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)

Annual Results for the year ended 31 March 2013
Dividends and Closure of Books

Highlights

- The Group's turnover increased by 19.7% from HK$6,405.1 million to HK$7,669.8 million
- Retail sales in HK and Macau increased by 20.8% from HK$4,938.1 million to HK$5,965.9 million
- The Group's retail network increased from 249 to 260, a net increase of 11 stores
- Gross profit margin increased from 45.2% to 46.4%
- Profit for the year was HK$825.6 million, an increase of 19.7% from HK$689.7 million in last year
- The net margin of our Hong Kong and Macau segment increased from 13.2% to 13.4%
- Basic earnings per share were 29.3 HK cents as compared to 24.6 HK cents for the previous year
- Final and special dividends per share proposed are 14.0 HK cents (2012: 11.5 HK cents), making a total annual dividend of 21.0 HK cents per share (2012: 17.5 HK cents)
- Constituent member of Hang Seng Corporate Sustainability Benchmark Index for the second consecutive year in September 2012

The Board of Directors of Sa Sa International Holdings Limited has pleasure in presenting the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013 with comparative figures for the previous year as follows. The annual results have been reviewed by the audit committee of the Company.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Turnover	4	**7,669,798**	6,405,121
Cost of sales	6	**(4,111,454)**	(3,508,440)
Gross profit		**3,558,344**	2,896,681
Other income		**57,792**	39,684
Selling and distribution costs	6	**(2,360,620)**	(1,900,688)
Administrative expenses	6	**(271,659)**	(207,474)
Other gains - net	5	**3,312**	171
Operating profit		**987,169**	828,374
Finance income		**7,509**	6,419
Profit before income tax		**994,678**	834,793
Income tax expenses	7	**(169,044)**	(145,084)
Profit for the year		**825,634**	689,709
Earnings per share for profit for the year (expressed in HK cents per share)	8		
Basic		**29.3**	24.6
Diluted		**29.2**	24.4
Dividends	9	**594,009**	492,563

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**825,634**	689,709
Other comprehensive income		
Cash flow hedges	**(591)**	-
Currency translation differences	**720**	3,583
Other comprehensive income for the year, net of tax	**129**	3,583
Total comprehensive income for the year	**825,763**	693,292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Note	**2013**	2012
ASSETS		**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**343,195**	332,753
Rental deposits, prepayments and other assets		**214,731**	133,340
Deferred tax assets		**5,233**	4,640
		563,159	470,733
Current assets			
Inventories		**1,234,976**	1,191,059
Trade receivables	10	**92,968**	70,477
Other receivables, deposits and prepayments		**154,083**	135,612
Time deposits		**209,092**	35,621
Cash and cash equivalents		**542,963**	562,998
		2,234,082	1,995,767
LIABILITIES			
Current liabilities			
Trade payables	11	**411,231**	450,686
Other payables and accruals		**317,255**	289,298
Income tax payable		**63,279**	67,746
		791,765	807,730
Net current assets		**1,442,317**	1,188,037
Total assets less current liabilities		**2,005,476**	1,658,770
Non-current liabilities			
Retirement benefit obligations		**3,849**	3,253
Deferred tax liabilities		**1,501**	4,163
Other payables		**24,652**	20,530
		30,002	27,946
Net assets		**1,975,474**	1,630,824
EQUITY			
Capital and reserves			
Share capital		**282,691**	281,467
Reserves		**1,692,783**	1,349,357
Total equity		**1,975,474**	1,630,824

Notes:

1. Basis of preparation

The consolidated financial statements of Sa Sa International Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. Accounting policies

(i) Amended standards mandatory for the first time for the financial year beginning 1 April 2012 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKFRS 1 (Amendment), “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters” is effective for annual periods beginning on or after 1 July 2011.

HKFRS 7 (Amendment), “Disclosures: Transfers of Financial Assets” is effective for annual periods beginning on or after 1 July 2011.

HKAS 12 (Amendment), “Deferred Tax: Recovery of Underlying Assets” is effectively for annual periods beginning on or after 1 January 2012.

(ii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted

HKFRS 1 (Amendment), “First Time Adoption, on Government Loans” (effective for annual periods beginning on or after 1 January 2013)

HKFRS 7 (Amendment), “Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities” (effective for annual periods beginning on or after 1 January 2013)

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)

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)

2. Accounting policies (continued)

(ii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 April 2012 and have not been early adopted (continued)

HKFRS 13, “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013)

HKAS 19 (Amendment), “Employee Benefits” (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)

HKAS 32 (Amendment), “Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities” (effective for annual periods beginning on or after 1 January 2014)

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)

Improvements to 2011, several HKFRSs (effective for annual periods beginning on or after 1 January 2013)

The Group is assessing the impact of adopting the above new standards, amendments and interpretations in comparison to the existing standards and interpretations.

3. Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

4. Segment information

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results. Business reportable segments identified are Hong Kong & Macau, Mainland China and All other segments. All other segments refer to segments results from markets in Singapore, Malaysia, Taiwan and e-commerce.

4. Segment information (continued)

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.

	For the year ended 31 March 2013			
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**All other segments HK$'000**	**Total HK$'000**
Turnover from external customers	**6,101,415**	**356,305**	**1,212,078**	**7,669,798**
Segment results	**817,922**	**(37,005)**	**44,717**	**825,634**
Other information				
Capital expenditure	**124,794**	**22,805**	**44,158**	**191,757**
Finance income	**4,837**	**45**	**2,627**	**7,509**
Income tax expenses	**155,237**	**-**	**13,807**	**169,044**
Depreciation	**101,136**	**35,381**	**36,121**	**172,638**

	For the year ended 31 March 2012			
	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
Turnover from external customers	5,092,685	290,708	1,021,728	6,405,121
Segment results	674,373	(38,168)	53,504	689,709
Other information				
Capital expenditure	124,800	71,218	51,164	247,182
Finance income	3,832	97	2,490	6,419
Income tax expenses	132,994	-	12,090	145,084
Depreciation	67,223	25,949	23,921	117,093

4. Segment information (continued)

	Hong Kong & Macau HK$'000	Mainland China HK$'000	All other segments HK$'000	Total HK$'000
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 assets				**5,552**
				2,797,241
At 31 March 2012				
Non-current assets	288,017	82,736	89,788	460,541
Current assets	1,396,569	224,844	374,354	1,995,767
Deferred tax assets				4,640
Unallocated corporate assets				5,552
				2,466,500

5. Other gains - net

	2013 HK$'000	2012 HK$'000
Net exchange gains	**3,312**	171

6. Expenses by nature

	2013 **HK$'000**	2012 HK$'000
Cost of inventories sold	**4,081,225**	3,478,854
Employee benefit expenses (including directors' emoluments)	**1,014,461**	816,207
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**711,146**	576,606
- contingent rent	**65,852**	48,876
Depreciation of property, plant and equipment	**172,638**	117,093
Advertising and promotion expenses	**140,423**	113,789
Building management fees, government rent and rate	**70,929**	58,212
Utilities and telecom	**60,133**	53,238
Repair and maintenance	**33,691**	29,763
Provision for slow moving inventories and stock shrinkage	**30,229**	29,586
Write-off of property, plant and equipment	**6,413**	1,553
Donations	**4,228**	3,596
Auditors' remuneration		
- audit services	**3,323**	3,084
- non-audit services	**1,052**	1,503
Others	**347,990**	284,642
	6,743,733	5,616,602
Representing:		
Cost of sales	**4,111,454**	3,508,440
Selling and distribution costs	**2,360,620**	1,900,688
Administrative expenses	**271,659**	207,474
	6,743,733	5,616,602

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 year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013	2012
	HK$'000	HK$'000
Hong Kong profits tax		
Current	**145,908**	122,874
(Over)/under-provision in previous years	**(63)**	19
Overseas taxation		
Current	**26,498**	18,404
Over-provision in previous years	**(103)**	(345)
Deferred tax relating to origination and reversal of temporary differences	**(3,196)**	4,132
	169,044	145,084

8. Earnings per share

(a) The calculation of basic and diluted earnings per share is based on the Group's profit for the year of HK$825,634,000 (2012: HK$689,709,000).

(b) The calculation of basic earnings per share is based on the weighted average number of 2,821,311,952 (2012: 2,808,638,314) shares in issue during the year.

(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 2,821,311,952 (2012: 2,808,638,314) shares in issue during the year plus the weighted average number of 9,218,586 (2012: 15,852,873) 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

	2013 **HK$'000**	2012 HK$'000
Interim, paid – 2.5 HK cents (2012: 2.0 HK cents) per share	**70,673**	56,292
Special, paid – 4.5 HK cents (2012: 4.0 HK cents) per share	**127,211**	112,584
Final, proposed and declared – 5.0 HK cents (2012: 3.5 HK cents) per share	**141,473**	98,513
Special, proposed and declared – 9.0 HK cents (2012: 8.0 HK cents) per share	**254,652**	225,174
	594,009	492,563

At a meeting held on 20 June 2013, the directors proposed and declared a final dividend of 5.0 HK cents and a special dividend of 9.0 HK cents per share. These proposed and declared dividends have not been reflected as dividend payables in these consolidated financial statements, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2014 if approved by the shareholders.

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:

	2013 **HK$'000**	2012 HK$'000
Within 1 month	**83,242**	63,272
1 to 3 months	**9,214**	6,570
Over 3 months	**512**	635
	92,968	70,477

The fair values of trade receivables approximate their carrying amounts.

11. Trade payables

The ageing analysis of trade payables is as follows:

	2013 **HK$'000**	2012 HK$'000
Within 1 month	**261,673**	256,591
1 to 3 months	**118,078**	172,192
Over 3 months	**31,480**	21,903
	411,231	450,686

The fair values of trade payables approximate their carrying amounts.

12. Event after the reporting period

On 14 June 2013, the Group entered into two provisional agreements with an independent third party to purchase certain properties for its own use as office and car park space for a total cash consideration of HK$88,000,000. The transaction is expected to be completed on or before 1 November 2013.

MANAGEMENT DISCUSSION & ANALYSIS

During the fiscal year, the Group's turnover rose 19.7% to HK$7,669.8 million as compared to HK$6,405.1 million in the previous year. The Group's performance benefited from the strong performance of our Hong Kong and Macau core markets. Retail sales in Hong Kong and Macau increased by 20.8% year-on-year from HK$4,938.1 million to HK$5,965.9 million whereas turnover in Mainland China grew to HK$356.3 million from HK$290.7 million, representing an increase of 22.6% year-on-year. The Group's retail network expanded from 249 to 260, a net increase of 11 stores.

The Group's profit for the year was HK$825.6 million, a rise of 19.7% over the HK$689.7 million achieved in the last fiscal year. Basic earnings per share was 29.3 HK cents, as compared to 24.6 HK cents in the previous year. The Group's gross profit margin for the fiscal year increased to 46.4% from 45.2% last year. The Group's net profit margin was maintained at 10.8%. Final and special dividends per share proposed are 14.0 HK cents.

The year saw a number of outstanding achievements. In September 2012, the Group was included as a constituent member of Hang Seng Corporate Sustainability Benchmark Index for the second consecutive year. The Group was named by Forbes Asia as one of "Asia's 200 Best Under a Billion". Sa Sa was also named "Best Managed Company" in the category of Hong Kong-Small Cap and Hong Kong-Medium Cap at Asiamoney's Best Managed Companies awards for the third consecutive years. The Group's Chief Financial Officer and Executive Director, Mr. Guy Look, was named "Best Executive in Hong Kong" at the same event. Sa Sa was recognised as the "Best Investor Relations Company (Hong Kong)" amongst 14 award-receiving companies in the 3rd Asian Excellence Recognition Awards 2013 organised by Corporate Governance Asia. In addition, Sa Sa was included for the first time in the "Asia Top 50" in the Investor Perception Study Asia 2012/13 conducted by the authoritative IR Magazine, being awarded 25th place. The Group ranked 20th in the "Greater China Top 30" in the same study.

Market Overview

Hong Kong

In 2012, Hong Kong's GDP expanded by a modest 1.5% in real terms. The external sector remained a key drag on growth. The abrupt deterioration of the euro debt situation in mid-2012, recession in the eurozone economies, persistent tepidness in the United States economic recovery, as well as a slowdown in the Mainland and other Asian economies created a challenging business environment. According to government forecasts, the economy will grow by 1.5% to 3.5% in 2013, an acceleration of the growth rate in 2012, although still below the average trend growth of 4.5% over the past 10 years.

In 2012, Mainland tourist arrivals to Hong Kong increased by 24.2%. This robust growth was mainly driven by a 36.6% increase in same day Mainland tourists. The proportion of same day tourists to overall Mainland tourists has been steadily increasing and stood at 56.7% in 2012.

Growth of Medicines and Cosmetics remained solid and rose by 15.0% in 2012, outperforming the 9.8% growth of the overall retail market. A growth rate of 10.9% was recorded for Medicines and Cosmetics in the first quarter of 2013, against a growth rate of 13.9% for the overall market.

Mainland China
GDP growth in Mainland China slowed to 7.7% in the first quarter of 2013, but remained above the 7.5% full-year target for 2013 set by the PRC government. The slackening in growth was mainly caused by the government's self-initiated macroeconomic controls and by softness in external economies.

Mainland China’s economy has also been adversely affected by the debt crisis in Europe and a hobbled recovery in the United States, its two key export markets. According to the National Bureau of Statistics of the People's Republic of China, retail sales growth has continued to moderate. From January to March 2013, retail sales growth stood at 12.4%, while for the same period last year, retail sales of cosmetics grew by 13.2%.

Singapore
In 2012, Singapore’s GDP growth rate slowed to 1.3%, mainly due to weakness in the externally oriented sectors. The government forecasts GDP to expand by 1% to 3% in full year 2013. Medical Goods and Toiletries showed resilience and grew by 10.6% in 2012, compared to overall retail sales growth of 2.3%.

Malaysia
Despite a challenging external environment, Malaysia’s economy recorded a higher growth rate of 5.6% in 2012, driven by stronger stimulus from domestic demand. This outweighed the negative impact of a weak external environment. The retail trade registered growth of 7.4% in 2012, supported by private sector spending. Bank Negara Malaysia forecasts that the country’s economy will expand by 5% to 6% in 2013.

Taiwan
In 2012, Taiwan’s economy expanded by 1.3%. The government predicts that GDP growth will accelerate to 2.4% in 2013 on the back of improvements in domestic exports and in consumer sentiment. In 2012, retail sales of Pharmaceutical and Medical Goods and Cosmetics posted flat growth, while overall retail sales growth recorded 2.4% for 2012.

Retail and Wholesale Business

Hong Kong and Macau
During the fiscal year, Sa Sa maintained its leading market position in Hong Kong and Macau, which remained the largest contributor to the Group’s turnover and profits. Retail sales increased by 20.8% year-on-year from HK$4,938.1 million to HK$5,965.9 million and same store sales rose 15.0%. Both the number of transactions and the average value per transaction increased.

This performance was largely due to the resilience of cosmetics sales, which outperformed total Hong Kong retail sales and the Group’s relative competitiveness, allowing us to gain market share at the same time. Despite a high baseline figure of almost 30% sales growth in the previous year, our retail sales maintained their upward path as the Group continued to benefit from the steady increase in sales to both local residents and Mainland tourists.

Sales from PRC customers also continued to grow. Mainland tourist arrivals increased by 24.2% for 2012, while overnight Mainland visitor arrivals and same-day in-town Mainland visitor arrivals rose by 11.1% and 36.6%, respectively. Mainland tourist spending was also boosted by high inflation in the Mainland and a weak US dollar. An increasing number of tourist arrivals come from lower-tier cities in China, with more modest spending power. Such tourists are more likely to be attracted by the mix of competitive prices and good quality for cosmetics found in Hong Kong. As a result, number of transactions increased by 18.6% and average value per transaction increased by 8.4% for our Mainland customers for the full fiscal year.

Sa Sa has continued to benefit from the growing demand for cosmetics and beauty products, and is well placed to capture rising Mainland tourist spending on cosmetics goods. Building on the proven success of Sa Sa's penetration in non-tourist areas, we continue to benefit from that strategy, particularly in the New Territories. Sa Sa's brand name and popularity allow us to penetrate good quality shopping malls in cooperation with major property developers. The Group has also benefited from the Customer Relationship Management ("CRM") scheme, which was launched in May 2011. This scheme effectively attracts more VIPs, builds customer loyalty and enhances sales to VIP

We closely and consciously managed our costs over the past year and recorded manageable increments in operating costs. Shop rental costs as a percentage of sales increased from 10.1% to 10.3%, as a result of 20 new lease renewals that were subject to an approximately 35% increment along with the full year period impact of leases renewed in the previous year. Frontline and back office staff costs increased due to the strengthening of incentives to retain good and experienced staff in the midst of serious understaffing problems in the retail industry. Both these factors continued to drive up costs. The Group has closed down many stores over the past two years due to unjustifiably sharp rental hikes, which resulted in more new store openings. These in turn drove up renovation costs and depreciation.

Overall, we pursued network expansion in a strategic and disciplined manner, taken into account market needs to satisfy our increasing customer base as well as cost considerations. There was a net increase of 10 "Sasa" stores during the year. As at 31 March 2013, there were 97 "Sasa" stores (including eight in Macau), one Suisse Programme specialty store and one La Colline specialty store.

Mainland China

During the fiscal year, the Group's turnover in Mainland China increased by 22.6% (or 21.9% in local currency) to HK$356.3 million (equivalent to RMB290.1 million) driven by new store openings and continuous improvements in store and frontline staff productivity. Same store growth remained flat. There was a noticeable improvement in store productivity in the first three quarters of the fiscal year. Same store growth turned from negative to positive from the first quarter of fiscal 2011-12 to the first three quarters of fiscal 2012-13, and recurring profits at store level for our multi-brand "Sasa" stores for fiscal year 2012-13 were also recorded as compared to the loss in the previous year.

However, we recorded negative sales growth and same store growth in the fourth quarter of fiscal 2012-13 due to increased focus on own brand sales, and emphasis on brand building and avoidance of steep discounts. The modest performance of sales in the fourth quarter has highlighted some weaknesses in our ability to fully execute this strategy, in particular, staff training needs to be strengthened and service levels raised. Nevertheless, by building our brand on private labels and being more conscious in setting our promotion and pricing strategies, the impact on sales gradually turned positive. We believe that the long-term value of this market to the Group will be enhanced by this strategy.

During the fiscal year, we continued to invest in scalability of processes, systems, automation and management resources to support future growth. Although the rise in overheads could not be fully offset by an increased contribution from our stores, we successfully managed to narrow the reporting loss from RMB31.3 million in the previous fiscal year to RMB30.1 million in fiscal 2012-13. On a further positive note, we received better support from our fragrance supplier and organised the second Fragrance Fair and Awards in Shanghai to enhance Sa Sa's branding in the fragrance retail market.

Due to the relatively under-par macro environment in China during second half of the year, we flexibly adjusted our pace of store expansion. Throughout fiscal 2012-13, we continued to consolidate our retail network by closing down underperforming stores and department store counters. As at year end, the Group had a presence in 26 cities across 13 provinces in Mainland China with 53 "Sasa" stores and nine Suisse Programme counters in four regional clusters, 15 new openings and 21 closures of "Sasa" stores and Suisse Programme counters.

Singapore

During the fiscal year, turnover for the Singapore market grew by 5.5% (or 4.9% in local currency) to HK$255.4 million (equivalent to SGD40.8 million). Same store sales grew 2.0% in local currency, and the gross profit margin increased to 53.6%. The slower sales growth was mainly due to the controls the Singpaore Government imposed on foreign workers, resulting in lower productivity at the shop level.

The "Sasa" store network remained at 21 as at 31 March 2013, but we adopted a larger store size format and re-positioned our stores with a better image, more comfort, enhanced store appeal and a more satisfying shopping experience. This led to wider recognition by developers. The improved display of our products also meant that we developed closer relationship with brand owners. We continued to strategically enhance our branding by unveiling a brand new concept lifestyle store at Jurong Point, the largest store in Singapore, and by renovating existing outlets with this new lifestyle concept. These initiatives were well received by our customers. Further marketing initiatives to boost sales included new product launches and events, road shows, more social media advertising, bloggers' reviews and sample giveaways.

Malaysia

Turnover in our Malaysia market rose 24.0% (or 25.7% in local currency) to HK$318.2 million (equivalent to MYR126.9 million). Same store sales grew 1.8% in local currency, and gross profit margin decreased to 50.7%. Marketing initiatives to boost sales included concerted efforts to build the "Sa Sa" brand and our exclusive brands through social media, partnership with shopping malls, vendors and the media, ambassador and public relations events, all in order to broaden our customer base. We strengthened promotional efforts for our exclusive body care brands to drive brand performance. The Group's exclusive brand Collistar became one of the most popular brands in the Malaysia market.

The Group has been proactive in entering new markets in recent years. During the fiscal year 2012-13, we successfully extended our footprint to East Malaysia while adding five stores net. The stores further enhanced Sa Sa's brand awareness and exposure in Malaysia. As at year end, there were 50 "Sasa" stores in Malaysia.

Taiwan

Turnover in the Taiwan market rose 12.7% (or 13.0% in local currency) during the fiscal year to HK$254.6 million (equivalent to TWD966.3 million). Same store sales declined by 1.5% in local currency, while the gross profit margin increased from 44.1% to 44.4%.

The economy in Taiwan remained sluggish with weak consumer sentiment in 2012. Sales increased mainly due to new store openings. However, profitability was affected due to our inability to raise our gross profit margin. In order to help increase traffic and secure repeat purchases, we worked closely with local vendors to promote famous brand products. Sa Sa invited 32 famous fragrance brands to join the Sa Sa Fragrance Fair and Awards 2012, and the number of participating brands recorded a historic high. This further strengthened our position in the fragrance market in Taiwan. The Group added a net of two stores during the year. As at 31 March 2013, there were 28 "Sasa" stores in Taiwan.

E-commerce – sasa.com

Turnover for sasa.com amounted to HK$383.9 million, a rise of 29.2% over the previous fiscal year. Last fiscal year the Group successfully opened up new markets, and this fiscal year we continued to penetrate into these diversified markets through localized marketing strategies. The operating margin was squeezed mainly due to the relocation of a warehouse during the year with the result that two warehouses had to be run in parallel. We also launched more promotions with discounts and free shipping to boost sales.

Sales growth and an increase in repeat customers were driven by successful reactivation of the CRM scheme, more targeted marketing efforts and enhanced sales channels. Special promotions such as a sponsored concert in Australia helped to build brand awareness in the region. A strong social media presence with high engagement rates and an active online community ensured that our brands remained well connected with loyal customers.

Brand Management

Sa Sa's brand management focuses on the management of own brands and international brands for which Sa Sa acts as sole agent or distributor in terms of brand building, marketing, sales and distribution.

During the year, the Group's sales of owned brand, sole agent and exclusively distributed products increased steadily by 22.0%, contributing 42.5% of the Group's total retail sales as compared to 41.9% for last year. Our strategy of allocating more sales and marketing resources to house brands with the greatest growth potential successfully drove strong sales growth of our own-branded and exclusively distributed products. We maintained our emphasis on closely following market trends by launching trendy and timely new products catering to different customer segments. An increase in the number of young and mass product offerings 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 young people and the home DIY sector.

In order to further strengthen our marketing platform, we appointed a new Suisse Programme ambassador. We also launched "Sa Sa" official QR codes in WeChat for our customers in Hong Kong, Mainland China and Taiwan as a separate e-commerce platform so that they can be updated with our latest events and offers.

Outlook and Strategies

The Group expects the coming fiscal year to be challenging. As yet there are no signs of strong recovery in the Chinese economy. However, our cosmetics business remains resilient, particularly in Hong Kong. We foresee continued sales growth due to the reliable quality and variety of our products and the desire of Mainland tourists to make wise choices in a weaker economic environment. Overall, the Group expects to experience continued growth momentum due to the strength of the Hong Kong market. Nevertheless, margin pressure remains due to cost pressures and the shortage of retail space and labour in the Hong Kong market. Other markets are also experiencing a shortage of retail staff, particularly Singapore.

Our record shows that the excellent operating model and positioning that we have achieved in Hong Kong can be expanded beyond Hong Kong to cover the Malaysia market. The Group has achieved above market performance and profitability in Malaysia comparable to our performance in Hong Kong. We aim to apply this successful model to the rest of our markets in order to generate satisfactory contributions to the Group. We will therefore continue to carefully expand our network in the region and to strengthen our brand and product portfolio through closer cooperation with beauty brand owners. This in turn will strengthen our position as the leading cosmetics retailing group in Asia.

As a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index, the Group will make every effort to develop actionable strategies on sustainability, including incorporation of environmental consciousness measures into our operations.

Hong Kong and Macau

The major infrastructural projects that are currently underway in Hong Kong, such as the Kai Tak International Cruise Terminal, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macau Bridge and the expansion of Hong Kong International Airport, will significantly enhance Hong Kong's connectivity with the fast growing Pearl River Delta region and beyond. This integration will provide more ease and convenience for Mainland tourists to shop in Hong Kong, thereby cementing Hong Kong's position as the Mainland's "most popular shopping paradise".

The core business of Sa Sa is skincare and cosmetics and this segment has proven to be resilient. In our core market of Hong Kong, the Hong Kong Government forecasts a higher economy growth rate of 1.5% to 3.5% in 2013 as compared to 1.5% for the previous year. Local consumption should therefore provide us with reasonable growth. We expect that Mainland tourist spending on cosmetics in Hong Kong will continue to grow as the number of visitors steadily increases. This growth should give our Hong Kong business a further boost. With rental increases moderating, the Group will have an opportunity to increase our retail space in tourist locations.

The Group will continue with new store openings in non-tourist residential malls to capture the increasing influx of same-day tourists from southern China. Our new lifestyle concept store will help to build our brand, provide more value-added services to our customers, and offer a breakthrough collaboration with first tier international brands in a concession format. This win-win situation will expose new customer segments from international brands and tap the market segments served by our new landlords, and vice versa. The Group will continue to improve our house brand portfolio by ensuring that a series of promising own-branded and exclusive products is always ready in the pipeline. Our competitive edge will be further sharpened by enhancing the product portfolio, improving the quality of our service and by leveraging on marketing to further build our brands.

Mainland China

The Group will continue to invest in China to strengthen our presence and enhance scalability to support future growth in this fast growing cosmetics market. Based on our experience of rapid growth, we will consciously fine tune our strategies and adopt a lower cost and more efficient boutique store format for some of our new store openings. The Group will also focus on more best selling products and owned labels, and enhance cost efficiency.

Our operating model with a boutique store format will help enhance Sa Sa's penetration rate in Mainland China. This will enable us to gear up our rate of expansion pace and strengthen our network, particularly in prime locations. We are also aiming at increased penetration in existing lower-tier cities where the penetration rate is still low. We will continue to close down underperforming stores and counters.

In order to improve our scalability in this market, the Group will allocate more resources to build the management team and strengthen the back end support team as well as our cluster and district management teams. We will place particular emphasis on strengthening recruitment and increasing training sessions, with a focus on enhancing execution. We aim to open a regional office in Guangzhou to support purchasing, marketing, training, human resources and our online business in Mainland China. The automation of processes and systems will continue. We will also continue to invest in building brands for private labels via different means, for example with the appointment of a new ambassador for Suisse Programme, more public relations events in China and by leveraging the social media network.

The improvement of product offerings is one of our major priorities. We will add more owned label products and other new brands to build a more diversified brand portfolio. We believe performance will benefit from improved displays and cooperation on marketing and promotions. We will continue to maintain close relationships with local suppliers, major global and regional beauty group suppliers as well as beauty brands to secure more renowned international beauty brands. We will add more exclusive and owned label products to drive for a more diversified brand portfolio.

Overseas Markets : Singapore, Malaysia and Taiwan

In Singapore and Malaysia, the Group will continue to build local teams, product offerings and a tailored retail network to enhance the quality of service and our presence. While investing in and building our owned label products, we will also work closely with local suppliers to increase the productivity of their brands and our overall competitiveness.

In Singapore, we will continue to build scalability and profit potential through enlargement of our store size and integrating our new lifestyle concept into our stores. We aim to implement our new Target Management Sustaining System ("TMSS") to systematically improve productivity and the management of our stores and retail staff.

In Malaysia, we aim to identify high traffic locations for new stores and expand into new regions. We will strengthen professional training for staff and enhance our product portfolio by introducing new brands and products with strong potential.

In Taiwan, we will continue to build our network to strengthen our presence and future growth potential. Our sales do not notably benefit from the current influx of Mainland China tourists in tour groups. We believe that the benefits of the Mainland Chinese tourist flow will be better realized when the mix of individual travelers, as opposed to tour groups, improves.

E-commerce – sasa.com
The Group's key strategies for developing sasa.com include further exploring potential partnerships with top online shopping sites, increasing product offerings, strengthening core competitiveness and further enhancing our retention efforts through such means as building our CRM scheme. We aim to increase our social media presence and further integrate social media with our marketing campaigns. At the same time, well targeted sales campaigns will help us to further segment customers and product categories.

Conclusion

The Group has established an enviable record of sustainable success over the years in all economic circumstances. As we strengthen and replicate our successful business model from our core to our Asian markets, this resilience and adaptability to constantly evolving challenges continues to be the hallmark of our financial platform and of our management's long-term vision. 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, our commitment to 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 31 March 2013, the Group had a total of close to 4,800 employees. The Group's staff costs for the year under review were HK$1,014.5 million. To ensure that the Group is able to attract, motivate and retain staff capable of attaining the best performance levels, remuneration packages and staff benefits are reviewed on a regular basis. Performance bonus and share options are offered to qualified employees. A performance-based element is included in the annual discretionary bonus for all staff, as well as in the share options for supervisory and managerial staff. The Group places a strong emphasis on staff training and development in order to realise the full potential of our employees. In addition to the graduate trainee programme, various staff development initiatives and team building exercises were implemented during the year through in-house and external training programmes. Financial subsidies for further studies in related fields were also provided.

FINANCIAL REVIEW

Capital Resources and Liquidity

As at 31 March 2013, the Group's total equity funds were HK$1,975.5 million including reserves of HK$1,692.8 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$752.1 million. The Group's working capital was HK$1,442.3 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 year, the majority of the Group's cash and bank balances were in 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 one year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 31 March 2013 were HK$1,975.5 million, which represented a 21.1% year-on-year increase.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31 March 2013 and 31 March 2012.

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 year. 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 31 March 2013, no Group asset was under charge to a financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2013.

Capital Commitments

As at 31 March 2013, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$229.7 million.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends a final dividend of 5.0 HK cents (2012: 3.5 HK cents) per share and a special dividend of 9.0 HK cents (2012: 8.0 HK cents) per share for the year ended 31 March 2013, such dividends will be proposed for approval at the annual general meeting ("AGM") of the Company on Thursday, 22 August 2013, and, if approved, are payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 29 August 2013.

Subject to approval by the Company's shareholders at the AGM, the final dividend and special dividend will be paid on or around Friday, 6 September 2013.

REVIEW OF ANNUAL RESULTS

The audit committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2013. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 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.

Compliance with the Corporate Governance Code

Throughout the year ended 31 March 2013 and up to the latest practicable date prior to the publication 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.

Details of the Company's compliance with the CG Code are set out in the Corporate Governance Report of the Annual Report of the Company for the year ended 31 March 2013, which will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company, and be dispatched to shareholders on or around 16 July 2013.

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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the AGM and entitlement to the final and special dividends (if payable), the Register of Members of the Company will be closed in accordance with the following timetable:

(i) For determining shareholders' eligibility to attend and vote at the AGM:

● Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 20 August 2013
● Closure of Register of Members	Wednesday, 21 August 2013 to Thursday, 22 August 2013 (both dates inclusive)
● Record date	Thursday, 22 August 2013

(ii) For determining entitlement to the final and special dividends (if payable):

● Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 27 August 2013
● Closure of Register of Members	Wednesday, 28 August 2013 to Thursday, 29 August 2013 (both dates inclusive)
● Record date	Thursday, 29 August 2013

During the above periods when the Register of Members are closed for registration, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the final 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 the time set out above.

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, 20 June 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, *GBS, JP*
Ms KI Man Fung Leonie, *SBS, JP*
Mr TAN Wee Seng