

Cellular



Keep your faith in all beautiful things. Beauty is a ray of light in the heart.



Operations Review

業務回顧



For the year ended 31st March 2005, the Group's consolidated turnover amounted to HK\$2,313.7 million, representing an increase of 22.9% from HK\$1,883.3 million in the previous fiscal year. The Group's consolidated profit attributable to shareholders rose to HK\$216.6 million from HK\$151.1 million, an increase of 43.4%. Diluted earnings per share amounted to 16.5 HK cents.

A number of significant factors contributed to the satisfactory performance of the Group. The growth momentum of the retail business in Hong Kong market continued, fuelled by the relaxed travel policy for PRC tourists visiting Hong Kong and Macau and by the number of tourists from other countries returning to Hong Kong following the end of the SARS epidemic. Local people showed a renewed appetite for retail spending, and the Group was able to use its strong operating leverage to build on these opportunities.

Retail & Wholesale Business

During the fiscal year 2004/05, the Group's retail and wholesale business saw growth in turnover of 23.7%, reaching HK\$2,122.2 million. The overall gross profit margin increased due to the enhancement of our sales mix.

Our inventory turnover days were 101 days for the year ended 31st March 2005, as opposed to 90 days for the previous fiscal year. But this has to be placed in the context of an operational shift towards importing more products by shipping rather than air freight, and by an accompanying extension of the payment period to our suppliers. Overall, we enhanced both our operational and management effectiveness through the adoption of a new Point-of-Sales system, a Business Intelligence system and a new Customer Relationship Management system as well as strengthening staff training. All these initiatives helped to bolster the Group's competitiveness and operational flexibility. We believe this will further increase the Group's turnover growth and profitability in the coming years.

截至二零零五年三月三十一日止年度，集團的綜合營業額為二十三億一千三百七十萬港元，較上一財政年度的十八億八千三百三十萬港元上升百份之二十二點九。集團的股東應佔綜合溢利則由一億五千一百一十萬港元增至二億一千六百六十萬港元，上升百份之四十三點四。每股攤薄盈利為十六點五港仙。

集團表現理想有賴數項因素。受到中國放寬旅客來港政策及非典型肺炎疫症平息後其他國家旅客數目回升刺激，香港市場零售業務增長動力繼續維持。加上本港市民消費意欲回升，而集團亦能夠運用其強大的營運槓桿效應，把握此等良機繼續發展。

零售及批發業務

於二零零四 / 零五財政年度，集團的零售及批發業務營業額達二十一億二千二百二十萬港元，增加百份之二十三點七。整體毛利因加強銷售貨品組合而獲提升。

集團於截至二零零五年三月三十一日止年度的存貨週期為一百零一天，而上一財政年度則為九十天。此乃由於營運方面的變動所引致，更多貨品以船運（而非空運）方式進口，同時延長向供應商的付款期。整體而言，透過採用嶄新的銷售點系統、營商資訊分析及顧客關係管理系統，並加強員工培訓，集團的營運和管理效益均獲得提升。此等措施均有助加強集團的競爭能力及營運靈活性，相信可進一步加強集團於未來數年的營業額增長及盈利能力。



Hong Kong and Macau

The increased spending by tourists, in particular those from Mainland China, as well as the growing confidence of local consumers contributed to the healthy performance of our business in Hong Kong and Macau. Turnover rose by 25.0% to HK\$1,916.0 million for the year ended 31st March 2005 and same store growth grew by 10.8%. Year-on-year growth of 34.8% was recorded in the first half of the year due to the low base caused by the onset of SARS in the corresponding period last year. A year-on-year increase of 18.4% was recorded in the second half of the year. Growth was registered in both the average value per transaction and the total number of transactions with an increase of 12.3% and 12.0%, respectively.

During the fiscal year, Sa Sa opened a new flagship store in Causeway Bay. The Group also added a new store and relocated a store to Mongkok. Four existing stores were expanded. As at 31st March 2005 there were 43 Sa Sa stores, one La Colline specialty store and one Elizabeth Arden counter.

The Group strengthened the brand building of "Sa Sa" and the "beauty specialist" image of Sa Sa by targeting marketing initiatives at both local consumers and PRC tourists. We sponsored the Miss Hong Kong Pageant 2004, introduced a new TV advertisement to project our corporate image in both Hong Kong and the PRC, and launched a TV advertisement for a new product, Provocative, by Elizabeth Arden. In addition, the Group sponsored a spectacular variety show to celebrate National Day, which was organized by the Hong Kong Federation of Women. We also sponsored the Sa Sa Cup at Ladies' Purse Day as well as the "Horses Across Hong Kong" campaign organised by the Hong Kong Jockey Club in 2004.

香港及澳門

莎莎港澳地區業務表現穩健，有賴旅客（內地旅客尤甚）消費上升與本港消費者信心日益加強。截至二零零五年三月三十一日止財政年度的港澳地區營業額增至十九億一千六百萬港元，上升百份之二十五，相同店舖營業額則增長百份之十點八。財政年度上半年與去年同期比較增長達百份之三十四點八，此乃由於去年同期非典型肺炎肆虐以致基數偏低。財政年度下半年與去年同期比較則上升百份之十八點四。每宗交易平均金額及總交易次數均錄得增長，前者上升百份之十二點三，後者則上升百份之十二。

年內莎莎於銅鑼灣區開設一間新旗艦店。除將一間店舖遷往旺角外，還在此區增設一間新店舖。另外亦擴充四間現有店舖。於二零零五年三月三十一日，集團共有四十三間莎莎化粧品店舖，另有一間La Colline專門店及一個伊莉莎伯雅頓專櫃。

集團通過多項針對本地顧客及內地旅客的市場推廣活動，提升「莎莎」品牌的認知度以及加強莎莎作為化粧品及美容專家的形象。這些活動包括贊助二零零四年香港小姐選舉、於中港兩地推出全新電視廣告以突顯企業形象及為伊莉莎伯雅頓的新香水Provocative進行電視廣告宣傳。此外，集團亦贊助香港婦協慶祝國慶電視綜合節目，並贊助香港賽馬會的婦女銀袋日莎莎盃及二零零四年「全城去馬」活動。



Operations Review

業務回顧



Mainland China

The first Sa Sa store in the People's Republic of China ("PRC") was opened on 26th March 2005 on Shanghai's Huaihai Road. The Group has positioned the outlet as a "one-stop cosmetics specialty store" that provides an alternative shopping channel for our PRC consumers. We will focus on offering professional and niche brand products in the store as well as value-added services.

Singapore and Malaysia

Turnover for the Singapore and Malaysian markets increased by 7.1% to reach HK\$112.8 million and same store growth was 3.6% for the year ended 31st March 2005. The loss recorded for the first half of the fiscal year was reversed and both markets started to contribute in the second half due to growth in turnover and gross profit. This in turn contributed to overall performance.

In order to provide a stronger foundation for future growth in this market, a series of strategic measures were implemented during the year. These included moving the regional office back to Hong Kong to provide better support and directions, new store formats, relocation of stores, store expansions, strengthening of the adjustment of merchandise mix and improved staff training. Although our performance was temporarily affected by these measures, positive results were visible by the second half of the year.

Same store growth for the combined markets reached 6.0% in the second half of the fiscal year with total sales growth at 6.7%. In Singapore, during the same period, same store growth was 17.4% with total sales growth at 12.4%, and same store growth for Malaysia was -9.5% with total sales growth at -2.2%. The performance of the Malaysian market was affected by the government's registration requirements for imported products. The effects of these measures gradually receded with results improving in the fourth quarter.

中國大陸

莎莎在中國內地的首間店舖已於二零零五年三月二十六日開業，位於上海市淮海路。該店定位為「一站式化粧品專門店」，為內地顧客提供嶄新的購物渠道。我們著眼於在店內提供專業及定位獨特的品牌產品以及增值服務。

新加坡及馬來西亞

年內星馬市場營業額增百份之七點一，達一億一千二百八十萬港元，而相同店舖營業額則增長百份之三點六。由於營業額及毛利率均取得增長，星馬市場已經扭轉本財政年度上半年的虧損情況，於下半年開始為集團帶來貢獻，整體表現亦因而獲提升。

年內集團採取一連串策略性措施，為未來增長提供更穩固基礎。此等措施包括將區域辦事處移至香港，以提供較佳的支援及指引、採用新店舖設計、把部份店舖遷往更佳地點、擴充店舖面積、調整貨品組合及加強員工培訓。集團表現雖因此等措施而暫時受到影響，但在下半年已開始取得成效。

財政年度下半年兩地市場合計的相同店舖營業額增長達百份之六，總銷售額增長為百份之六點七。新加坡方面去年同期的相同店舖營業額增長百份之十七點四，總銷售額增長百份之十二點四。馬來西亞相同店舖營業額下降百份之九點五，總銷售額則減少百份之二點二。馬來西亞市場的表現乃因政府實施登記入口貨物的新規定而受到影響。此等影響逐步減退，第四季業績已見好轉。



As at 31st March 2005, the number of stores in Singapore remained at nine (one opened, one closed). Store numbers increased to 11 for Malaysia with two new stores being opened and one closed during the year. Despite the operational changes, Sa Sa was awarded the "Superbrands" title in Singapore and Malaysia for the year 2004/05 and 2005, respectively.

Taiwan

Turnover in the Group's Taiwan business increased 9.4% during the year, with same store growth reaching 5.7%. An increase in contributions to the Group was recorded. The full-year performance was affected by typhoons during the summer and by the temporary closure of a major store for renovation. This meant that staff had to be re-trained to adapt to the new store format. The Group's strategic consolidation measures began to take effect in the second half of the year. Our performance therefore showed a marked improvement as compared to the same period of the previous fiscal year. Second half same store growth was 9.9% with total sales growth at 14%. Since a new store was opened during the year, the total store number for Taiwan was four as at 31st March 2005.

於二零零五年三月三十一日，新加坡方面的店舖數目為九間（年內開一間新店及結束一間）。馬來西亞方面的店舖數目則增至十一間（開設兩間，結束另一間）。營運上雖有變動，莎莎分別於星馬兩地榮膺二零零四 / 零五年度及二零零五年度的「超級品牌」。

台灣

年內台灣市場營業額增加百份之九點四，相同店舖增長達百份之五點七，增加對集團的貢獻。全年表現因夏季期間颱風肆虐以及一間主要店舖暫時休業進行裝修而受到影響。員工亦須接受再培訓以適應新店舖模式。本集團的策略性整固措施至下半年開始奏效，表現因而較去年同期大為改善。下半年相同店舖增長為百份之九點九，總銷售額增長達百份之十四。自年內開設一間新店舖後，台灣於二零零五年三月三十一日的店舖總數增至四間。

Q&A

"What are Sa Sa's main strengths?"

We have built a great brand that everyone knows, and we have an unmatched range of products for our huge, loyal and region-wide customer base. Our relationship with our vendors is excellent, our sales professionals give quality service, and we have a long-established network of 70 retail outlets in prime Asian locations, along with an attractive on-line presence.

In addition, we have extensive industry experience and a clear business focus on beauty, supported by well thought-out corporate strategies, a robust balance sheet and a strong management team.

「莎莎的優勢在哪裡？」

莎莎品牌家喻戶曉，產品種類繁多，更有區內龐大而忠實的顧客基礎作支持。我們與各地供應商享有良好的合作關係，專業售貨員服務出色；我們並擁有龐大的亞洲區銷售網絡，在亞洲各主要地區設有七十間零售店，以及卓越的電子商務網站。

此外，我們還具有豐富的業內經驗，明確的業務方向，周全的企業策略，穩健的財務表現及經驗豐富的管理層。

Operations Review

業務回顧



E-commerce - Sasa.com

Turnover for Sasa.com amounted to HK\$30.4 million, representing an increase of 43.8% over the previous fiscal year. A small profit was recorded.

Following improvements made to the web site and in the areas of marketing and product strategy, the existing customer base is now much broader than that of previous years, covering over 50 countries. Registered members stand at over 100,000 and monthly unique visits to the site average more than 200,000. The new Sasa.com platform, launched near the end of 2004, allows for higher capacity, greater flexibility in operation, and enhances the on-line shopping experience. Sales have therefore substantially improved.

Brand Management

Sales of private-label and exclusively distributed products increased by 32.5% and contributed 29.0% to the Group's total retail and wholesale sales for the year ended 31st March 2005. New brands secured for Sa Sa's exclusive distributorship includes such fragrances as Ferre, Guess and Hummer and Bergman premium skin care brand. Our management of famous brands that are available in a wide range of countries further enhanced our brand management reputation and position in the marketplace.

During the year Sa Sa, acting as sole agent in Hong Kong and Macau, introduced the new skin care brand, José Eisenberg, from France. This prestigious brand is available in a number of countries in Europe, the USA, Canada and the Middle East. Other such exclusive brands managed by Sa Sa are Elizabeth Arden (available worldwide), Cellex-C (available in 40 countries), Olos (available in 35 countries), Transvital (available in 17 countries), and Skin Doctors (available in 20 countries). The latter is a top Australian skin care brand that Sa Sa recognised as reflective of a growing trend in cosmeceutical skin care products in the global beauty industry. According to Euromonitor's ranking of international brands by annual turnover in 2004 and company figures, Sa Sa's existing exclusive brands, Suisse Programme, La Colline and Elizabeth Arden, should now be ranked among the top 20 premium skin care brands in Hong Kong.

電子商貿 - Sasa.com

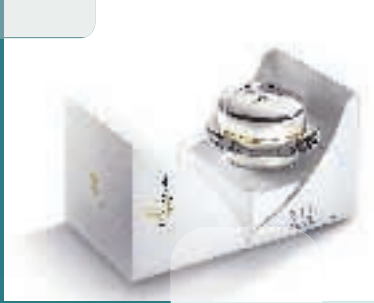
Sasa.com於本財政年度的營業額為三千零四十萬港元，較上一財政年度增加百份之四十三點八，錄得微利。

集團對網站以及市場推廣與產品策略作出改進後，現有客戶基礎已較往年大為擴闊，涵蓋五十多個國家/地區。登記會員超過十萬人，每月平均非重複瀏覽人次逾二十萬。全新的Sasa.com平台於二零零四年底啟用後，銷售能力更強、運作更靈活，更可提升網上購物樂趣。銷售額因而大為改善。

品牌管理

截至二零零五年三月三十一日年度，莎莎的專有品牌及獨家經銷貨品銷售額增加百份之三十二點五，並佔集團零售及批發總營業額百份之二十九。莎莎取得獨家經銷權的新品牌包括Ferre、Guess及Hummer等香水及Bergman高級護膚品牌。莎莎所管理均為已在海外多國銷售的著名品牌，這可進一步提升莎莎在品牌管理方面的聲譽及市場地位。

莎莎於年內引進法國護膚品品牌José Eisenberg，為其港澳區擔任總代理。此一尊貴品牌已於多個歐洲國家、美加及中東地區銷售。其他海外知名品牌由莎莎獨家經銷的包括伊莉莎伯雅頓（銷售網遍及全球）、Cellex-C（在四十個國家有售）、Olos（在三十五個國家有售）、Transvital（在十七個國家有售）及Skin Doctors（在二十個國家有售）。莎莎獨家引入的Skin Doctors乃融匯醫療及美容的澳洲知名護膚品牌，充份反映莎莎緊貼全球美容護膚最新潮流。據《Euromonitor》按二零零四年全年營業額排列的國際品牌排名及公司內部數據顯示，莎莎現有的獨家經銷品牌Suisse Programme、La Colline和伊莉莎伯雅頓現時應已躋身香港二十大護膚品品牌之列。



During the year 2004/05, we continued to invest more resources in creating a closer working relationship with our brand owners. We also devoted an increased marketing budget towards promoting their brands and strengthened the category management skills of managerial staff with the specific aim of improving our marketing effectiveness. We believe that our investment will result in a higher awareness of our exclusive brands and thus higher profitability for the Group.

The year 2004/05 was also notable for Sa Sa's marketing programme for Elizabeth Arden's fragrance "Provocative", which included a special TV advertisement. Over 10,000 bottles of Provocative were sold within three months. Similar results were recorded for Elizabeth Arden's latest luxury fragrance "Britney Spears – Curious", with more than 10,000 bottles being sold in three months.

年內，集團繼續投入更多資源，與品牌建立更緊密的合作關係，並增加各品牌的市場推廣預算，加強管理人員在產品類別管理方面的培訓，務求加強市場推廣效力。我們相信是項投資將可提升獨家經銷品牌的知名度，從而加強集團的盈利能力。

莎莎年內為伊莉莎伯雅頓的香水「Provocative」推行的市場推廣計劃廣受注目，其中包括電視廣告宣傳。該產品於面世短短三個月內售出一萬多瓶。莎莎為伊莉莎伯雅頓旗下最新高級香水「Britney Spears – Curious」創下同樣佳績，三個月內售出超過一萬瓶。

Q&A

"How does Sa Sa manage to sell quality products at such competitive prices?"

Sa Sa applies its global sourcing and purchasing capabilities to obtaining the best value products, buying in bulk to increase its bargaining power. A further factor is our excellent long-term relationships with vendors. While we pride ourselves on our ability to offer generous discounts, we also take exceptional care to ensure that everything we sell is genuine and in tip-top condition.

「莎莎為什麼能以這樣相宜的價錢，出售如此優質的產品？」

莎莎憑藉環球採購專長，得以精選最物有所值的產品，並透過大量購貨而提高議價能力；而我們與供應商保持長期良好關係也是箇中關鍵。我們的優勢不僅是為顧客提供豐厚的折扣優惠，更竭盡所能確保所售的商品皆是正貨，品質上乘。

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業務回顧



Beauty Services

Turnover for beauty services was HK\$191.5 million, representing an increase of 14.5% over the previous fiscal year. This was mainly due to the improved performance of Phillip Wain beauty and health clubs and the opening of the second Sa Sa Beauty+ beauty and slimming centre. Excluding one-off charges, these results show a continuous improvement in profitability.

Phillip Wain

Phillip Wain offers premium beauty and health ladies' clubs that cater for the discerning customer. During the year ended 31st March 2005, turnover increased by 9.4% to HK\$168.6 million. Excluding one-off charges, profitability was improved. These healthy results were largely due to an increase in the number of treatments and product sales, an enhanced cost structure, and a vigorous upgrading of marketing efforts. We strengthened both staff training and service levels, while providing more innovative treatments and services.

Our contract sales increased by 12.4%, representing growth both in the number of contracts and in their average value. The year was also notable for our extending beauty services to male customers through the opening of "Inspire" at Phillip Wain in Hong Kong. Among the innovative treatments introduced were the Dibibody Tri-formula Ultimate Programme, Liftech Body Firming & Facial Therapy, Electro Magnetic Light Therapy for body slimming, IPL Epilation Treatment and other beauty services such as nail and eyelash treatments.

美容服務

美容服務營業額達一億九千一百五十萬港元，較去年增加百份之十四點五，主要是由於菲力偉美容及健身會所表現提升及集團增設第二間Sa Sa Beauty+美容及纖體中心所致。撇除一次性的撥備及費用，美容業務的表現顯示其盈利能力持續改善。

菲力偉

菲力偉為品味高尚的女士提供尊貴美容及健身會所服務。於截至二零零五年三月三十一日止年度，菲力偉的營業額達一億六千八百六十萬港元，增加百份之九點四。若不計算一次性的撥備及費用，盈利能力有所改善。表現穩健主要由於療程數目及產品銷售有所增加，成本結構改善以及積極加強市場推廣措施。集團致力提升員工培訓及服務水準，並提供更多創新療程及服務。

年內的合約銷售額增加百份之十二點四，反映合約數目及平均價值皆錄得增長。年內集團更於香港開設Inspire，將美容及纖體服務拓展至男性顧客。至於所引進的創新療程則包括Dibibody Tri-formula Ultimate塑身療程、Liftech塑身及面部療程、電磁波光輪塑身療程、IPL光子螢肌脫毛護理、美甲服務及延展眼睫毛等美容服務。





Q&A

"How can Sa Sa achieve such a high standard of customer service?"

「為什麼莎莎能提供優質的客戶服務？」

- **By creating a strong training team**

Our training team is specialized in different training programs. These include product knowledge (with different trainers specialized in skin care, fragrance, make-up products and beauty treatments); skin analysis; make-up training; Mandarin speaking; selling skills; supervisory skills; customer service skills and general management skills.

- **Intensive training**

A new beauty consultant receives more than 150 training hours before she becomes a qualified beauty consultant (BC). We also provide continuous training to existing BCs to update their skills and knowledge in all the above categories. Good training is vital for cosmetics retailing because it improves sales and service, enhances the corporate image, professionalism of staff, and the sense of belonging of our employees.

- **Knowledge of the market and customer**

The cosmetic retailing industry changes very rapidly, always catching up with new trends and the evolving needs of customers. Therefore, our staff need to be updated frequently. In addition, our sales staff act as personal consultants to customers for their beauty needs. They require an in-depth knowledge of both products and customer requirements in order to provide tailor-made beauty advice.

- **Building loyalty**

We aim at providing a service to customers, not only at selling products. Our mission is to convert more and more buyers of our products and services into loyal customers.

We therefore monitor our services very closely and strengthen our service-oriented culture through various internal programmes and through participation in external monitoring schemes such as mystery shoppers programmes.

- **Gaining recognition**

Sa Sa stores as well as La Colline specialty store have repeatedly received accolades for their quality services and have been awarded the "Quality Tourism Services" certificate by the Hong Kong Tourism Board. This scheme honours tourism service providers judged to have achieved excellent quality in the areas of environment, products, processes, people and systems.

- **優秀的培訓隊伍**

莎莎的培訓隊伍涵蓋專才，負責各方面的培訓課程：包括產品知識（護膚品、香水、化粧品及美容護理等均由不同專業培訓人員負責）；皮膚分析、化粧技巧、普通話會話、銷售技巧、管理下屬技巧、客戶服務、以及一般管理知識等等。

- **培訓嚴謹**

在莎莎剛入職的銷售員工，必須接受一百五十小時以上的培訓才可成為正式的美容顧問。而在職的美容顧問也須經常接受培訓，以提升她們各方面的技巧及知識。良好的培訓對化粧品零售業尤為重要，不僅有助改善銷售及服務表現，更可提升企業形象，提高員工專業水平及培養員工對公司的歸屬感。

- **了解市場及顧客的需要**

化粧零售業瞬息萬變，除了要緊貼潮流外，亦要迎合顧客各式各樣的需要。因此集團的員工必須擁有最新有關的知識及才能。莎莎旗下的專業售貨員都是顧客的私人美容顧問，因此對每樣貨品都必須非常熟悉，明瞭顧客的需要，從而提供最切合個人需要的美容建議。

- **建立穩健客戶基礎**

我們致力為顧客提供完善的服務，不會單以售賣貨品為目的。莎莎的經營理念是令更多使用莎莎產品及服務的客人成為我們的忠實顧客。因此，我們一直密切監察我們的服務水平，並通過各種內部培訓及參與外間的服務監察計劃，例如「神秘顧客」計劃等，積極鞏固以服務為本的企業文化及提升服務水平。

- **贏取業界認同**

莎莎化粧品及La Colline專門店榮獲多項優質服務獎項，足證服務水準超卓，並獲香港旅遊發展局頒發「優質旅遊服務」認證，標誌著我們作為旅遊服務業的成員，在環境、產品、工作流程、人才及系統方面皆表現卓越。

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Sa Sa Beauty+

The establishment of Sa Sa Beauty+ complements our retail business development, providing all-round cosmetics and beauty services to Sa Sa customers. During the year, turnover increased by 74.0% to HK\$22.9 million. The loss significantly narrowed. These improved results were largely due to the maturing of a new club that Sa Sa opened in December 2003.

We introduced a number of new beauty treatments and equipments including Suisse Programme Express Lifting Facial Treatment, Lymphatic Shaping Massage and Di-Trim Xpress.

The number of members rose by 150.0%. They are therefore contributing a substantial improvement to the overall performance of Sa Sa Beauty+.

Outlook

Sa Sa's vision for the future is clear: to continue to reinforce the overall positioning of Sa Sa as a Beauty Specialist and to extend the top-of-mind awareness of Sa Sa as a leading cosmetics retailer outwards from Hong Kong to existing and new markets. We will focus on the following strategic initiatives to drive growth:



Sa Sa Beauty+

Sa Sa Beauty+的設立目的是與集團零售業務的發展相輔相成，為莎莎顧客提供全面的化粧品及美容服務。年內Sa Sa Beauty+的營業額達二千二百九十萬港元，增加百份之七十四。虧損大幅收窄。業績改善主要原因是於二零零三年十二月開業的新美容中心運作日趨成熟。

集團引進多項嶄新美容療程及設備，包括Suisse Programme白金速效緩紋提升面部療程、淋巴修型按摩療程及目標定位纖體療程。

年內美容中心會員人數增加百份之一百五十。Sa Sa Beauty+的整體表現因而獲大幅提升。

展望

莎莎對未來發展所訂定下的目標非常明確：加強其作為化粧品及美容專家的整體定位，及將莎莎作為首屈一指的化粧品零售商的地位由香港拓展至其他現有市場及新市場。集團將會採取下列策略措施以推動業務增長：





1. Capture the rise of tourism and local spending in Hong Kong and Macau to gain further market share

We are optimistic about the growth potential of the Hong Kong and Macau cosmetics market, both in terms of local consumer and tourist consumption. Last year tourist arrivals from the PRC grew by 44.6% over 2003. Non-PRC tourist arrivals grew by 35.3%. Overall, almost 22 million tourists visited Hong Kong. With a number of projects and events coming on stream including Hong Kong Disneyland, new casinos in Macau, ASEAN Game and Olympics Games 2008 in Beijing, it is expected that tourism in Hong Kong will continue to boom. According to Hong Kong Tourism Board, total visitor arrivals will reach 23.4 million and 27.1 million in 2005 and 2006, respectively.

The market trend also gives us grounds for optimism. Due to rental increases and the level of competition, consolidation is occurring in the cosmetics retailing market as the less-productive players, often operating from rented standalone stores, are trimming their retail network or are being squeezed from the market. We stand to benefit from this trend because some brands will find it more beneficial to work more closely with us in this highly competitive market.

In order to cater to the rising numbers and consumption of both local consumers and tourists, we will continue our store expansion by adding seven more stores in both tourist and non-tourist areas in Hong Kong and Macau for the next fiscal year, including an 8,000 sq. ft. new flagship store in Mongkok, another super-store with 8,000 sq. ft. in Tsim Sha Tsui, one in Tsuen Wan, another in Olympic City and two new stores in Macau. We will also increase our marketing efforts to reinforce Sa Sa's beauty retail specialist image through such initiatives as sponsoring the Miss Hong Kong Pageant 2005. We will bolster advertising and promotion activities that target PRC tourists while strengthening staff training and customer service.

1. 把握港澳地區蓬勃的旅遊業和本地消費增加所帶來的商機以進一步提升市場佔有率

集團對港澳化粧品市場的增長潛力在本地消費和旅客消費兩方面都深感樂觀。去年內地來港旅客人數較二零零三年間增加百份之四十四點六，來自其他地區的旅客則增加百份之三十五點三。整體而言，訪港旅客接近二千二百萬人次。港澳地區陸續推行多個項目和舉辦多項盛事，包括香港迪士尼樂園、澳門新賭場、東亞運動會以及二零零八年北京奧運會，預計香港旅遊業會持續興旺。據香港旅遊發展局估計，二零零五和二零零六年的來港旅客人數將分別多達二千三百四十萬人次和二千七百一十萬人次。

市場趨勢亦令集團充滿信心。由於租金上升和競爭加劇，化粧品零售市場正進行整固，競爭力較弱的公司，尤其是以租用獨立店舖形式經營的，正在縮減其零售網絡，又或正逐漸被市場淘汰。集團將受惠於此趨勢，因為某些品牌將會認為在此競爭激烈的市場上，加強與本集團合作將對其有所裨益。

為配合本港消費者和旅客人數及消費增加，集團將於下一財政年度繼續擴展零售網絡，在港澳兩地的旅遊區及其他地區增設七間店舖，其中包括面積八千平方呎的旺角新旗艦店、尖沙咀一間面積八千平方呎的大型店舖，荃灣及奧海城各一店，以及澳門的兩間新店舖。集團將加強市場推廣，透過贊助二零零五年香港小姐選舉等活動，突顯莎莎化粧品零售專家的形象。集團並將增加針對內地旅客的廣告宣傳及促銷活動，同時加強員工培訓和提升顧客服務水平。



2005年度香港小姐競選
大會指定專用化粧品專門店
大會指定專用美容護膚服務

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Our successful marketing efforts are already being recognised. From April to June 2005, Sa Sa received further prestigious awards. The world-renowned Internet company Yahoo gave Sa Sa its “Yahoo! Emotive Brand Award 2004/05” in the Health and Fitness category, the second year that Sa Sa has received such an award. A Sa Sa beauty consultant won the “Quality Service Star Award” in “The Retail & Service Energetic Star Awards 2005” organized by Easy Finder Magazine in Hong Kong. Sa Sa also won the “Grand Award-Highest Votes Collected from the PRC Tourists” in “PRC Tourists’ Best Hong Kong Brands” survey organized by the Hong Kong Association of Chinese Travel Organisers together with a group of PRC media organisations.

2. Strengthen overseas market growth

Sa Sa will continue to build a stronger foundation in all overseas markets to facilitate aggressive growth in the coming years. Preliminary consolidation measures include moving the regional office back to Hong Kong for better support and directions, conversion to new store formats, improvement of the store portfolio, store expansions as well as strengthening the merchandise mix. These initiatives are beginning to bear fruit.

Meanwhile, the impact of the measures we implemented later, including increasing marketing efforts, strengthening selling skills training and raising the level of customer service is expected to be felt in the short to medium term. In addition to strengthening same store sales growth, the foundation we have built in previous years will enable us to expand our retail network in a more comprehensive manner by adding better store locations, thereby increasing our market share in each of our overseas markets. We are confident of Sa Sa’s long term expansion and that our performance will be greatly enhanced in the coming years.

集團在市場推廣方面的努力已廣受認同。莎莎於二零零五年四月至六月再獲授多個重要獎項。全球知名的互聯網集團雅虎Yahoo向莎莎頒授「Yahoo! 感情品牌二零零四 / 零五」獎項（健康及健美組別），此為莎莎第二年獲獎。莎莎的美容顧問獲香港壹本便利雜誌頒發「二零零五年零售服務活力之星大獎」的「優質服務之星大獎」。莎莎並於香港中國旅遊協會聯同多個內地媒體機構舉辦的「中國旅客最喜愛香港品牌選舉」中榮膺「國內旅客投票最高榮譽大獎」。

2. 加強海外市場業務增長

集團將不斷加強各海外市場的基礎，以推動未來數年的蓬勃增長。集團初步採取的整固措施包括將區域辦事處遷往香港，以提供較佳的支援及指引、店舖採用全新設計、改進店舖組合、擴充店舖面積及加強貨品組合。現時此等措施已始見成效。

與此同時，集團已採取的多項措施，包括加強市場推廣力度、加強銷售技巧培訓及提高客戶服務水平，亦可於短至中期內發揮成效。除了提升相同店舖銷售額增長外，過往數年建立的基礎亦使集團能夠透過在更佳地點增設店舖，因而可更全面拓展零售網絡，從而提高每個海外市場的市場佔有率。我們對莎莎在當地市場未來數年的表現及長遠發展充滿信心。



3. Strengthen exclusive brand portfolio

Sa Sa is fully committed to strengthening marketing efforts for our exclusive brand portfolio. We will add more quality and “trendy” brands, enhance product category management to boost product sales, and seek partnership with foreign brands in developing Asian markets. We will also develop new private labels and product lines and add exclusive brands in order to target different market segments.

4. Build foundation for the Mainland China market

According to Euromonitor, the PRC cosmetic sales market was estimated to be worth some US\$6 billion in 2003, rising to more than US\$8 billion in 2008. With the market growing at a high single-digit annual rate and imported cosmetic brands capturing an increasing market share, it is clear that the market potential for both Shanghai and the rest of the PRC is enormous.

Leveraging on our strong brand name in the PRC, we aim to provide both professional and value-added services to our Mainland customers. We are positioning ourselves as a one-stop cosmetics specialty store with a broad customer base while aiming to become an alternative distribution channel for cosmetic brands as well as a new shopping channel for customers.

Sa Sa's new store in Shanghai opened at the end of March 2005. Since the PRC business and operating environment is different from Hong Kong, we are taking a gradual approach with the aim of building up a full competitive offering in the foreseeable future. At the same time, we are strengthening training for both front line and office staff. We are fully committed to increasing our presence in the PRC market for the future of the Group and we plan to open three new stores in the coming 12 months.

3. 加強獨家經銷品牌組合

莎莎銳意為獨家代理品牌投入更多市場推廣資源。集團將引進更多優質潮流品牌，加強貨品類別管理以提高貨品銷量，並考慮夥拍外國品牌助其開拓亞洲市場。集團亦會開發新專有品牌及產品，並增添獨家代理品牌，務求迎合不同市場顧客群的需要。

4. 為中國內地市場建立穩固基礎

據《Euromonitor》估計，中國內地化粧品市場銷售額將由二零零三年的約六十億美元上升至二零零八年的超過八十億美元。內地市場既每年以高單位數字增長率不斷增長，進口化粧品品牌的市場佔有率又日益提高，上海及內地其他地區市場顯然潛力雄厚。

憑藉集團於內地家喻戶曉的品牌知名度，集團旨在為內地顧客提供專業及增值服務。莎莎在內地以針對廣闊客戶基礎的「一站式化粧品專門店」為定位，目標是成為化粧品品牌的另一銷售渠道，並為消費者提供新的購物途徑。

莎莎在上海的新店舖已於二零零五年三月底開業。由於內地的經營和運作環境有別於香港，集團正逐步加強貨品組合，務求在可見將來提供具競爭力的周全貨品種類。與此同時，我們致力提升前線和後勤員工的培訓，並計劃於未來十二個月內開設三間新店舖，逐步拓展內地市場的業務，為集團未來的發展作好準備。



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5. Strengthen operational and management effectiveness

In order to increase Sa Sa's growth potential and facilitate future development and expansion, we will continue to strengthen our operational and management efficiency and effectiveness by introducing SAP's R3 Enterprise Resources Planning (ERP) system. This advanced comprehensive IT system will involve a considerable degree of reengineering, including operations, logistics, purchasing as well as back-office activities. However, we believe that the advanced ERP system, together with various systems upgraded last year such as Point-of-Sales, Business Intelligence, and Customer Relationship Management, will further improve our operational, marketing and management effectiveness and therefore our overall performance.

6. Enhance Beauty Services performance

We will focus on further improvement of profitability and synergy with our core retail business by increasing the operational and management effectiveness of our existing beauty clubs and centres. We are extending the range of services to be provided by these centres to customers, since the Group believes that there is both considerable upside potential and opportunity for improvement in the performance of Phillip Wain and Sa Sa Beauty+.

Human Resources

As at 31st March 2005, the Group had a total of 2,119 employees. Staff costs for the year under review were HK\$369.4 million. To ensure that the Group is able to attract and retain staff with good performance, remuneration packages are reviewed on a regular basis and performance bonus and share options are offered to qualified employees. A performance-based element is included in the annual discretionary bonus for all staff and share options for supervisory and managerial staff. Details of pension scheme are set out in Notes 2 and 19 to the Accounts. The Group places heavy emphasis on staff training and development in order to realise the potential of our staff. Staff development initiatives were implemented during the year through in-house and external training programmes, as well as the provision of financial subsidies for staff's further studies in related fields.

5. 加強營運及管理效益

為了加強莎莎的增長潛力，促進日後發展和擴充，集團將引進SAP所開發的R3企業資源規劃（ERP）系統，以不斷加強營運及管理效益。這先進而全面的資訊科技系統，牽涉相當工作流程重整，包括營運、物流、採購以及後勤活動。我們相信先進的ERP系統，加上去年更新及加強的各個系統（例如銷售點系統、營商資訊分析系統及顧客關係管理系統），將可進一步改進集團在營運、市務推廣及管理方面的效益，從而提升集團整體表現。

6. 提升美容業務表現

在美容服務方面，集團將著眼於加強現有美容會所及中心的營運及管理的效益，以進一步改進盈利能力和協同優勢。集團正逐步擴大此等中心的服務範圍，因為集團相信菲力偉和Sa Sa Beauty+兩項業務均具備優厚潛質，表現定可更臻佳境。

人力資源

於二零零五年三月三十一日，集團共聘有二千一百一十九名員工。年內的員工成本為三億六千九百四十萬港元。為確保莎莎能夠吸引及挽留表現優秀的員工，集團定期檢討員工薪酬及福利，並向所有合資格員工授出表現花紅及購股權。集團在向全體員工發放全年花紅、以及向管理級別人員授出購股權時，均會以有關人員的表現為依據。有關退休金計劃的詳情載於賬目附註第二和第十九項。集團極之重視員工培訓和發展，務求讓員工發揮潛能。在員工發展方面，集團亦於年內舉辦內部培訓課程及提供外間培訓課程，此外，如員工在工作有關範疇繼續進修，集團亦會提供資助。



Q&A

"What is so special about Sa Sa's operation in Mainland China?"

「莎莎在中國內地經營有何特色？」

- Sa Sa's **one-stop cosmetics specialty store** offers a wide selection of professional and quality brands, both international and domestic, covering a broad price range targeted at a diversified customer base. Consumers can choose from more than 100 brands. The store provides an alternative distribution channel for beauty products to the department stores.
- **Product selections tailored to Chinese**
 - Sa Sa has more than 27 years of experience in cosmetics retailing in Asia and today 95 per cent of its customers are Chinese, and 40 per cent among them are from the Mainland.
 - Sa Sa utilises its understanding of the skincare and beauty needs of Asians, in particular, Chinese, in the product selection for its store in Shanghai.
- **Focus on professional and quality international brands**
 - Asia's well-known Phillip Wain and Sa Sa Beauty+ beauty centres provide a solid foundation for Sa Sa in the field of professional skincare and beauty treatments.
 - Sa Sa selects professional skincare and beauty products that are suitable to Asians, in particular Chinese, from around the world.
- **Value-added services offered at Sa Sa:**
 - Professionally-trained beauty consultants provide personalised advice to customers and introduce relevant quality products across different brands.
 - A wide variety of promotions
 - Quality assurance for products
 - Free make-up service and professional beauty treatments with dedicated treatment rooms in store
 - Free skin analysis
 - Free samples
- Trendy and comfortable shopping environment and open shelves allow Mainland consumers to try and choose products of different brands at ease, offering them **a brand new shopping experience.**
- 莎莎為「一站式化粧品專門店」，彙集多種國際以至國內專業優質的品牌和不同價位的產品，百多個化粧品品牌供廣泛的客戶選購，為顧客提供百貨公司以外購買美容產品的渠道。
- **根據中國人的需要精選貨品組合**
 - 莎莎在亞洲擁有逾二十七年的化粧品零售經驗，顧客中百分之九十五是中國人，其中內地顧客佔約百分之四十。
 - 莎莎對亞洲人，特別是中國人的護膚及美容有透徹的了解，並以此為上海莎莎店精選最適合的產品。
- **提供專業和有特色的護膚及化粧品品牌**
 - 亞洲著名的菲力偉及莎莎Beauty+美容中心是莎莎在專業護膚美容領域的強大後盾。
 - 莎莎在世界各地精挑細選適合亞洲人，特別是中國人的優質專業護膚及美容產品。
- **提供增值服務：**
 - 經過嚴格培訓的專業美容顧問因應每位顧客的狀況及需求，提供針對性的建議，並為他們從不同品牌中挑選最合適的優質產品。
 - 各式各樣的推廣優惠
 - 莎莎對店內銷售的產品提供產品質量保證
 - 在特設的美容室內提供免費化粧和專業皮膚護理示範
 - 免費專業皮膚測試
 - 贈送產品試用裝
- 店內時尚舒適的環境和開放式貨架，讓消費者可以自由自在地試用及選購不同品牌的產品，為國內消費者提供**嶄新**時尚的購物經驗。