[For Immediate Release]

# Sa Sa Announces Interim Results 2011/12

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### If Excluded Impact of New Bonus Points System

## Group Turnover Increased by 34.2% to HK$2,817 Million
## Net Profit Rose by 41.5% to HK$249.5 Million

| **Interim Results Highlights** | For the six months ended 30 September | | +/- % Change |
|---|---|---|---|
| | **2011/12** | 2010/11 | |
| | **HK$ million** | HK$ million | |
| Group turnover | **2,786.0** | 2,099.2 | +32.7% |
| Profit reported for the period<br>- *PAT if excluded impact of new bonus points system* | **224.3**<br>***249.5*** | 176.3<br>*176.3* | +27.3%<br>*+41.5%* |
| EPS - basic | **8.0 HK cents** | 6.3* HK cents | +26.4% |
| Interim dividend per share | 6.0 HK cents | 4.5* HK cents | +33.3% |
| – Basic | 2.0 HK cents | 1.5* HK cents | +33.3% |
| – Special | 4.0 HK cents | 3.0* HK cents | +33.3% |

**Adjusted for the 1:1 Bonus Issue*

(17 November 2011 – HONG KONG) – Sa Sa International Holdings Limited ("Sa Sa" or the "Group", stock code: 0178), Asia's leading cosmetics retailing group, announced today its interim results for the six months ended 30 September 2011.

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.

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. If the impact of bonus points system is excluded, 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) (the "Interim Dividend") per share and a special dividend of 4.0 HK cents (2010: 3.0* HK cents) (the "Special Dividend") per share.

During the period, Sa Sa was included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, reflecting the Group's commitment to sustainable growth and high standards of corporate governance.

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.

**Retail & Wholesale Business**

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-mind cosmetics retailer among Mainland tourists, visitors from overseas, and local residents of Hong Kong and Macau. A weakening U.S. dollar and high inflation in the Mainland China 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.

Since early 2011, 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.

As a result of our new bonus points system, which was launched in late May 2011, part of the revenue was treated as deferred income according to the respective accounting policy, and 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 realized.

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

The Group's **Mainland China** business recorded turnover growth of 80.8% to HK$108.5 million. The Group continued to make progress in the implementation of its Mainland China strategy. The Group achieved double-digit turnover growth and comparable store sales growth for the counter network under exclusive brand in the department store channel. The Group also increased its presence in the market to cover eight provinces and 14 cities with 39 stores. The growing number of stores and the expansion of the network will inevitably attract new suppliers and beauty brands to support its 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. During the period, 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 to enhance its portfolio. As these brands roll out into the Group's stores, they will inevitably enhance the appeal of Sa Sa's product range and store image, alongside with efforts in better training, product display, cooperation on marketing and promotion, and introduction of more own brands to bolster performance. The Group continued to receive increasing support from landlords and shopping mall developers. In October 2011, the Group 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, the Group received an award for "The Most Popular Store 2011" from Wanda, one of the major property developers in Mainland China. During the period, the Group further developed its official store at Taobao and established official stores at other popular online shopping sites in Mainland such as 360Buy, Paipai, Redbaby and Easybuy.

The performance of this market reflected the increased overheads to support expansion, increased store-opening expenses, and a pool of experienced staff being stretched across an expanding network.

As at 30 September 2011, there were 39 "Sasa" stores and 21 beauty counters under Suisse Programme in the Mainland China market.

Turnover for the **Singapore and Malaysia** market achieved modest growth of 24.6% and 15.2%, respectively. Despite the delay in roll-out of some new own-branded products due to the Japanese catastrophe in March 2011, Sa Sa outperformed the markets through effective integrated marketing campaigns across various forms of media.Contribution from new stores and continued success of house brands resulted in a continued rise in profits. As at 30 September 2011, the number of "Sasa" stores in Singapore remains at 20 and one new store was added in Malaysia to reach 39 in total.

**Taiwan** recorded steady turnover growth of 39.2%, same store sales rose 4.1% and breakeven was achieved. Increasing consumer confidence and a more buoyant retail market continued to improve sales. Closer cooperation with local vendors on popular products helped increase traffic and secured repeat purchases. During the period, two new stores were added. As at 30 September 2011, there were 21 "Sasa" stores and one Suisse Programme counter in Taiwan.

Turnover for **sasa.com** amounted to HK$130.8 million. A month-on-month improvement in sales performance was maintained during the second quarter. During the period, the strategy for sasa.com focused on achieving a more balanced and diversified market mix, and gross profit margin improved on a higher sales mix of own-branded products, increased repeat customers and enhanced customer loyalty. Sa Sa introduced a new iPhone app, which received the Certificate of Merit – Retail in the "2011 WTIA Marketing Smartphone Apps Industry Excellence Awards" organized by Hong Kong Wireless Technology Industry Association.

**Brand Management**

During the period, the Group's sales of own-label and exclusively distributed products increased by 0.2%, contributed 41.4% of the Group's total retail sales (2010/11: 41.2%). 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 the Group's own-branded products. The Group continued to launch timely new exclusive products. The good word-of-mouth of the Group's new products, along with effective marketing, drove the strong sales growth of exclusive products. The Group will continue its diversification strategy in the product categories as well as emphasis on broadening its appeal to more market segments such as the young people market sector.

**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. At the same time, Hong Kong will continue to benefit from continuing integration with Mainland China. Robust inbound tourism is expected to continue in the second half of the fiscal year. The Group will continue to monitor the retail market development in various Asian markets and act accordingly.

Sa Sa's 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.

The main priority in Mainland China is to strengthen our efforts to achieve scalability. To support this strategy, Sa Sa will allocate more and build management resources, with particular focus on the human resources function, and strengthen the incentive scheme for the sales staff. The Group will further strengthen both recruitment and training capacity. Measures will include setting up regional training centres in each of the clusters, increasing automation to improve staff productivity, emphasizing 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 regards to the clusters for geographical expansion, Sa Sa will focus more on the cities where there are already "Sasa" stores. This will improve the efficiency of operational management.

In order to enhance our product offerings, Sa Sa is securing more renowned international beauty brands from local suppliers as well as major global and regional beauty groups. The Group is also adding more exclusive and own-branded products to drive for a more diversified brand portfolio.

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

Overall, in all markets, Sa Sa aims to enhance recognition of the “Sa Sa” brand, broaden the customer base, expand retail network to sharpen the Group’s competitiveness and gain market share. To facilitate this network expansion, the Group will continue to build good working relationships with landlords. The Group will also work closely with brands to establish long-term business partnerships and further invest in the brand building of 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.

In terms of brand management, Sa Sa will continue the drive for diversification and strengthen its 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.

Dr. Simon Kwok, Chairman and Chief Executive Officer of the Group, concluded, “For the Group as a whole, the ongoing strength of the Mainland’s economy and the further development of inbound tourism in Hong Kong and Macau, are all the 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 markets, 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.”

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**About Sa Sa International Holdings Limited**
Sa Sa is a leading cosmetics retailing group in Asia. Its over 220 stores and counters in Asia sell more than 600 brands of skin care, fragrance, make-up and hair care products including its own-brands and other exclusive international brands. Over 2,000 well-trained beauty consultants are employed to provide professional services to its customers.

Sa Sa runs the largest cosmetics specialty store chain in Asia Pacific region, as ranked by Retail Asia magazine, KPMG and Euromonitor in 2011. The Group is also the Best Managed Medium Cap company in Hong Kong ranked by AsiaMoney magazine in 2010. As one of the major sole agents in cosmetics in Hong Kong, Sa Sa also represents more than 100 international beauty brands in Asia. Sa Sa prospers on its successful and proven “one-stop cosmetics specialty store” concept which aims to provide customers with the widest range of quality products. Its e-commerce arm, sasa.com, provides online shopping service to customers as well as a strong marketing tool for the Group. Sa Sa, established in 1978, was listed on The Stock Exchange of Hong Kong since June 1997.

For further information, please visit www.sasa.com or contact:

**Sa Sa International Holdings Limited**
Macy Leung/ Queenie Mak
Tel: 2975 3601/ 2975 3602
Fax: 2898 9717
E-mail: macy_leung@sasa.com/ queenie_mak@sasa.com

**iPR Ogilvy Ltd.**
Callis Lau/ Janette Lo/ Jenny Yung/ Janis Lai
Tel: 2136 6952/ 3920 7647/ 3920 7634/ 2169 0646
Fax: 3170 6606
E-mail: callis.lau@iprogilvy.com/ janette.lo@iprogilvy.com/
jenny.yung@iprogilvy.com/ janis.lai@iprogilvy.com