





beauty always and forever



## chairman's statement

Sa Sa will continue to build its foothold in the core Hong Kong and Macau market, and grow in both its overseas markets and in Mainland China.

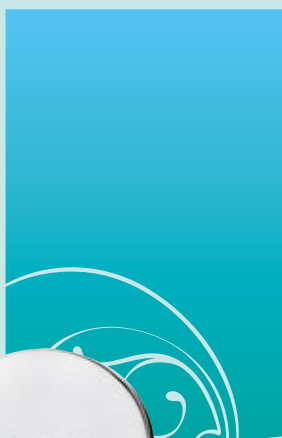
**Simon Kwok**  
Chairman & CEO



I am pleased to say that the fiscal year 2007/08 produced good results for the Sa Sa Group. Increased consumer spending by Mainland tourists and local residents, together with the balanced-growth strategy, contributed to higher turnover growth in Hong Kong and Macau. Our strategic initiative to increase our gross profit margin on the back of an enhanced product mix made further progress and offset rising rental costs, which in turn helped to support the improved performance of the Hong Kong and Macau market. At the same time our performance in the Mainland market improved, especially towards the end of the year, and our Malaysia and online businesses recorded strong full-year results. Circumstances held us back in Singapore and Taiwan, but even here we have laid the foundations to improve our performance in the coming years. Significant progress was made in developing our brand management business. We also disposed of our beauty services operations in order to focus more of our resources on our core retail and brand management businesses. Excluding the beauty services business and the profit from its disposal, Group turnover rose 20.3% to HK\$3,221.4 million while Group profit increased by 25.3% to HK\$276.3 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 10.0 HK cents per share, payable on 2 September 2008 to those persons registered as shareholders as of 28 August 2008, making a total dividend of 21.0 HK cents per share for the fiscal year.

Across the region, the Group's reputation continued to grow and the Sa Sa brand was once again the recipient of widespread industry recognition. Sa Sa was named the largest cosmetics retail chain in Asia and one of the top five retail groups in Hong Kong in the rankings of Retail Asia magazine, KPMG and Euromonitor in 2007. The Group received the Judging Panel – Grand Prize of the Personal Care section in The Hong Kong Corporate Branding Awards 2007 jointly organised by Ming Pao and the Department of Marketing of the Chinese University of Hong Kong. Sa Sa was also designated Hong Kong Premier Service Brand among only four awardees in the Hong Kong Top Service Brand Awards organised by Hong Kong Brand Development Council and The Chinese



Manufacturers' Association of Hong Kong. These and the many other awards we gained during the year are an ongoing testimony to the success of our brand building strategy and to our leading reputation in cosmetics retailing in the region.

We maintain our belief that brand management will be an important driver for Sa Sa's future growth. During the year, we continued to expand our brands under management portfolio through the addition of new product lines, the expansion of the product range, and by developing Sa Sa's own branded products. We are currently building the product development team and strengthening the brand management team to provide further support to the development of our own-brands while allocating more resources to their marketing. In addition, we have reinforced our management resources with the appointment of a specialist senior executive who will help the Group to achieve faster and more concrete progress in this area, which in turn will help to support Sa Sa's performance in the Mainland market.

There is no doubt that Mainland China continues to be of considerable strategic significance to Sa Sa's growth potential. While ensuring that the performance of the Mainland market is carefully managed, the Group has begun the process of speeding up the opening of single-brand counters in department stores. The first of the initial batch of five stores which were scheduled to open in Beijing in the first half of fiscal year 2008/09, began operations in New Oriental Plaza on 19 April 2008. In addition to these stores, the Group will continue to look for new store locations in cities beyond Shanghai and Beijing. Further to our focus on exclusive brands, we will continue to optimise results from the product portfolio through various measures including enhanced marketing and training.

In Hong Kong and Macau, we will leverage on the steady performance of the local economy and growing tourism to strengthen our retail network and marketing initiatives. Building on our success in broadening our customer base, the Group will focus its efforts on making further market penetration. We





are confident that we will continue to increase gross profit through determined efforts to optimise our product portfolio and by making further improvements in operational performance.

In the growing Malaysian market, the Group will pursue its expansion plans by adding more stores. In Singapore, we have already laid the groundwork for improved performance with a new management team and we will seek to enhance our product offering in accordance with the new regulations. In Taiwan, we are closely monitoring the market situation with a view to creating an appropriate expansion strategy.

By leveraging the strong competitive advantage and brand name of Sa Sa in the region, Sa Sa will continue to build its foothold in the core Hong Kong and Macau market, and to grow in both its overseas markets and in Mainland China. Although the Mainland market will be the Group's focus in the coming years due to its huge potential and high growth, the Group will continue to seek further development by monitoring the market situation in various Asian markets.

I would like to take this opportunity to thank all our employees for their resourcefulness, commitment and energy in continuing to support Sa Sa's position as one of the most respected and well known brands in Asia. I would also like to express my thanks to all our shareholders for their loyal support and for participating in our ongoing mission and strategic vision. As Sa Sa International Group moves forward to meet the future with plans in varying stages of completion, I am sure that we will repay the trust of both our employees and shareholders with increased shareholder value in the coming years.

**Simon Kwok**

Chairman and Chief Executive Officer  
Hong Kong, 25 June 2008