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

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

Interim Results for the six months ended 30 September 2013 Dividends and Closure of Books

Highlights

- The Group's turnover increased by 15.4% from HK$3,377.5 million to HK$3,899.1 million
- Retail sales in Hong Kong and Macau increased by 19.9% from HK$2,564.1 million to HK$3,073.8 million
- The Group's profit for the period was HK$357.4 million, an increase of 26.7% from HK$282.1 million
- Basic earnings per share were 12.6 HK cents as compared to 10.0 HK cents for the same period last year
- Interim and special dividends per share were proposed at 4.5 HK cents each, totalling 9.0 HK cents
- The Group's retail network increased from 260 to 271, a net increase of 11 stores
- The Group's first lifestyle concept store, Sa Sa Supreme, launched in August 2013
- Sa Sa was selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for the third consecutive year since 2011

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 2013. 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.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 September 2013 HK$'000	2012 HK$'000
Turnover	4	**3,899,125**	3,377,465
Cost of sales	6	**(2,068,384)**	(1,833,851)
Gross profit		**1,830,741**	1,543,614
Other income	5	**45,169**	27,846
Selling and distribution costs	6	**(1,288,060)**	(1,096,438)
Administrative expenses	6	**(167,618)**	(133,742)
Other gains - net		**4,010**	3,336
Operating profit		**424,242**	344,616
Finance income		**5,540**	3,616
Profit before income tax		**429,782**	348,232
Income tax expenses	7	**(72,402)**	(66,168)
Profit for the period		**357,380**	282,064
Earnings per share (expressed in HK cents per share)	8		
Basic		**12.6**	10.0
Diluted		**12.6**	10.0
Dividends	9	**255,294**	197,735

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
Profit for the period	**357,380**	282,064
Other comprehensive (loss) / income		
Items that may be reclassified to profit or loss:		
Cash flow hedges, net of tax	**880**	(69)
Currency translation differences of foreign subsidiaries recorded in exchange reserve	**(6,103)**	691
Other comprehensive (loss) / income for the period, net of tax	**(5,223)**	622
Total comprehensive income for the period	**352,157**	282,686

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2013 HK$'000**	Audited 31 March 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**340,093**	343,195
Rental deposits, prepayments and other assets		**206,287**	214,731
Deferred tax assets		**11,432**	5,233
		557,812	563,159
Current assets			
Inventories		**1,558,602**	1,234,976
Trade receivables	10	**61,099**	92,968
Other receivables, deposits and prepayments		**182,511**	154,083
Time deposits		**42,882**	209,092
Cash and cash equivalents		**554,266**	542,963
		2,399,360	2,234,082
LIABILITIES			
Current liabilities			
Trade payables	11	**444,100**	411,231
Other payables and accruals		**390,693**	317,255
Income tax payable		**128,548**	63,279
		963,341	791,765
Net current assets		**1,436,019**	1,442,317
Total assets less current liabilities		**1,993,831**	2,005,476
Non-current liabilities			
Retirement benefit obligations		**3,723**	3,849
Deferred tax liabilities		**510**	1,501
Other payables		**40,119**	24,652
		44,352	30,002
Net assets		**1,949,479**	1,975,474
EQUITY			
Capital and reserves			
Share capital		**283,226**	282,691
Reserves		**1,666,253**	1,692,783
Total equity		**1,949,479**	1,975,474

Notes

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("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 2013, 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.

a) New, amended and revised standards and new interpretation adopted by the Group

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013). The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The amendment results only in additional disclosures.

- HKFRS 13, "Fair Value Measurements" (effective for annual periods beginning on or after 1 January 2013). It improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The new standard results only in additional disclosures.

- HKAS 1 (Amendment), "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The change in accounting policy results only in additional disclosures.

- HKAS 19 (Amendment), "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013). The amendment posted significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The revised standard had no material impact on the Group's consolidated financial statements.

2. Accounting policies (continued)

a) New, amended and revised standards and new interpretation adopted by the Group (continued)

The following new, amended and revised standards and new interpretation are effective for the financial year beginning 1 April 2013 but not relevant to the Group.

- HKFRS 1 (Amendment), "Government Loans" (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)
- HKFRS 12, "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013)
- HKFRSs 10, 11 and 12 (Amendment), Transition guidance (effective for annual periods beginning on or after 1 January 2013)
- HKAS 27 (Revised 2011), "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- HKAS 28 (Revised 2011), "Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)
- HK(IFRIC) - Int 20, "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013)

b) Early adoption of amended standards and new interpretation and where early adoption is permitted

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) "Investment Entities" (effective for annual periods beginning on or after 1 January 2014). The amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The early adoption of amendments to HKFRS 10, HKFRS 12 and HKAS 27 does not have any material impact to the Group as the Group does not have investment entities.

2. Accounting policies (continued)

b) Early adoption of amended standards and new interpretation and where early adoption is permitted (continued)

- HKAS 32 (Amendment) “Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities” (effective for annual periods beginning on or after 1 January 2014). The amendments clarify the requirements for offsetting financial instruments on the statement of financial position:
  (i) the meaning of “currently has a legally enforceable right of set-off”; and
  (ii) that some gross settlement systems may be considered equivalents to net settlement.

  The early adoption of amendments to HKAS 32 (Amendment) does not have any material impact to the Group as the Group has already followed this requirement for offsetting.

- Amendments to HKAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” (effective for annual periods beginning on or after 1 January 2014). The amendments to HKAS 36 require an entity to disclose the recoverable amount for each cash-generating unit with significant amount of goodwill or intangible assets with indefinite useful lives no matter whether there has been impairment or a reversal of impairment and introduces additional disclosures about fair value measurements. The early adoption of amendments to HKAS 36 does not have any material impact to the Group as the Group does not have any goodwill or intangible assets.

- HKAS 39 (Amendment) “Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting” (effective for annual periods beginning on or after 1 January 2014). The HKAS 39 (Amendment) provides relief from discontinuing hedge accounting when novation of the derivative contract which is designated as a hedging instrument to a central counterparty meets specified criteria. The early adoption of HKAS 39 (Amendment) does not have any material impact to the Group as the Group does not enter into any contract with central counterparties.

- HK (IFRIC) Int 21 “Levies” (effective for annual periods beginning on or after 1 January 2014). The interpretation clarifies the accounting for levies in the financial statements of the entity that is paying the levy. The early adoption of HK (IFRIC) Int 21 does not have any material impact to the Group.

c) The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted

- HKFRS 9, “Financial Instruments” (effective for annual periods beginning on or after 1 January 2015)

- HKFRS 7 and HKFRS 9 (Amendments) “Mandatory Effective Date and Transition Disclosures” (effective for annual periods beginning on or after 1 January 2015)

3. Estimates

The preparation of interim financial information 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 information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 March 2013, with the exception of changes in estimates that are required in determining the provision for income taxes and deferred revenue on customer loyalty programme.

At 30 September 2013, deferred revenue for customer loyalty programme amounted to HK$36,607,000 (2012: HK$12,494,000). The amount of deferred revenue recognised in each period fluctuates according to various factors including changes in estimated redemption rates and fair values of the redemption gifts.

The actual experience and the level of these deductions to revenue may deviate from the estimates. The Group reviews its estimates every twelve months and may adjust them in a subsequent period by referencing to the actual values experienced in prior periods.

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 result 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 2013			
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**All other segments HK$'000**	**Total HK$'000**
Turnover from external customers	**3,128,169**	**167,186**	**603,770**	**3,899,125**
Results				
Segment results	**374,820**	**(27,155)**	**9,715**	**357,380**
Other information				
Capital expenditure	**66,655**	**8,220**	**14,024**	**88,899**
Finance income	**3,948**	**178**	**1,414**	**5,540**
Income tax expenses	**65,740**	**-**	**6,662**	**72,402**
Depreciation	**52,573**	**17,912**	**18,648**	**89,133**

	Six months ended 30 September 2012			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover from external customers	2,630,291	168,275	578,899	3,377,465
Results				
Segment results	283,023	(19,826)	18,867	282,064
Other information				
Capital expenditure	85,100	14,112	30,051	129,263
Finance income	2,316	7	1,293	3,616
Income tax expenses	58,524	-	7,644	66,168
Depreciation	47,704	17,213	17,090	82,007

4. Segment information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
At 30 September 2013				
Non-current assets	**390,869**	**54,095**	**95,864**	**540,828**
Current assets	**1,732,054**	**218,476**	**448,830**	**2,399,360**
Deferred tax assets				**11,432**
Unallocated corporate asset				**5,552**
				2,957,172
At 31 March 2013				
Non-current assets	386,532	65,115	100,727	552,374
Current assets	1,602,207	227,496	404,379	2,234,082
Deferred tax assets				5,233
Unallocated corporate asset				5,552
				2,797,241

5. Other income

	Six months ended 30 September	
	2013 **HK$'000**	2012 HK$'000
Slide display rental income	**31,215**	27,846
Sub-lease income	**13,954**	-
	45,169	27,846

6. Expenses by nature

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
Cost of inventories sold	**2,045,197**	1,814,683
Employee benefit expenses (including directors' emoluments)	**556,034**	473,804
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**423,634**	338,475
- contingent rent	**28,926**	25,876
Depreciation of property, plant and equipment	**89,133**	82,007
Advertising and promotion expenses	**69,833**	55,256
Building management fees, government rent and rates	**38,785**	39,156
Utilities and telecom	**33,764**	30,547
Provision for slow moving inventories and stock shrinkage	**23,187**	19,168
Sub-lease expenses	**21,593**	-
Repair and maintenance	**16,046**	17,143
Donations	**2,221**	2,100
Write-off of property, plant and equipment	**1,777**	1,919
Auditors' remuneration		
- audit services	**1,752**	1,655
- non- audit services	**432**	389
Others	**171,748**	161,853
	3,524,062	3,064,031
Representing:		
Cost of sales	**2,068,384**	1,833,851
Selling and distribution costs	**1,288,060**	1,096,438
Administrative expenses	**167,618**	133,742
	3,524,062	3,064,031

7. **Income tax expenses**

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 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	
	2013	2012
	HK$'000	HK$'000
Hong Kong profits tax - current	**65,489**	54,437
Overseas taxation - current	**14,189**	12,147
Deferred tax relating to origination and reversal of temporary differences	**(7,276)**	(416)
	72,402	66,168

8. **Earnings per share**

(a) The calculation of basic and diluted earnings per share is based on the Group's profit for the period of HK$357,380,000 (2012: HK$282,064,000).

(b) The calculation of basic earnings per share is based on the weighted average number of 2,829,046,951 (2012: 2,817,779,174) 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 2,829,046,951 (2012: 2,817,779,174) shares in issue during the period plus the weighted average number of 17,225,524 (2012: 12,886,050) 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	
	2013	2012
	HK$'000	HK$'000
Interim, proposed and declared – 4.5 HK cents (2012: 2.5 HK cents) per share	**127,647**	70,620
Special, proposed and declared – 4.5 HK cents (2012: 4.5 HK cents) per share	**127,647**	127,115
	255,294	197,735

At a meeting held on 18 November 2013, the Directors proposed and declared an interim dividend of 4.5 HK cents and a special dividend of 4.5 HK cents per share. These proposed and declared 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 2014.

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 2013	31 March 2013
	HK$'000	HK$'000
Within 1 month	**53,630**	83,242
1 to 3 months	**6,849**	9,214
Over 3 months	**620**	512
	61,099	92,968

The fair values of trade receivables approximate their carrying amounts.

11. Trade payables

The ageing analysis of trade payables is as follows:

	30 September 2013	31 March 2013
	HK$'000	HK$'000
Within 1 month	**302,990**	261,673
1 to 3 months	**117,639**	118,078
Over 3 months	**23,471**	31,480
	444,100	411,231

The fair values of trade payables approximate their carrying amounts.

MANAGEMENT DISCUSSION & ANALYSIS

Interim Results

For the six months ended 30 September 2013 ("Period"), the Group's consolidated turnover amounted to HK$3,899.1 million, representing an increase of 15.4% from HK$3,377.5 million for the six months ended 30 September 2012 ("Previous Period"). The ongoing robust performance of our core market Hong Kong and Macau benefited the Group's performance. Retail sales in Hong Kong and Macau increased by 19.9% from HK$2,564.1 million to HK$3,073.8 million. The Group's gross profit margin rose from 45.7% to 47.0%.

The Group's profit for the period was HK$357.4 million, representing an increase of 26.7% from HK$282.1 million for the previous period. Basic earnings per share amounted to 12.6 HK cents as compared to 10.0 HK cents for the previous period. The Board resolved to declare an interim dividend of 4.5 HK cents (2012: 2.5 HK cents) per share and a special dividend of 4.5 HK cents (2012: 4.5 HK cents) per share. The Group's retail network increased from 260 to 271, a net increase of 11 stores, and the Group's first lifestyle concept store, Sa Sa Supreme, was launched in August 2013.

A highlight for the period was Sa Sa's nomination for the third successive year as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index.

Market Overview

In the first half of 2013, external conditions in the advanced economies on the whole were still sluggish. While the eurozone economy remained weak, the pace of recovery in the United States was constrained by the fiscal drag. Nevertheless, Hong Kong cosmetics markets continued to be underpinned by the resilient domestic sector as well as buoyant inbound tourism. In the first nine months of 2013, Hong Kong retail sales and mainland tourist arrivals increased by 12.5% and 18.9% respectively on a year-on-year basis. Growth rate of day return tourists decelerated from 37.2% to 21.0%. This might be partially due to the curtailed trading of milk powder. However, the growth rate of overnight tourist arrivals picked up from 10.9% to 16.1%.

In China, retail sales was above 13% and GDP growth was 7.8% respectively, both showing a slight rebound from July to September in 2013, indicating that the Chinese economy is moving towards steady growth, which is in line with the range expected by the Government and its policies to promote more sustainable growth. In Malaysia, firm domestic demand continued to support growth amid weaker external stimulus, and the cosmetics sector was comparatively more buoyant. Retail sales increased by 8% in April to June 2013. In Singapore, GDP and cosmetics sector sales growth showed slight improvement of 3.8% and 3.7% respectively in April to June 2013. Reflecting the continuing weakness of Taiwan's economy during the period, retail sales growth of Pharmaceutical and Medical Goods and Cosmetics in Taiwan only reached 0.6% in the first half of 2013.

Operations Review

Retail and Wholesale Business

Hong Kong and Macau

As testimony to the resilience of the cosmetics sector, the Group's retail sales growth in Hong Kong for the period outperformed the overall retail market and cosmetics sector. Turnover in Hong Kong and Macau increased 18.9% to HK$3,128.2 million. Retail sales growth momentum in Hong Kong and Macau remained strong, with same store sales and same store number of transactions rising 13.0% and 5.7% in the period respectively. The total average sales value per ticket grew by 7.2%, while the average spending of local consumers increased by 1.5%. Profit after tax rose from HK$283.0 million to HK$374.8 million.

Several factors drove this performance. Mainland tourist arrivals in Hong Kong rose 18.9% while same-day visitors continued to be primary growth engine. The growth of overnight visitors increased from last year but visitors originating from second and third tier cities represented a growing percentage of the total. Although more visitors from these urban centres are coming to Hong Kong, their spending power is clearly less than visitors from first tier cities.

Leveraging on our successful strategy of penetration into non-tourist areas in Hong Kong, the Group continued to benefit from local and Mainland China tourist demand in these areas, particularly in the New Territories. Due to the successful broadening of our product development and marketing strategies and initiatives, sales of House Brand products rose by 26.3%.

Due to the increase in House Brand mix, the gross profit margin rose by 1.6 percentage points. This enhanced performance more than offset the pressure of operating cost increments. Although the rental market moderated in 2013, the Group was still subject to high rental increments for renewals. The rentals of several tourist area stores were still much higher in the first half of 2013 in new lease terms as compared to three years ago. Frontline and back office staff costs also increased due to the strengthening of incentives to retain good and experienced staff in the midst of serious understaffing problems in the retail industry.

The Group continued to implement network expansion in a strategic and disciplined manner, taking into account market needs and cost considerations, in order to increase market share and capture potential in both tourist and non-tourist areas. Our first-in-Asia lifestyle concept store, Sa Sa Supreme, invited a number of prestigious international brands, as well as young and trendy brands to cooperate in building Hong Kong’s first beauty hot spot. Sa Sa Supreme houses multiple beauty salons, a professional hair salon, nail spa services, and a tasteful lifestyle boutique café to create an exclusive space with comprehensive services of the highest quality, as well as a vastly enhanced shopping environment for customers.

We added a net six “Sasa” stores during the period. As at 30 September 2013, there were 103 “Sasa” stores (including seven in Macau), one Suisse Programme standalone store and two La Colline standalone stores.

Mainland China

Overall turnover for our Mainland China operations decreased by 3.3% in local currency terms to HK$167.2 million, while same store sales growth in local currency decreased 6.9% for the period. The loss for the period amounted to HK$27.2 million.

This modest performance was largely due to the adoption of a strategy with more focus on House Brand products. This strategy has proven to be successful in Hong Kong, but the execution in Mainland China was hampered by the relative inexperience of new staff, weaker execution abilities and changes in management, leading to a loss of sales.

The Group consciously fine-tuned our strategies and adopted a lower cost and more efficient boutique store format for some of our new store openings in the first half of 2013. This will help to increase store level profitability, improve our store network scalability and to solidify our presence in the Mainland. We set up a new representative office in Guangzhou to support the training and marketing functions, as well as to improve the support and supervision of own label sales in the Mainland. The aim is to enhance our operational efficiency in the Southern and Central Clusters.

As at 30 September 2013, we had a presence in 28 cities and across 17 provinces in Mainland China with 58 “Sasa” stores and six Suisse Programme counters.

Singapore
During the period, the turnover for our Singapore operations was HK$124.4 million, a slight decrease of 0.5% in local currency terms over the previous period. Same store sales growth in local currency decreased 1.8%.

The decrease in retail sales and same store sales growth was largely caused by manpower constraints at all levels. This is also felt at the frontline due to the tightened foreign worker quotas, which adversely affected our store productivity. Moreover, there were fewer atrium sales as compared to the corresponding period last year because of a lack of vacancies in the schedule. As at 30 September 2013, there were 21 "Sasa" stores in Singapore.

Malaysia
The turnover for our Malaysia operations was HK$162.9 million, an increase of 14.4% in local currency terms over the previous period. Same store sales growth rose 6.2% in local currency.

Our retail sales growth exceeded that of our peers as well as the overall retail market due to the Group's strong retail network and effective marketing campaigns. As at 30 September 2013, there were 52 "Sasa" stores in Malaysia.

Taiwan
Turnover in the Group's Taiwan business increased by 6.2% in local currency terms to HK$130.9 million during the period, and same store sales rose 0.4% in local currency.

Despite weak local consumption sentiment, we have enlarged our network over the past years, particularly in the tourist areas, to capture the growth potential from Mainland tourists. Although Mainland tourists remain a small percentage of our business, the tourist mix including other tourists increased steadily as compared to the same period last year. We also enhanced our product portfolio and strengthened our lower priced product offerings with the objective of increasing traffic and driving sales through cross-selling. We added one new store during the period. As at 30 September 2013, there were 28 "Sasa" stores in Taiwan.

E-commerce — sasa.com
Turnover for sasa.com amounted to HK$185.6 million, representing an increase of 1.3% over the previous period. The decrease in sales growth was mainly due to more players with a strong financial background competing in the Australia market and focusing on acquiring as many customers as possible rather than making profits, thereby fuelling competition and increasing price pressure. Department stores in Australia also slashed prices to realign with international prices, making shopping online overseas less attractive. A significantly weaker Australian Dollar heightened the negative effect.

In response to the intense competition, the Group devoted more efforts to promote our brand and platform via email marketing, search engine marketing and affiliate marketing. sasa.com remained widely recognized in the industry, receiving the "Annual Partner Award" in the Google Hong Kong Partners Awards 2013, and "Search Engine Marketing Award" in the Google Best Overseas Brand Communications Awards during the period.

Brand Management

The Group's sales of House Brands increased steadily by 22.9%, and the House Brand mix increased to 44.2% of the Group's total retail sales. Our strategy of allocating more sales and marketing resources to House Brands with the greatest growth potential, and also to our hero products, successfully drove the sales growth of our own-branded and exclusively distributed products.

Our emphasis on closely following market trends by launching timely and trendy new products catering to different customer segments, such as “Banila Co.”, a sole agent brand that is one of the top beauty brands in South Korea, continued to generate good returns for the Group. The increasing number of young and mass product offerings also helped to drive the growth of our House Brands. We will continue to implement our diversification strategy in the product categories as well as to broaden our appeal to segments such as the young people and home DIY sector. The period witnessed the launch of new Suisse Programme ambassadors with a series of product promotion campaigns.

Outlook

The coming year will undoubtedly be challenging because of the uncertain global economy and relatively weak consumption sentiment. However, there are several positive factors. Although the growth of Mainland visitors has slowed and their spending power has weakened, the Group expects to experience continued growth momentum due to the continuing integration of Hong Kong with the Mainland and the strength of the demand for cosmetics from Mainland visitors, making our cosmetics business relatively resilient to changing economic circumstances. In addition, our increasing presence in residential areas will allow us to better serve the local consumers with suitable product selection supported by our professional services.

The Group’s performance beyond Hong Kong and Macau has been relatively mixed. With a stronger performance in the Malaysian market, we remain committed to making a similar success of our other markets and will take immediate steps to strengthen local management to generate satisfactory contributions to the Group. The cost pressure from high rentals in Hong Kong continues but is abating from its peak. The shortage of staff continues to be an issue throughout the region, affecting both costs and productivity.

The Group has a unique positioning in its product selection, offering a full range of beauty products from mass to premium. We will leverage on this positioning to lure consumers with a good selection of products at different market segments with attractive offers. In doing so, we will be able to perform consistently under different economic circumstances, allowing customers to trade up when their purchasing power increases and to trade down when they so desire.

Going forward, the Group intends to make further headway in strengthening our own labels, targeting product gaps in our own product portfolio, identifying consumers’ preference for new products as well as their ever-changing requirements in regard to product functions, and offering appropriate products to satisfy these demands. Furthermore, we will increase our House Brands coverage to boost the sales mix of our Owned Brands, enabling us to increase the Group’s gross profit margin and offset rising cost pressures. We will also make use of more effective online and offline coordination for the purpose of building our Own Brands, creating greater awareness and recognition, and enhancing sales momentum. We are developing a system to improve the accuracy and reliability of ordering Own Brand products. This system development will facilitate a reduction in our manpower dependence and increase our scalability.

To enhance our position as the leading cosmetics retailing group in Asia, we will continue to expand our network in the region in a disciplined manner, taking into account market circumstances, and to strengthen our retail brand and product portfolio through closer cooperation with beauty brand owners.

The Group aspires to maintain and deepen our role as a good corporate citizen. We will endeavour to further develop appropriate strategies and to act on sustainability issues, including incorporating environmentally conscious measures throughout our operations. This commitment reflects our inclusion as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index.

Hong Kong and Macau

Ever since the launch of the Individual Visit Scheme in 2003, the growth in the number of Mainland tourist arrivals has been key to the Group's success in Hong Kong. As outbound Mainland tourists are increasingly visiting other countries due to more destination choices, the profile of Mainland tourists to Hong Kong is also changing as the more affluent first tier city residents travel further afield while lower tier city residents take their place. Day trippers from Shenzhen continue to visit Hong Kong, but their growth has been curtailed in the short term due to the restrictions placed on multiple day trips for the purposes of trade. This resulted in slower growth of per capita spending by Mainland visitors during the period. On a more positive note, rental growth in Hong Kong has been moderating, which is allowing us to expand steadily both in tourist and non-tourist locations.

Major infrastructural projects that are currently underway in Hong Kong will significantly enhance Hong Kong's connectivity with the fast growing Pearl River Delta region and beyond. These projects will provide more ease and convenience for a substantially increased base of Mainland tourists shopping in Hong Kong. The completion of the high-speed rail link will offer the 105 million residents of Guangdong province a one-hour train ride to Hong Kong, while the 145 million residents of Guangxi, Fujian and Hunan provinces will be within a four-hour train ride. This increasing ease of travel for day trippers from Southern China should buttress the long-term growth of retail sales in Hong Kong.

Mainland China

Following intensive efforts to expand the Group's footprint in Mainland China, we will continue to develop our business in this challenging but fast growing cosmetics market. We will strengthen our management structure and training programmes to improve effectiveness and coordination and to improve cost management. We will also automate systems and enhance departmental coordination to increase operational effectiveness and scalability.

The Group aims to improve our product offerings by strengthening close relationships with local suppliers, as well as with major global and regional beauty groups to secure more renowned international beauty brands, and we will add more exclusive and owned label products to increase the diversity of our brand portfolio. We will work closer with our suppliers to leverage on their products, marketing support and promotions.

Our Hong Kong own label team will also provide us with better support in this important market. To strengthen the brand building of private labels, we will continue to invest in fresh initiatives such as a new ambassador for Suisse Programme, and more public relations events and social media marketing. In a further bid to enhance brand image and to increase the exposure of our brands, we are also cooperating with reputable department stores to launch single brand counters as well as to offer beauty treatments. We will continue our collaboration with renowned online shopping platforms to build our own brands and add new sales channels.

There will be further enhancements to our product offerings, including strengthening certain product categories, to make our product portfolio more complete and to broaden our customer base. We believe that our performance will significantly improve with better display to allow the brands on offer to fully showcase their brand equities, and fully realize the effects of our marketing and promotions efforts.

We are confident that our investment in business process regeneration, comprehensive reporting and system automation will allow us to improve our operational efficiency and execution capability to reduce the impact of staff turnover.

The Group has adopted a lower cost and more efficient smaller store format for some of our new store openings to enhance cost efficiency and profitability and accelerate the pace of expansion. We will place more emphasis on store locations and terms to ensure better performance and to alleviate cost pressure upon renewal. We have revised the incentive system for our frontline staff to better remunerate them and to better manage and reward their performance. To further reduce the burden on our Shanghai office and minimize transportation time and costs, we will leverage on our management resources in Hong Kong to strengthen our store management in central and southern China.

Other Markets: Singapore, Malaysia and Taiwan
In Singapore, the Group will continue to build scalability and profit potential through enlargement of our store size and integrating our new lifestyle concept into our stores. In response to staffing issues, we will participate in job fairs to promote employer profile and recruitment awareness and we will redesign job scopes to attract short-hour/part time locals. We will also adopt employee programmes specifically tailored to retain staff.

To combat staffing limitations, we will equip our frontline staff with hand-held tablets for our stores. These tablets can be used to display product information to share with customers and highlight products that are on promotion. Building brand awareness will remain a high priority. To drive sales and grow brand awareness, we will invest in new programmes such as our Suisse Programme branding event with the brand ambassador in attendance. We will also build on the first of its kind fragrance fair that we recently organized, receiving great support from fragrance brands, suppliers, the media and mall management.

A new Customer Relationship Management ("CRM") programme will enable us to enlarge our customer database, collaborate with other companies to increase exposure and grow our customer base. We will offer new products and promotions to attract customers to visit our stores and implement a new Target Management Sustaining System ("TMSS") to systematically improve productivity and the management of our stores and retail staff.

In Malaysia, the Group will continue to strengthen the local team and seek to maintain our notable improvements in overall performance, identify high traffic locations for new stores and expand into new regions. We will improve professional training for staff and enhance our product portfolio by introducing new brands and products with strong potential.

In Taiwan, the Group will maintain its efforts to expand our network in order to strengthen our presence and future growth potential. Our management trainee programme and our frontline staff enhancement programme are both well underway. These programmes are modeled on our progammes in Hong Kong and adapted for the local market. We expect to see gradual improvements in operational effectiveness and staff loyalty from next year. In addition, we have been opening stores in tourist locations to tap the potential of the Mainland Chinese tourists and we will continue to improve our network in this respect.

The Group's new key strategy for our online platform is to strengthen cooperation with our physical stores and to leverage on the capability of our online marketing to highlight the attractive product offerings of our online and offline stores. We will give our customers more payment choices and facilitate payments in the local currencies of our customers in different markets. Meanwhile, we will increase our product offerings to tap our existing and new customers and enhance our customer retention through our CRM programme. We will explore potential partnerships with top online shopping sites, give added channel exposure to our own brands and leverage on other media to enhance branding of our own labels. In addition, we will continue to increase our social media presence and further integrate social media with our marketing.

Conclusion

Sa Sa has an enviable record of sustainable success over the years in all economic circumstances. We aim to continue to enhance our competitiveness and to build sustainability and scalability in the years to come. Although we have seen moderation in the growth of the Mainland China economy, as well as in our other markets, we are confident that our proven strategies and execution, our commitment to continuous improvements, forward planning and our inherent flexibility will enable Sa Sa to continue to deliver sustained growth for the coming fiscal year and beyond.

Human Resources

As at 30 September 2013, the Group had a total of over 5,000 employees. Staff costs for the period under review were HK$556.0 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 2013, the Group's total equity funds amounted to HK$1,949.5 million including reserves of HK$1,666.3 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$597.1 million. The Group's working capital was HK$1,436.0 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 financial year.

During the period, the majority of the Group's cash and bank balances were in Hong Kong dollar, Renminbi, Malaysian Ringit, Singapore dollar, Taiwan dollar, Euro and US dollar and deposited in reputable financial institutions with maturity dates falling within a 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 to the Group.

Financial Position

Subsequent to the payment of final and special dividends, total funds employed (representing total equity) as at 30 September 2013 amounted to HK$1,949.5 million, representing a 1.3% decrease over the total funds employed of HK$1,975.5 million as at 31 March 2013.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 30 September 2013 and 31 March 2013.

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 dollar, US dollar, Euro or Renminbi. Based on purchase order placed, the Group enters into foreign currency forward contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non HKD/USD denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 30 September 2013, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2013.

Capital Commitments

As at 30 September 2013, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$230.6 million.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board resolved to declare an interim dividend of 4.5 HK cents (2012: 2.5 HK cents) per share and a special dividend of 4.5 HK cents (2012: 4.5 HK cents) per share for the six months ended 30 September 2013, payable to shareholders whose names appear on the Register of Members of the Company on Tuesday, 10 December 2013.

The interim and special dividends will be paid on or around Thursday, 19 December 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2013, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Reflecting our belief in the importance of inner beauty, the Group strives for the highest corporate governance standards. Making Life Beautiful is a culture that is rooted in all aspects of our strategies and operations. The Group believes that our business can only be successful, sustainable and beautiful in the broadest sense of the term when governed by a strong corporate governance culture. This culture ensures that we are responsible, accountable and transparent. This belief accords with an increasingly stringent regulatory environment and rising public expectations.

Corporate governance is the foundation of how our Group balances and aligns the interests of all our stakeholders, determining both strategic directions and methods of execution. It allows us to manage the balance between achieving our objectives and risks, and it involves performance as well as compliance. As such, it can only be effective if it is built into our corporate culture as well as our control systems.

Under the supervision and guidance of the Chairman, the Board takes a leading and prominent role in establishing a clear corporate governance framework, ensuring its full application and internalizing it so that it becomes a corporate structure for all our members: both management and all employees.

Please refer to the Company's Annual Report 2012/13 issued in July 2013 (the "Annual Report") for a summary of our system of corporate governance and compliance with the code provisions and the recommended best practices.

Compliance with the Corporate Governance Code
Throughout the six months ended 30 September 2013 and up to the date of this announcement, the Company has applied the principles of the Corporate Governance Code ("CG Code") and in some instances complied with the recommended best practices, and complied with all the code provisions except Code Provision A.2.1 as discussed below.

Chairman and Chief Executive Officer
The Company has deviated from Code Provision A.2.1 in that Dr KWOK Siu Ming Simon is both the Chairman and Chief Executive Officer of the Company. The respective responsibilities of the Chairman and Chief Executive Officer, however, are clearly set out in the Terms of Reference for the Chairman and the Chief Executive Officer, which are available on the Company's website. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operations. 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 ("Model Code")

The Company has adopted a policy regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all of them have confirmed their compliance with such a policy throughout the reporting period.

The interim report of the Company for the six months ended 30 September 2013 containing more information on its corporate governance practices will be dispatched to the shareholders on or around Wednesday, 4 December 2013, 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 and special dividends, the Register of Members of the Company will be closed from Monday, 9 December 2013 to Tuesday, 10 December 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and special dividends, all valid documents for the transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 6 December 2013.

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

By Order of the Board
KWOK Siu Ming Simon
Chairman and chief executive officer

Hong Kong, 18 November 2013

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

Executive Directors
Dr KWOK Siu Ming Simon, *BBS, JP* (Chairman and chief executive officer)
Dr KWOK LAW Kwai Chun Eleanor, *BBS* (Vice-chairman)
Mr LOOK Guy (Chief financial officer)

Non-Executive Director
Ms LEE Yun Chun Marie-christine

Independent Non-executive Directors
Professor CHAN Yuk Shee, *PhD, SBS, JP*
Dr LEUNG Kwok Fai Thomas, *PhD, BBS, JP*
Ms TAM Wai Chu Maria, *GBM, JP*
Ms KI Man Fung Leonie, *SBS, JP*
Mr TAN Wee Seng