[For Immediate Release]

# Sa Sa Announces Interim Results 2012/13

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**Group Turnover Increased by 21.2% to HK$3,377.5 Million**

**Net Profit Rose by 25.7% to HK$282.1 Million**

| **Interim Results Highlights** | For the six months ended 30 September | | % Change +/- |
|---|---|---|---|
| | **2012/13** | 2011/12 | |
| | **HK$ million** | HK$ million | |
| Turnover | 3,377.5 | 2,786.0 | +21.2% |
| Gross profit | 1,543.6 | 1,224.4 | +26.1% |
| EBITDA | 430.2 | 323.3 | +33.1% |
| Profit for the period | 282.1 | 224.3 | +25.7% |
| EPS – Basic | 10.0 HK cents | 8.0 HK cents | +25.0% |
| Interim dividend | 7.0 HK cents | 6.0 HK cents | +16.7% |
| - *Basic* | 2.5 HK cents | 2.0 HK cents | +25.0% |
| - *Special* | 4.5 HK cents | 4.0 HK cents | +12.5% |
| Gross profit margin | 45.7% | 43.9% | +1.8 p.p. |
| Net profit margin | 8.4% | 8.1% | +0.3 p.p. |

(15 November 2012 – 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 2012 (the "period").

During the period, the Group's consolidated turnover amounted to HK$3,377.5 million, representing an increase of 21.2% from HK$2,786.0 million for the six months ended 30 September 2011 ("previous period"). The Group's performance benefited from the continuing strong performance of the core market Hong Kong and Macau. The Group's profit for the period was HK$282.1 million, representing an increase of 25.7% from HK$224.3 million for the previous period. The Group continued the refinement of its new product strategy, which resulted in a lowering of stock levels. Basic earnings per share amounted to 10.0 HK cents as compared to 8.0 HK cents for the previous period. The Board resolved to declare an interim dividend of 2.5 HK cents (2011: 2.0 HK cents) per share and a special dividend of 4.5 HK cents (2011: 4.0 HK cents) per share.

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## Retail and Wholesale Business

Turnover in **Hong Kong and Macau** increased 19.3% to HK$2,630.3 million. Retail sales growth momentum in Hong Kong and Macau remained strong, with the same store sales and same store number of transactions rose 16.8% and 4.7% in the period, respectively. The average sales value per ticket of Mainland China tourists grew by 10.7%, while the average spending of local consumers increased by 5.9%.

The number of Mainland China tourist arrivals continued on a steady upward path. The accompanying rise in tourist spending on cosmetics was further driven by structural changes in the tourist mix. The total number of same-day in-town Mainland China visitors for the first nine months of 2012 outgrew that of the overnight Mainland visitors. Overnight tourists usually buy more luxury goods while same-day tourists tend to buy more daily necessities. Building on its 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. The Group's strategy to offer a wider range of lower-priced products has also proved successful in further broadening its customer base and driving sales. Furthermore, the Bonus Points Scheme under the Customer Relationship Management (CRM) program helped to build loyalty and enhance sales to VIP customers.

The Group also benefited from its positioning as a one-stop beauty specialist with a successful store concept, clear branding and an attractive design. These attributes helped the Group to penetrate more shopping malls and cement its partnership with major property developers. The Group continued to upgrade its store image and renovate local stores, and the performance in Hong Kong and Macau was generally strong.

The Group continued its progressive and rational network expansion with new openings balanced between residential malls and tourist areas. During the period, the Group added a net seven "Sasa" stores. As at 30 September 2012, there were 94 "Sasa" stores (including seven in Macau), one Suisse Programme specialty store and one La Colline specialty store.

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In local currency term, the overall turnover for the Group's **Mainland China** operations grew 53.6% to RMB137.7 million, while same store sales growth was 5.9% for the period, reflecting the overall sluggish performance of the market. The Group continued to allocate resources to improving productivity and efficiency, for example, through the deployment of more management teams to local clusters and outsourcing part of the training function. Despite weaker consumer sentiment, the Group maintained positive same store sales growth.

During the period, the Group continued to make strenuous efforts to improve the overall management structure in order to increase management effectiveness and build scalability in its operations in Mainland China. The Group's established store clusters in Northern and Eastern China generated stable and consistent sales during the period, supported by a steadily maturing and more professional management structure based on six district managers. The Southern and Central clusters are in an earlier stage of development. The performance of these two newer clusters continued to improve and they were contributors to overheads in the period.

The Group continued to work on raising the number of stock-keeping units to cater to the demand for "made for China" mass market products, and introduced more domestically-made exclusive products with lower price points to broaden product offerings.

Following the successful increase in the Group's footprint in the last fiscal year, beauty brands and landlords increased their support for the Group's operations. The Group continued to make investments in scalability, such as in processes, systems and management resources.

As at 30 September 2012, the Group's retail network in Mainland China had an overall presence in 28 cities across 13 provinces with 53 "Sasa" stores and 13 single-brand counters.

The Group's core priorities for the **Singapore and Malaysia** markets remained on providing enhanced service to Sa Sa's customers, consolidating the store network, offering more comfortable shopping environment, building partnership with beauty brands and adopting targeted marketing strategies. During the period, the cosmetics sector in both the Singapore and Malaysia markets proved to be more resilient, and the combined turnover was HK$271.8 million, a rise of 15.9% over the previous period. As at 30 September 2012, there were 20 and 49 "Sasa" stores in Singapore and Malaysia respectively.

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Turnover in local currency in the Group's **Taiwan** business increased by 18.3% to TW$473.2 million during the period. The Group enlarged its network to capture more customers and growth potential, particularly in the tourist areas. The Group also enhanced its product portfolio and increased lower priced product offerings with the objective of increasing traffic and driving sales through cross-selling. Reflecting its continued market leadership in the fragrance sector, Sa Sa hosted the Oscar Fragrance Awards 2012 and successfully invited 32 famous fragrance brands to participate, which was a record high in the history of the event. As at 30 September 2012, there were 27 "Sasa" stores in Taiwan.

Turnover for **sasa.com** amounted to HK$183.3 million, representing an increase of 40.2% over the previous period. sasa.com continued to penetrate the diversified markets that the Group successfully opened up last year. Sales growth and an increase in repeat customers were driven by the successful reactivation of the CRM loyalty programme, more targeted marketing efforts and enhanced sales channels. Special promotions helped to build brand awareness in the region. A strong social media presence with high engagement rates and an active online community ensured the Group's brands remained well connected with loyal customers.

**Brand Management**

The Group's sales of House Brands increased steadily by 22.4%, contributing 42.0% of the Group's total retail sales as compared to 41.5% for the previous period. The Group's strategy of allocating more sales and marketing resources to House Brands with the greatest growth potential successfully drove strong sales growth of own-branded products. The Group emphasized on closely following market trends by launching trendy and timely new exclusive products catered to different customer segments. The Group will further implement its diversification strategy in the product categories as well as broaden appeal to various segments.

**Outlook and Strategies**

The coming year will undoubtedly be challenging. However, the Group's cosmetics business remains resilient. The Group's core Hong Kong and Macau market is likely to see continued sales growth due to the desire of Mainland tourists to save on purchases in a weaker economic environment, and this market is expected to experience continued growth momentum. The Group will continue to cautiously expand its network in the region and to strengthen its brand and product portfolio through closer cooperation with beauty brand owners in order to realize its long-term vision of being the leading cosmetics retailing group in Asia.

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The Group expects the major infrastructural projects underway in Hong Kong will significantly enhance Hong Kong's connectivity with the fast-growing Pearl River Delta region and beyond, providing more ease and convenience for Mainland tourist shoppers in Hong Kong. As the skincare and cosmetics segment has proved resilient to fluctuations in the economies of Mainland China and Hong Kong, it will help support sales in the Group's core operations in **Hong Kong and Macau** market. Since Mainland tourists' shopping locations have now extended to non-tourist areas, the Group will target the high growth potential of such areas, which in turn will be buoyed by the growing influx of same-day tourists from Southern China. Overall, Sa Sa will continue to sharpen its competitive edge by enhancing its product portfolio, improving the quality of its service and by leveraging on marketing to further build its brand.

In the **Mainland China** market, the Group's current focus is to enhance management and operational effectiveness. This includes optimizing store sizes, further developing its knowledge base, building a strong local management team, and strengthening the back end support team and human resources to ensure more effective management. The Group aims to deploy district managers for the Southern and Central clusters, similar to those deployed to the Northern and Eastern clusters. In order to strengthen recruitment and increase training capacity, the Group will establish regional training centres in each of its clusters. The Group will also automate its processes and systems to help enhance the scalability of its operations. Sa Sa will continue to prudently invest in Mainland China to further strengthen its presence and make its operations more effective. The Group aims to enhance its product offerings in Mainland China, as well as continue to increase mass-market brands to cater to growing demand.

In the **Singapore and Malaysia** markets, Sa Sa will strive to enhance its product portfolio by introducing new brands and products with strong potential, and continue to build scalability and profit potential. In **Taiwan** market, the Group believes the benefits of the Mainland Chinese tourist flow will be better realized when the mix of individual travelers, as opposed to group tours, improves.

For **sasa.com**, the Group's key strategies include further exploring potential partnerships with leading online shopping sites, increasing product offerings, strengthening core competitiveness and further enhancing customer retention efforts. The Group aims to increase social media presence and further integrate social media into its marketing campaigns.

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Dr. Simon Kwok, *BBS, JP*, Chairman and Chief Executive Director of the Group, concluded, "The Group's success has long been based on the solidity of our financial platform, the flexibility and long-term vision of our management, and, above all, on our track record of resilience in the challenging environment. These characteristics have enabled us to continue expanding our customer base while developing the potential of both our core Hong Kong and Macau market, and of our Mainland China and other markets. Despite the moderation in the Hong Kong, Mainland China and regional economies, we believe that our dedication, proven strategies and our inherent resilience will ensure that Sa Sa will continue to deliver sustained 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. The Group operates over 250 stores and counters in Asia that 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 1,900 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 2012. The Group is named the Medium-Cap Corporate of the Year in Hong Kong by Asiamoney Magazine in its poll of Best Managed Companies 2011. 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 and has become a constituent member of the "Hang Seng Corporate Sustainability Benchmark Index" since September 2011.

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