



You just have to try these!

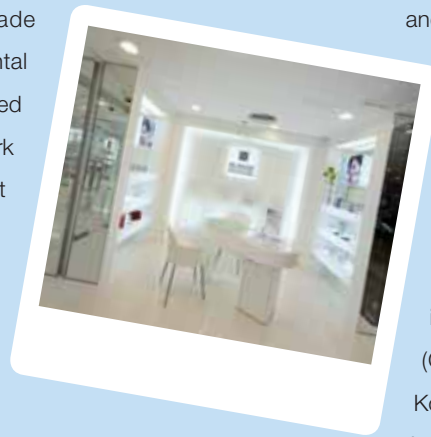


Chairman's Statement



Chairman & CEO, **Simon Kwok**

I am pleased to say that the fiscal year 2006/07 delivered satisfactory results for the Sa Sa Group. The improvement in consumer spending, mostly by the growing number of tourists from the PRC, contributed to turnover growth during the year. At the same time, the high turnover growth in overseas markets continued. Our strategic initiative to increase our gross profit margin on the back of an enhanced product mix made significant progress, offsetting rising rental and operational costs. We also continued the steady expansion of our retail network while improving operational management across all markets. Group turnover rose 10.3% to HK\$2,889.2 million while the profit attributable to equity holders of the Group increased by 19.8% to HK\$221.8 million.



In addition to the interim dividend of 3.0 HK cents and a special dividend of 3.0 HK cents per share, the Board of Directors proposed a final dividend of 5.0 HK cents per share and a special dividend 6.0 HK cents per share, payable on 28th August 2007 to those persons registered as shareholders as at 23rd August 2007, making a total dividend of 17.0 HK cents per share for the fiscal year.

Building on the platform that we have already established, the Group continued to focus on growing our local and overseas customer base, developing new and existing markets overseas, strengthening our product mix and portfolio, and enhancing our brand management.

The Group's reputation continued to grow across the region and the Sa Sa brand received widespread industry recognition. Sa Sa was named as one of the "Top Ten Favourite Brands in Hong Kong" for the third consecutive year by the readers of Guangzhou Daily. In addition, Sa Sa won the "Best Brand Enterprise Award" in the Best Brand Enterprise Awards (Greater China) organised by the Hong Kong Productivity Council and the "Grand Award – Most Favourable Corporate Brands of the Nation" in the Most Favourable Brands of the Nation Campaign 2007 organised by the Hong Kong Association of Chinese Travel Organisers, Sohu.com and a group of media and professional bodies. Our distinguished track record of winning such awards is testimony to the success of our brand building strategy and to our leading reputation in cosmetics retailing in the region.



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In terms of products, we continued to build the foundations for future growth by expanding our brands under management portfolio through the addition of new product lines. We will continue to enhance our exclusive-brand portfolio in order to provide an increasing range of high quality and value products that offer comprehensive solutions to our customers' beauty needs, thereby encouraging customer loyalty and acting as growth drivers for future profits.

In addition to total beauty solutions, the Group remains committed to offering the most professional and highest quality beauty services to its customers. Fiscal year 2006/07 saw good progress being made in the integration of our beauty services into our retail shops. New treatments and courses as well as an enhanced sales mix underscored the synergies these beauty services offer for the total beauty needs of our customers.

In order to provide excellent products and services right across our regional retail network, the Group relies on the efficiency and responsiveness of an unparalleled operational and IT system. In July 2006, the SAP's R3 Enterprise Resource Planning ("ERP") system was implemented. It improves our business process capabilities, timeliness of information flow, as well as our supply chain management.

Our ongoing drive to achieve best practices of corporate governance and transparency is recognised by our performance in investor relations. In the IR Magazine Hong Kong and Taiwan Awards for 2006, Sa Sa ranked third in the Grand Prix for Best Overall Investor Relations at a Hong Kong Company (Small/Mid Cap), and was ranked 15th in investor relations in Hong Kong from a list of more than 1,000 companies including blue chip companies.

Taken together, such initiatives support our overall vision of sharpening our competitive advantages, building business process efficiency and enhancing managerial control in the intensely competitive market for beauty products and services in Asia. We continue to build on the strategic momentum to reach our full growth potential in both existing markets and in new ones, such as Mainland China.





Against the backdrop of a steadily improving local economy and growing tourism, we will continue to expand our retail network and enhance our marketing initiatives in Hong Kong and Macau, leveraging on our brand reputation. Meanwhile, we aim to develop our retail network across the region to operate not less than 240 stores in Asia by 2011, using our management resources and improved operational processes to support our expansion in both Mainland and overseas markets. There is no doubt that Mainland China continues to have considerable growth potential and will offer us further opportunities in the coming years.



I would like to express my heartfelt thanks to all our employees for their energy, passion and dedication in continuing to support Sa Sa's position as one of the most recognised and well respected brands in Asia. I would also like to take this opportunity to thank all our shareholders for their ongoing support and for sharing in our future mission and strategic vision. I am sure that the Sa Sa International Group will march forward to the future secure in the belief that we will continue to reward the confidence of both our employees and shareholders with increased shareholder value in the coming years.

Simon Kwok

Chairman and Chief Executive Officer
Hong Kong, 28th June 2007