

[For Immediate Release]



## Sa Sa Announces 2006/07 Interim Results

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### Turnover Increased 14.6% to HK\$1,340.7 Million Achieved Double-Digit Growth in Net Profit

Interim Results Highlights	For the six months ended 30 Sep		% Change
	2006/07	2005/06	
	HK\$ million	HK\$ million	
Group's turnover	<b>1,340.7</b>	1,170.3	+14.6%
Group's retail and wholesale business	<b>1,235.4</b>	1,069.4	+15.5%
Retail & wholesale business in Hong Kong and Macau	<b>1,056.1</b>	935.7	+12.9%
Profit attributable to equity holders	<b>75.3</b>	67.8	+11.1%
Interim dividend	<b>6 HK cents</b>	6 HK cents	--
- <i>basic</i>	<i>3 HK cents</i>	<i>3 HK cents</i>	--
- <i>special</i>	<i>3 HK cents</i>	<i>3 HK cents</i>	--

(30 November 2006 – HONG KONG) – **Sa Sa International Holdings Limited** ('Sa Sa' or the 'Group', stock code: 0178), the Asia's leading cosmetics retailing and beauty services group, announced today its interim results for the six months ended 30 September 2006.

For the period under review, the Group's consolidated turnover amounted to HK\$1,340.7 million, representing an increase of 14.6% from HK\$1,170.3 million in the corresponding period last year. The Group's consolidated profit attributable to equity holders was HK\$75.3 million, an increase of 11.1% over the first half of last fiscal year. Basic earnings per share amounted to 5.6 HK cents.

The Board of Directors resolved to declare a basic interim dividend of 3 HK cents (2005/06: 3 HK cents) and a special dividend of 3 HK cents per share (2005/06: 3 HK cents), amounting to a total interim dividend of 6 HK cents per share (2005/06: 6 HK cents).

Mr. Simon Kwok, Chairman and Chief Executive Officer of the Group, said, "The Group's performance improved with continuous efforts in strengthening product mix and increasing sales of exclusive products. The enhanced gross profits resulted from these efforts in Hong Kong and Macau helped offset higher rental and operational costs. This in turn contributed to a higher recurring net profit margin at the operating level in Hong Kong and Macau."

He continued, "The Group's business growth in Hong Kong and Macau remained healthy during the period under review, in spite of the change in the traveling pattern of PRC visitors to dispersing their trips throughout the year. Our overseas operations in Singapore, Malaysia and Taiwan continued their high growth rate in turnover while business expansion plan in China is on track. We opened our third store in Shanghai in September 2006. We also opened a beauty counter under our exclusive brand, Suisse Programme, in Seibu department store in Chengdu during the period under review."

### **Retail and Wholesale Business**

The Group's retail and wholesale business saw a growth of 15.5% in turnover, reaching HK\$1,235.4 million. The overall gross profit margin grew to 41.3% as compared to 39.8% in the corresponding period last year. This was due to enhanced product mix and increased sales of exclusive products.

Sa Sa's core retail and wholesale business in Hong Kong and Macau registered turnover growth of 12.9% to HK\$1,056.1 million for the six months under review. This increase reflected the ease of access for Mainland tourists visiting Hong Kong. Growth was recorded in average value per transaction, which rose by 11.3% to HK\$254. During the period, the Group opened two new stores and closed one store in Hong Kong & Macau market. As at 30 September 2006, there were 52 Sa Sa stores (including four in Macau), one La Colline specialty store and one Elizabeth Arden counter.

Our third store in Mainland China was opened on 28 September 2006 in Cao Jia Du in Shanghai with a floor area of about 1,000 square feet while the first two stores in Shanghai, each comprising 4,000 square feet, remained as the "flagship" stores that serve to build Sa Sa's image in China.

During the period, we have completed the product registration of exclusive products in China for about 550 SKUs with another 200 SKUs in progress. New exclusive brands launched in China during this period included Methode Swiss and Beauty Formula. With the satisfactory performance of Suisse Programme beauty counter in Chengdu, the Group aims to increase the distribution channels for its exclusive brands by setting up beauty counters in department stores, in addition to selling them in Sa Sa stores.

Turnover for the Singapore market rose by 40.2% to HK\$58.9 million and that of the Malaysia market by 19.0% to HK\$28.7 million. Same store growth in Singapore grew 6.1% while that of Malaysia was 12.5%.

In Singapore, strengthened marketing efforts and addition of new stores boosted the sales. Two new stores were opened, bringing the total number of stores to 12 as at 30 September 2006. Performance in Malaysia continued to improve. Gross profit margin rose on the back of increased productivity and enhanced sales of exclusive products. Three new stores were added, making a total of 13 as at 30 September 2006.

Turnover in the Group's Taiwan business increased by 47.4% during the first six months of the fiscal year, although same store growth decreased by 4.3% and a small loss was recorded. Our performance was affected by a credit crunch in local banks that began at the beginning of the year and political demonstrations in September. The Group opened two new stores and closed one store, bringing the total number of stores in Taiwan to nine as at 30 September 2006.

Turnover for Sasa.com amounted to HK\$27.9 million, representing an increase of 13.7% over the corresponding period of the previous fiscal year. A small profit was recorded. The gross profit margin also improved. Increased sales reflected an expanded product range.

### **Brand Management**

Sales of our own brands and exclusively distributed products increased by 22.0% and contributed 31.7% to the Group's total retail and wholesale sales for the six months ended 30 September 2006. During this period, new brands secured for exclusive distributorship included Natio from Australia and fragrances of Krizia and Sergio Tacchini. Efforts were made to broaden the product range and enhance the product portfolio. Emphasis was put on product development while a growing number of new products were introduced to the existing product lines and new product lines were added to our own brands.

## **Beauty Services**

Turnover for beauty services was HK\$105.3 million, representing an increase of 4.4% over the corresponding period in the previous fiscal year. There was an improvement on last year's performance as well as on the contribution of beauty services to the Group.

## **Award**

Sa Sa is ranked as the largest cosmetics specialty store in Asia Pacific region. Sa Sa is the only cosmetics chain store in the Top 10 Health and Beauty Stores in 2006 Retail Asia-Pacific Top 500 Awards organised by Retail Asia magazine in collaboration with Euromonitor and KPMG.

## **Outlook**

Mr. Kwok concluded, "We shall continue to consolidate our retail space in Hong Kong and Macau and seize those opportunities that arise from the continuous arrival of Mainland tourists and the improvement in the local economy. By strengthening our strategic initiatives of brand management and marketing, the Group is looking to increase its market share across Asia. Meanwhile, leveraging on our competitive edges we aim to drive further business expansion in the region.

In Mainland China, the Group is negotiating with department stores to open beauty counters under our exclusive brands to further expand our retail network, in addition to opening Sa Sa cosmetics stores."

Mr. Kwok added, "We are cautiously optimistic about the growth of our retail business for the rest of the fiscal year. Meanwhile, Sa Sa is laying the foundation for our next stage of growth through expansion of our exclusive product range and strengthening of operational management. Looking forward, we remain confident to achieve our store expansion plan by 2011 and reach our target of more than 240 stores."

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## **About Sa Sa International Holdings Limited**

Sa Sa is a leading cosmetics retailing and beauty services group in Asia. Its over 90 retail stores in Asia sell more than 400 brands of skin care, fragrance, make-up and hair care products including own brands and other exclusive international brands. Over 700 well-trained beauty consultants are employed to provide professional services to its customers.

Sa Sa prospers on its successful and proven "one-stop cosmetics specialty store" concept which aims to provide its customers with the widest range of quality products. According to Retail Asia Pacific Top 500 Retailers 2006 ranked by Retail Asia Magazine and KPMG, Sa Sa is the largest cosmetics specialty store in Asia. Its e-commerce arm, Sasa.com, provides online shopping service to customers as well as a strong marketing tool for the Group. The Group operates nine health and beauty clubs in Asia through Phillip Wain and two beauty centres in Hong Kong through Sasa Beauty+, providing comprehensive beauty services to customers. Sa Sa, established in 1978, was listed on The Stock Exchange of Hong Kong in June 1997, and had an annual turnover of over HK\$2.6 billion for the year ended 31 March 2006.

For further information, please visit [www.sasa.com](http://www.sasa.com) or contact:

### **Sa Sa International Holdings Limited**

Macy Leung

Tel: 2975 3601

Fax: 2898 9717

E-mail: [macy\\_leung@sasa.com](mailto:macy_leung@sasa.com)

### **iPR Ogilvy Ltd.**

Monica Wong/ Queenie Mak/ Charis Yau/ Callis Lau

Tel: 3170 6609/ 2136 6954/ 2169 0049/ 2136 6952

Fax: 3170 6606

E-mail: [monica.wong@iprogilvy.com](mailto:monica.wong@iprogilvy.com)/ [queenie.mak@iprogilvy.com](mailto:queenie.mak@iprogilvy.com)/  
[charis.yau@iprogilvy.com](mailto:charis.yau@iprogilvy.com)/ [callis.lau@iprogilvy.com](mailto:callis.lau@iprogilvy.com)