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SA SA INTERNATIONAL HOLDINGS LIMITED

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

CONNECTED TRANSACTION

- The board of directors of the Company are pleased to announce that it entered into the Sale and Purchase Agreement on 31st July, 2000 whereby the Company conditionally agreed to acquire from Wain 5,000 shares in Lisbeth, representing 50% of its issued share capital and Wain's entire shareholding for a consideration of approximately HK\$79 million.
- On the same day, the Company entered into the Subscription Agreement, whereby the Company conditionally agreed to subscribe for 2,000 new shares in Lisbeth, which together with the shares acquired under the Sale and Purchase Agreement represent approximately 58.33% of its enlarged issued share capital, for a consideration of approximately HK\$31 million.
- On Completion, the First Option Agreement will be entered into between Phillips and the Company, whereby the Company has right to acquire 2,000 shares, representing 16.67% of the enlarged issued share capital of Lisbeth, from Phillips within a period of one year from Completion for a consideration of approximately HK\$31 million.
- Under the Second Option Agreement to be entered into on Completion, if the First Option Agreement is completed, the Company may acquire the remaining shares held by Phillips in Lisbeth, representing 25% of its entire issued share capital within 5 years from completion of the First Option Agreement.

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- On Completion, the Service Agreement will be entered into whereby Phillips will agree to act as managing director and chief executive officer of Lisbeth for a term of 5 years from Completion.
- Each of Phillips and Wain will sign a promissory note on Completion in the amount of approximately HK\$12,089,127 and HK\$12,014,466 respectively (which sum may be adjusted on Completion) in favour Lisbeth which loans are unsecured and interest free and repayable upon the earlier of (i) one year from Completion or (ii) date of completion of the First Option Agreement.

Lisbeth holds seven health and beauty centres operated under the name of Phillip Wain in Hong Kong, Malaysia, Singapore and Thailand.

As Phillips will be a director and substantial shareholder of Lisbeth (which will be a non-wholly owned subsidiary of the Company) therefore a connected person of the Company on Completion, the First Option Agreement, Second Option Agreement and the Loans are connected transactions pursuant to the Listing Rules.

SALE AND PURCHASE AGREEMENT

Date: 31st July, 2000

Parties: The Company as purchaser

Barry Richard Wain (“Wain”) as vendor

Shares: 5,000 shares in Lisbeth Enterprises Limited (“Lisbeth”), representing 50% of the issued share capital of Lisbeth and the entire interest of Wain in Lisbeth.

Lisbeth holds seven health and beauty centres operated under the name of Phillip Wain in Hong Kong, Malaysia, Singapore and Thailand (the “Business”).

Consideration: Approximately HK\$79 million payable in cash on Completion. The parties agreed to procure that as soon as Lisbeth has distributable reserves, Lisbeth shall declare the 2000 Profit (if any) in the form of a dividend to its then shareholders and the Company shall on receipt pay 100% of that receipt to Wain. In the event there is a shortfall, Wain shall on demand pay such sum to the Company.

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The Company has appointed its auditors, PricewaterhouseCoopers who shall review the consolidated profit and loss accounts for Lisbeth for the period from 1st January, 2000 to 31st July, 2000 (“2000 Profits”) for the purpose of determining the adjustment, if any to Wain.

Conditions:

- (i) completion of the Subscription Agreement taking place;
- (ii) there being no material breach of the representations and warranties under the agreement;
- (iii) due diligence investigation having been completed to the satisfaction of the Company; and
- (iv) all consents or approval of the relevant government authorities in Hong Kong or elsewhere or as required under the Listing Rules which are required for the entry into and implementation of the agreement having been obtained, including all filings with any relevant government authorities in Hong Kong or elsewhere and Stock Exchange which are required for entering into and implementation of the agreement having been made including approval of the transactions contemplated under the Subscription Agreement, the Sale and Purchase Agreement, the First Option Agreement, the Second Option Agreement (the “Transactions”) and the Loans by shareholders of the Company at a general meeting.

The parties shall use reasonable endeavours to procure fulfilment of the conditions by 30th September, 2000.

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SUBSCRIPTION AGREEMENT

Date: 31st July, 2000

Parties: The Company as subscriber

Lisbeth

Edwin John Phillips (“Phillips”) as warrantor

Wain as warrantor

Shares: 2,000 new shares, which together with the shares acquired under the Sale and Purchase Agreement represent approximately 58.33% of the enlarged issued share capital of Lisbeth.

Consideration: Approximately HK\$31 million payable in cash on Completion, which funds are intended to be used for general working capital purposes.

Conditions:

- (i) Wain entering into the Sale and Purchase Agreement;
- (ii) all consents or approval of the relevant government authorities in Hong Kong or elsewhere or as required under the Listing Rules which are required for the entry into and implementation of the agreement having been obtained, including all filings with any relevant government authorities in Hong Kong or elsewhere and Stock Exchange which are required for entering into an implementation of the agreement having been made including approval of the Transactions and the Loans by shareholders of the Company at a general meeting; and
- (iii) due diligence investigation to be carried out having been completed to the satisfaction of the Company.

The parties shall use reasonable endeavours to procure fulfilment of the conditions by 30th September, 2000.

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New Directors: On Completion, Simon Kwok, Eleanor Kwok and Roger King (existing directors of the Company) will be appointed as directors to the board of Lisbeth. The remaining director of Lisbeth will be Phillips.

Completion: Completion will take place on the fifth business day after satisfaction of the conditions set out in the Sale and Purchase Agreement and the Subscription Agreement.

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FIRST OPTION AGREEMENT

Parties: The Company, grantee

Phillips, grantor

Shares: 2,000 shares in Lisbeth, representing 16.67% of the enlarged issued share capital of Lisbeth.

Consideration: HK\$1.00

Exercise Price: Approximately HK\$31 million payable in cash on the exercise of the call option by the Company under the First Option Agreement.

Option Period: Exercisable by the Company one year from completion of the Subscription Agreement and Sale and Purchase Agreement.

If the option is fully exercised, this would result in the Company holding in aggregate 75% of the enlarged issued share capital of Lisbeth.

This agreement will be signed and the option thereunder will be granted by Phillips to the Company on Completion. The call option is exercisable by the Company issuing an option notice to Phillips and completion will take place not less than 14 and not more than 30 days from the date of the notice.

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SECOND OPTION AGREEMENT

Parties: Phillips, grantee
The Company, grantor

Shares: 3,000 shares representing 25% of the enlarged issued share capital of Lisbeth.

Consideration: HK\$1.00

Exercise Price: Based upon a formula determined by multiplying the number of shares in Lisbeth to be acquired as a proportion of the total issued share of Lisbeth at that time by the then latest audited consolidated net profits after taxation of Lisbeth in the relevant financial year and by an agreed price earnings ratio of 7.2.

Option Period: 5 equal instalments exercisable over a period of 5 years from completion of the First Option Agreement.

Condition: Completion of the First Option Agreement.

This agreement will be signed on Completion. The put option is exercisable by Phillips issuing an option notice to the Company and completion will take place not less than 14 and not more than 30 days from the date of the notice.

If the option granted under Second Option Agreement is fully exercised, this would result in the Company acquiring Phillips' remaining shareholding in Lisbeth.

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SERVICE AGREEMENT AND EXPERTISE

Since Phillip Wain commenced business in Hong Kong 24 years ago, Wain has remained a passive investor and the business has been operated and managed by Phillips.

On Completion, Lisbeth will enter into a service agreement with Phillips whereby Phillips will agree to serve as managing director and chief executive officer of Lisbeth for a term of 5 years with effect from completion of the Subscription Agreement and Sale and Purchase Agreement (“Completion”) and Phillips will continue to operate and manage Phillip Wain during such period.

LOANS

Each of Phillips and Wain will sign a promissory note on Completion in the amount of approximately HK\$12,089,127 and HK\$12,014,466 respectively (which sum may be adjusted on Completion) (the “Loans”) in favour Lisbeth which are unsecured and interest free and repayable upon the earlier of (i) one year from Completion or (ii) date of completion of the First Option Agreement. Such loans are historical loans from Lisbeth to Phillips and Wain as shareholders and are used for other investments of Phillips and Wain. The terms of such loans were negotiated as part and parcel of the terms of the Transactions which the directors consider to be fair and reasonable so far as the Company is concerned.

REASONS AND BENEFITS

The consideration payable by the Company under the Sale and Purchase Agreement, Subscription Agreement and First Option Agreement has been agreed after negotiations and on an arm's length basis determined by an agreed price earnings ratio of 7.2 and the agreed value of Lisbeth of approximately HK\$22 million as described below. The consideration payable under the Second Option Agreement will be determined by the then latest consolidated profit after tax of Lisbeth multiplied by the agreed price earnings ratio of 7.2.

The audited net asset value of Lisbeth for the financial year ended 31st December, 1999 is approximately HK\$4,200,000.

The audited consolidated loss before and after tax and extraordinary items of Lisbeth for the financial year ended 31st December, 1998 is approximately HK\$1,000,000 and HK\$2,200,000 respectively.

The audited consolidated profit before and after tax and extraordinary items of Lisbeth for the financial year ended 31st December, 1999 is approximately HK\$6,100,000 and HK\$3,200,000 respectively.

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The agreed value of Lisbeth of approximately HK\$22 million for the purpose of calculating the consideration payable under the Transactions as set out above was determined based on the audited consolidated profit after tax of Lisbeth for the financial year ended 31st December, 1999 of approximately HK\$3,200,000, as adjusted after taking into account the elimination of expenses considered by the Company not to be attributable or directly related to the Business to be acquired, the revaluation surplus of fixed assets (including leasehold improvements and machinery) and reduced depreciation charges due to a re-estimation of remaining useful life of the fixed assets, notional interest income relating to the Loans and non recurring directors' compensation, the benefits of the synergy as a result of the co-operation of the two entities and after commercial negotiations.

The Company has appointed PricewaterhouseCoopers to conduct financial due diligence on Lisbeth, being one of the conditions to be satisfied prior to Completion and to review the proposed elimination of expenses as referred to above.

Based on the latest audited accounts of the Company for the financial year 31st March, 2000, the Company has cash resources of approximately HK\$774 million. The Company will satisfy the consideration payable under the Transactions by internal resources.

The board of directors are of the view that this is a valuable investment opportunity and a chance to diversify into the health and beauty industry which can be operated to provide synergy to the Company's existing retail cosmetics and beauty products business.

CONNECTED TRANSACTIONS

As Phillips is a director and substantial shareholder of Lisbeth (which will become a non-wholly owned subsidiary of the Company) therefore a connected person of the Company on Completion, the First Option Agreement, the Second Option Agreement and the Loans constitute connected transactions for the Company under the Listing Rules. A circular containing details of the Transactions, together with an opinion from an independent financial adviser and notice convening a shareholders' general meeting to approve the Transactions, will be sent to shareholders as soon as practicable. No shareholder is required to abstain for voting at the shareholders meeting.

Phillips will not be appointed to the board of the Company as a result of the Transactions.

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GENERAL

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the retailing and wholesaling of a wide range of brand name cosmetic products.

Phillip Wain operates in countries outside of South East Asia under different entities. The Company is only acquiring part of the business of Phillip Wain operated in South East Asia held under Lisbeth.

SHAREHOLDING INTEREST IN LISBETH

	Before Completion		After completion		After Completion of First Option Agreement		After completion of Second Option Agreement <i>(Note 1)</i>	
	No. of	Percentage	No. of	Percentage	No. of	Percentage	No. of	Percentage
	shares		shares		shares		shares	
Wain	5,000	50%	0	0%	0	0%	0	0%
Phillips	5,000	50%	5,000	41.67%	3,000	25%	0	0%
The Company	0	0%	7,000	58.33%	9,000	75%	12,000	100%

Note 1:-- Assume exercise in full of options under the Second Option Agreement.

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TRADING

The Company applied for suspension of trading of its shares with effect from 10:00 a.m. on 1st August, 2000 pending the publication of this announcement. Application will be made for resumption of trading of its shares with effect from 10:00 a.m. on 2nd August, 2000.

By Order of the Board
Sa Sa International Holdings Limited
Simon Kwok Siu Ming
Chairman

Hong Kong, 1st August, 2000