information on its corporate governance practices will be dispatched to the shareholders on or around Wednesday, 30 November 2011, 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 and special dividend, the Register of Members of the Company will be closed from Monday, 12 December 2011 to Tuesday, 13 December 2011, both days 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 and transfer office, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 9 December 2011.

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, 17 November 2011

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

Executive Directors
Dr KWOK Siu Ming Simon, *BBS, 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*