

[For Immediate Release]



Sa Sa Announces 2005/06 Annual Results

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Turnover Increased 13.3% to HK\$2,620.6 Million

**Increase Market Penetration in Hong Kong
Continue Expansion in PRC and Overseas Markets**

Annual Results Highlights	For the year ended 31 March		% Change
	2005/06	2004/05	
	HK\$ million	HK\$ million	
Group's turnover	2,620.6	2,313.7	+13.3%
Group's retail and wholesale business	2,425.3	2,122.2	+14.3%
Retail & wholesale business in Hong Kong and Macau	2,131.3	1,916.0	+11.2%
Profit attributable to equity holders	185.2	202.1	-8.4%
Final dividend	11 HK cents	11 HK cents	--
- <i>basic</i>	<i>5 HK cents</i>	<i>5 HK cents</i>	
- <i>special</i>	<i>6 HK cents</i>	<i>6 HK cents</i>	
Total annual dividend	17 HK cents	17 HK cents	--
- <i>basic</i>	<i>8 HK cents</i>	<i>8 HK cents</i>	
- <i>special</i>	<i>9 HK cents</i>	<i>9 HK cents</i>	

(29 June 2006 – HONG KONG) – **Sa Sa International Holdings Limited** ('Sa Sa' or the 'Group', stock code: 0178), Asia's leading cosmetics retailing and beauty services group, announced today its annual results for the year ended 31 March 2006.

For the year under review, the Group's consolidated turnover amounted to HK\$2,620.6 million, representing an increase of 13.3% over HK\$2,313.7 million last year. The Group's consolidated profit attributable to equity holders of the Company was HK\$185.2 million, showing a decrease of 8.4%, from HK\$202.1 million as restated in the previous year. Basic earnings per share amounted to 13.9 HK cents.

The Board of Directors has resolved to declare a final dividend of 5 HK cents (2004/05: 5 HK cents) and a special dividend of 6 HK cents (2004/05: 6 HK cents) per share. Together with the interim dividend paid of 3 HK cents per share and a special dividend of 3 HK cents per share, the total annual dividend for FY2005/06 is 17 HK cents per share (2004/05: 17 HK cents).

Commenting on the Group's overall performance, Mr. Simon Kwok, Chairman and Chief Executive Officer of the Group, said, "Sa Sa has recorded a 13.3% turnover growth during the year. However, the growth in turnover and gross profit margin has not been duly reflected in the results due to higher rental and operation expenses incurred during the year. In view of our projected growth of the Hong Kong retail sector in the beginning of the year, we stepped-up our store expansion and hence increased our initial costs. The turnover growth of our retail business, although higher than the general market and showed marked improvement in the second half of the year, was lower than expected."

Retail and Wholesale Business

During the fiscal year 2005/06, the Group's retail and wholesale business saw growth in turnover of 14.3%, to reach HK\$2,425.3 million. The overall gross profit margin grew due to the Group's enhanced product mix. During the year, inventory turnover days were reduced from 101 days to 89 days. The Group continued to strengthen brand-building efforts for "Sa Sa" and the "beauty specialist" image of Sa Sa in the region.

Sa Sa's core retail and wholesale business in Hong Kong and Macau registered turnover growth of 11.2% to HK\$2,131.3 million during the year, driven by increased tourism spending, as well as improved local consumption. Growth was recorded in both the average value per transaction and the total number of transactions, with increases of 7.1% and 5.0% respectively. Eight new Sa Sa stores were opened during the year, including two mega stores in Tsim Sha Tsui and Mongkok, each spanning over 8,000 sq ft. The Group's average total net retail area increased by 32.7% for the year under review. In total, as at 31 March 2006, there were 51 Sa Sa stores, one La Colline specialty store and one Elizabeth Arden counter.

As at 31 March 2006, two Sa Sa stores were opened in Shanghai. These new stores provided first hand knowledge of the local cosmetics market and helped facilitate further planning for the future development of the Mainland market in areas such as branding, product development and network expansion strategies.

Turnover for the Singapore and Malaysian markets grew by 25.2% to reach HK\$141.1 million. Same store growth increased by 11.8% in Singapore and 16.2% in Malaysia. Overall, there was an improvement in the contribution of Singapore and Malaysia to the Group's results. The growth in turnover in the two markets was due to the enhancement of the product portfolio and the improvement of exclusive product sales as a result of focused staff training. During the year, one new store was added in Singapore, making a total of 10 stores. In Malaysia, one store closed, making a total of 10 stores.

During the year under review, turnover in the Group's Taiwan business increased by 42.0% during the year to HK\$89.0 million, with same store growth reaching 10.4%. The business performance was impacted as a result of banks' tightening of credit control in Taiwan during the fourth quarter and the consequent dampening of consumer spending. Four new stores were added during the year, bringing the total number of stores to eight.

Turnover for Sasa.com amounted to HK\$52.6 million, representing an increase of 72.8% over last year. Total VIP sales increased from 17% to 24% of total sales. This demonstrated Sasa.com's success in increasing customer loyalty.

Brand Management

Sales of private-labels and exclusively distributed products increased by 18.5% and contributed 30.1% to the Group's total retail and wholesale sales for the year ended 31 March 2006. New brands secured for exclusive distributorship included major skincare brands Methode Swiss, Bergman and Organic Elements; and the fragrances of Paris Hilton, Hummer, Guess, Gas, French Connection and Lulu Guinness. Efforts were made to further broaden the product range and to enhance the product mix. On average, over 550 new products were added each month of the last fiscal year. Marketing activities were strengthened during the year under review, with an increased advertising and promotion budget to enhance brand image and increase sales.

Beauty Services

Turnover for beauty services was HK\$195.3 million, an increase of 2.0% over the previous fiscal year. Performance of beauty services was affected by a one-off adjustment in revenue recognition of exercise memberships at Phillip Wain and increased cost pressures at Sasa Beauty⁺. The year saw further integration of our beauty services with our retail business. Phillip Wain provided beauty treatments at the new flagship store in Singapore and Sasa Beauty⁺ offered treatment in the new stores in Hong Kong, where treatment rooms are now available.

Outlook

While consolidating continuous growth in our core retail base in the Hong Kong and Macau market, Sa Sa looks towards its overseas markets for medium to long term development and is in the process of laying a strategic foundation for its next stage of growth. The Group is strengthening its core functions to build a stronger base for future expansion and development, including improving the organisational structure of the Group's Hong Kong headquarters to provide stronger support for overseas operations. Increasing emphasis will be placed on product development, marketing and the securing of exclusive distribution rights for international brands to build a stronger brand portfolio for the Group in existing and prospective markets. The efficiency and effectiveness of the Group's operations, marketing and inventory management will also be improved through the adoption of SAP's R3 ERP system and the upgrading of IT infrastructure.

As rental pressures continue to affect operating margins for all retailers in Hong Kong, Sa Sa will leverage its flexibility and bargaining power in lease renewal and negotiate to match business opportunities with the costs of expansion.

Capitalising on the Group's experience and expertise in Hong Kong, Sa Sa's business model is being rapidly scaled up for application to overseas markets. These markets are making good progress in turnover growth and market share. Ongoing efforts will be devoted to strengthening product portfolio, staff training and marketing.

Sa Sa has been well-received in the PRC as a one-stop cosmetics chain store synonymous with quality and professionalism. Significant progress has been made and the Group will continue to strive for operational improvement while preparing for a wider market presence in the future. Sa Sa plans to open between five and seven more stores by March 2007, and to open more than 100 stores across the PRC by 2011.

Mr. Kwok concluded, "Looking forward, the retail market will enjoy a number of positive growth drivers. An improvement in the economy is likely to bolster consumer sentiment and the Government initiatives to foster tourism will further improve market conditions. Meanwhile, Hong Kong and Macau are set to continue their development as major tourist destinations in the pan-Asian region. However, as the rentals and operating costs remain under pressure, the Group is pragmatic yet cautiously optimistic regarding the retail environment in this fiscal year."

"The Group will continue to develop the Hong Kong and Macau market to further increase our market penetration rate. Further efforts will improve same store sales growth through the application of strategic and disciplined management coupled with an enhanced product mix to overcome the challenge of soaring operating costs. Meanwhile, with a strong platform being built to facilitate further expansion, the Group will drive a strong growth momentum in our overseas retail markets. Also, we will continue to expand the retail network in the Mainland market with focus on the development of exclusive brands. This will include setting up a dedicated team of brand management, increasing resources in marketing, enhancing our brand equity,

improving our brand portfolio and strengthening the training of front line staff. Leveraging upon Sasa's unique competitive advantages and its leading position in the industry, the management is confident in the long-term prospects for the Group to generate attractive return to investors despite a challenging business environment."

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Background:

Sa Sa is a leading cosmetic retailing and beauty services group in Asia. Its over 80 retail stores in Asia sell more than 400 brands of skincare, fragrance, make-up and hair care products including private labels and other exclusive international brands. Over 700 well-trained beauty consultants are employed to provide professional services to its customers.

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

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