SA SA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2002

The Board of Directors of Sa Sa International Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2002 as follows:

	Note	**2002** *HK$'000*	Restated 2001 *HK$'000*
Turnover	*2*	**1,537,411**	1,439,369
Cost of goods sold		**(875,385)**	(804,788)
Gross profit		**662,026**	634,581
Other revenues	*2*	**28,132**	44,150
Staff costs		**(282,928)**	(263,430)
Depreciation and amortisation		**(59,193)**	(49,893)
Other operating expenses		**(308,568)**	(266,870)
Operating profit		**39,469**	98,538
Finance costs	*3*	**(289)**	(266)
Restructuring costs and provisions for debts of several subsidiaries	*4*	**(64,877)**	–
Store closure costs	*5*	**(10,665)**	(13,253)
Impairment of fixed assets of an e-commerce business – sasa.com		**(8,915)**	–
Deficit on revaluation of leasehold land and buildings		**(18,919)**	–
Impairment of goodwill	*1(c)*	**–**	(159,429)
Loss before taxation		**(64,196)**	(74,410)
Taxation	*6*	**(9,652)**	(7,746)
Loss after taxation		**(73,848)**	(82,156)
Minority interests		**2,673**	(2,095)
Loss attributable to shareholders		**(71,175)**	(84,251)
Dividends	*7*	**64,128**	66,632
Loss per share – Basic	*8*	**(5.3 cents)**	(6.2 cents)

Notes

1. Principal accounting policies

The accounts have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA").

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The changes in the Group's accounting policies and the major effects of adopting these new policies are set out below:

(a) SSAP 9

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

This change has resulted in an increase in opening retained earnings at 1st April 2001 by HK$53,535,000 (1st April 2000: HK$54,210,000) which is the reversal of the provision for 2001 (2000) proposed final dividend previously recorded as a liability as at 31st March 2001 (31st March 2000) although not declared until after the balance sheet date.

(b) SSAP 26

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

(c) SSAP 30 and 31

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is generally amortised over its estimated useful life to a maximum period of 20 years.

Goodwill on acquisitions that occurred prior to 1st April 2001 was written off against reserves by the Group. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated.

SSAP 31 prescribes procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amount of the assets is to be determined. Any resulting impairment losses identified are charged to the profit and loss account.

In accordance with the provisions of Interpretation 13, assessments of impairment of goodwill also apply to goodwill previously eliminated against reserves which will not be restated at the time of adoption of SSAP 30. Any impairment loss identified in respect of goodwill previously eliminated against reserves is to be recognised as an expense in the profit and loss account. The adoption of SSAP 30 and the provisions of Interpretation 13 are required to be reflected in accordance with the requirements of SSAP 2.

The Group has performed an assessment of the fair value of goodwill that had previously been charged to the reserves. As a result, the Group has retrospectively restated and decreased its previously reported net profit for the year ended 31st March 2001 by approximately HK$159,429,000.

2. Revenues, turnover and segment information

The Group is principally engaged in the retailing and wholesaling of a wide range of brand name cosmetic products and the provision of beauty and health club services. Revenues recognised during the year are as follow:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Turnover		
Retail and wholesale	**1,385,845**	1,351,213
Beauty and health club services	**151,566**	88,156
	1,537,411	1,439,369
Other revenues		
Interest income	**20,394**	38,161
Slide display rental income	**6,934**	5,261
Sundry income	**804**	728
	28,132	44,150
	1,565,543	1,483,519

(a) Primary reporting format – business segments

	Retail and wholesale	Beauty and health club services	2002 Total
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**1,385,845**	**151,566**	**1,537,411**
Results			
Segment results	**29,889**	**(10,814)**	**19,075**
Interest income	**16,829**	**3,565**	**20,394**
Interest expenses	**(157)**	**(132)**	**(289)**
Restructuring costs and provisions for debts of several subsidiaries	**–**	**(64,877)**	**(64,877)**
Store closure costs	**(10,665)**	**–**	**(10,665)**
Impairment of fixed assets of an e-commerce business – sasa.com	**(8,915)**	**–**	**(8,915)**
Deficit on revaluation of leasehold land and buildings	**(18,919)**	**–**	**(18,919)**
Profit/(loss) before taxation	**8,062**	**(72,258)**	**(64,196)**
Taxation			**(9,652)**
Loss after taxation			**(73,848)**
Minority interests			**2,673**
Loss attributable to shareholders			**(71,175)**

	Retail and wholesale	Beauty and health club services	2001 Total
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,351,213	88,156	1,439,369
Results			
Segment results	57,089	3,288	60,377
Interest income	37,220	941	38,161
Interest expenses	(41)	(225)	(266)
Store closure costs	(13,253)	–	(13,253)
Impairment of goodwill	–	(159,429)	(159,429)
Profit/(loss) before taxation	81,015	(155,425)	(74,410)
Taxation			(7,746)
Loss after taxation			(82,156)
Minority interests			(2,095)
Loss attributable to shareholders			(84,251)

(b) Secondary reporting format – geographical segments

The Group operates in Greater China, Taiwan and South Asia. Greater China comprises Hong Kong, Macau and Mainland China. South Asia comprises Thailand, Malaysia and Singapore.

	Greater China *HK$'000*	**Taiwan** *HK$'000*	**South Asia** *HK$'000*	**2002 Total** *HK$'000*
Turnover	**1,291,655**	**104,088**	**141,668**	**1,537,411**
Results				
Segment results	**36,064**	**(12,606)**	**(4,383)**	**19,075**
Interest income	**18,841**	**186**	**1,367**	**20,394**
Interest expenses	**(261)**	**–**	**(28)**	**(289)**
Restructuring costs and provisions for debts of several subsidiaries	**(64,429)**	**–**	**(448)**	**(64,877)**
Store closure costs	**–**	**(10,665)**	**–**	**(10,665)**
Impairment of fixed assets of an e-commerce business – sasa.com	**(8,915)**	**–**	**–**	**(8,915)**
Deficit on revaluation of leasehold land and buildings	**(18,919)**	**–**	**–**	**(18,919)**
Loss before taxation	**(37,619)**	**(23,085)**	**(3,492)**	**(64,196)**

	Greater China *HK$'000*	Taiwan *HK$'000*	South Asia *HK$'000*	2001 Total *HK$'000*
Turnover	1,167,412	146,408	125,549	1,439,369
Results				
Segment results	71,724	(16,449)	5,102	60,377
Interest income	36,477	337	1,347	38,161
Interest expenses	(181)	–	(85)	(266)
Store closure costs	–	(13,253)	–	(13,253)
Impairment of goodwill	(68,327)	–	(91,102)	(159,429)
Profit/(loss) before taxation	39,693	(29,365)	(84,738)	(74,410)

3. Finance costs

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank overdrafts	**112**	80
Interest on bank loans not wholly repayable within five years	**157**	–
Interest on finance leases	**20**	186
	289	266

4. Restructuring costs and provisions for debts of several subsidiaries

Restructuring costs and provisions for debts are incurred in connection with the restructuring of the beauty and health club operations of Lisbeth Enterprises Limited and its subsidiaries and the outstanding amounts that might not be recoverable from the relevant parties respectively.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Restructuring costs		
Write-off of fixed assets	**3,109**	–
Severence payments and others	**2,771**	–
Provisions for debts		
Provision for amounts due from ex-directors of subsidiaries and their related company	**26,816**	–
Provision for receivables from minority shareholders of subsidiaries	**32,181**	–
	64,877	–

5. Store closure costs

Store closure costs represent expenses incurred in connection with the closure of several stores in Taiwan. Details are as follow:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Write-off of fixed assets	**1,249**	4,719
Write-off of trademarks	**1,220**	–
Provision for slow moving inventories	**4,021**	2,258
Costs in relation to early termination of leases and other contracts	**2,949**	4,092
Redundancy costs and others	**1,226**	2,184
	10,665	13,253

6. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**8,660**	7,181
Over provision in previous years	**–**	(3,949)
Overseas taxation		
Current	**3,338**	6,163
(Over)/under provision in previous years	**(698)**	1,641
Deferred taxation	**(1,648)**	(3,290)
	9,652	7,746

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Taxation on overseas profits have been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

7. Dividends

	Company	
	2002	2001
	HK$'000	*HK$'000*
Interim, paid – 1.0 HK cents (2001: 1.0 HK cents) per ordinary share	**13,234**	13,097
Final, proposed – 4.0 HK cents (2001: 4.0 HK cents) per ordinary share	**50,894**	53,535
	64,128	66,632

8. Loss per share – Basic

(a) The calculation of basic loss per ordinary share is based on the Group's loss attributable to shareholders of HK$71,175,000 (2001: HK$84,251,000 (restated)).

(b) The basic loss per ordinary share is based on the weighted average of 1,330,793,393 (2001: 1,348,769,893) ordinary shares in issue during the year.

(c) No diluted loss per share has been presented as there is no potential dilutive ordinary share during the year.

9. Reserves – Group

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1st April 2000 as previously reported	756,804	1,572	(19,974)	193,870	932,272
Effect of adopting SSAP 9 (revised)	–	–	–	54,210	54,210
At 1st April 2000 as restated	756,804	1,572	(19,974)	248,080	986,482
Exercise of share options	888	–	–	–	888
Repurchase of own shares	(21,032)	2,385	–	(2,385)	(21,032)
Goodwill eliminated	–	–	–	(159,429)	(159,429)
Write-off of goodwill impaired during the year *(note 1(c))*	–	–	–	159,429	159,429
Exchange differences	–	–	(3,374)	–	(3,374)
Loss for the year as restated	–	–	–	(84,251)	(84,251)
1999/2000 Final dividend paid	–	–	–	(53,885)	(53,885)
2000/2001 Interim dividend paid	–	–	–	(13,422)	(13,422)
At 31st March 2001	736,660	3,957	(23,348)	94,137	811,406
Representing:–					
Reserves					757,871
Proposed dividend					53,535
At 31st March 2001					811,406

	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1st April 2001 as previously reported	**736,660**	**3,957**	**(23,348)**	**40,602**	**757,871**
Effect of adopting SSAP 9 (revised)	**–**	**–**	**–**	**53,535**	**53,535**
At 1st April 2001 as restated	**736,660**	**3,957**	**(23,348)**	**94,137**	**811,406**
Exercise of share options	**1,775**	**–**	**–**	**–**	**1,775**
Repurchase of own shares	**(13,075)**	**2,544**	**–**	**(2,544)**	**(13,075)**
Exchange differences	**–**	**–**	**(1,815)**	**–**	**(1,815)**
Loss for the year	**–**	**–**	**–**	**(71,175)**	**(71,175)**
2000/2001 Final dividend paid	**–**	**–**	**–**	**(53,537)**	**(53,537)**
2001/2002 Interim dividend paid	**–**	**–**	**–**	**(13,234)**	**(13,234)**
At 31st March 2002	**725,360**	**6,501**	**(25,163)**	**(46,353)**	**660,345**
Representing:–					
Reserves					609,451
Proposed dividend					50,894
At 31st March 2002					660,345

OPERATIONS REVIEW

For the year ended 31st March 2002, the Group's consolidated turnover amounted to HK$1,537.4 million, *representing an increase of 6.8%* from HK$1,439.4 million in the previous year. This growth was achieved through the continued development of the Group's retail business in Hong Kong, as well as the acquisition of new businesses.

The Group's pre-tax profit for the year, excluding non-recurring special items, was HK$39.2 million. This represents a reduction against last year, mainly due to the substantial decrease in interest income following substantial cuts in bank deposit interest rates, and a drop in the Group's gross profit margin as a result of strategic clearance sales to improve the inventory management and future profitability of our retail operations.

The Group has placed *particular emphasis on inventory management*. As of 31st March 2002, the Group had successfully reduced the inventory turnover days of its retail business to 89 days, from 142 days in the previous year, and cut stock levels by 31.6 % from HK$316.7 million to HK$216.6 million. This improvement lowers stockholding costs, reduces demand for working capital, and enhances the efficiency of inventory management, supply chain management and overall operations. As at 31st March 2002, net cash and bank balances increased to HK$652.6 million.

Highlights of the Group's achievements for the year ended 31st March 2002, are:

- Group turnover increased by 6.8% to HK$1,537.4 million

- The retail business in Hong Kong achieved a year-on-year increase of 7.1% in the second half of the year, putting this market's turnover growth at 4.2% in the fiscal year.

- Gross profit increased by 4.3% to HK$662.0 million.

- The Group's net cash and bank balances increased to HK$652.6 million as at 31st March 2002, up from HK$593.1 million the previous year.

- Total inventory was reduced by 31.6% from HK$316.7 million to HK$216.6 million and inventory turnover was reduced from 142 days to 89 days.

- The Group's subsidiary in the PRC market, Sa Sa Ebeca, was acquired in July 2001, bringing the Group a total of 162 sales counters and eight beauty salons as of March 2002.

- The Korean-language site of Sasa.com was launched in July 2001 successfully, leading to a substantial increase in its annualized sales.

For the year ended 31st March 2002, the Group's results were affected by a number of non-recurring special items, totalling HK$103.4 million. These included, firstly, provisions and restructuring costs relating to our newly acquired businesses. Secondly, the Group's leasehold land and building experienced a revaluation deficit. Thirdly, the Group took the conservative stance of making provision for impairment of the fixed assets of Sasa.com. Lastly, the Group incurred shop closure costs in Taiwan, which came as a strategic response to that market's adverse retailing environment.

We are pleased to report that *the core business of the Group – namely, cosmetics retailing – remains strong and profitable, despite the fiscal year's one-off costs and provisions*.

PRIVATE LABELS AND EXCLUSIVELY DISTRIBUTED PRODUCTS

The Group's sales of private–label products and exclusively distributed products contributed 26.4% of the Group's total retail sales. The sales of these products in Hong Kong and Macau achieved a growth of 8.3% during the year under review. Our La Colline specialty stores successfully grew alongside our existing retail network, contributing to an increase of over 20% in the overall sales of La Colline products. Our success in boosting both the image and sales of La Colline *clearly demonstrates the Group's brand-management capabilities* and now empowers the Group to develop further in this direction.

During the year, the Group added a number of new brands, including Christian Breton, Pikenz the First, and the fragrances of Benetton and Sergio Tacchini, to its portfolio of exclusively distributed products. The Group believes that continuous development of private labels and expansion of its exclusive-brand portfolio provide a strong base for future development and higher gross profit margins.

The Group extended the distribution channels for its exclusive products by offering them through the Phillip Wain network, further enhancing the visibility and profile of these products.

Following the successful launch of the Yuerong Beauty Preserver in March 2001, the Group has now expanded its health food offerings. We will continue to expand in this market and will consider selling health food products and supplements via the Phillip Wain network and the Group's upcoming beauty salons.

RETAIL BUSINESS

In the fiscal year 2002, the Group's retail turnover reached HK$1,344.2 million, a similar level to the previous year's HK$1,348.3 million. The 4.2% growth of Hong Kong and Macau, the Group's largest market, was to a certain extent offset by a substantial drop in the Taiwan market due to further shop closures. Although the retail environment around the region remains challenging, operating profit for the retail business, before non-recurring items, reached HK$63.6 million.

Our focused efforts on clearance sales and improved inventory management reduced total stock levels of retail business by HK$108.4 million. These measures lowered the gross profit margin of the Group's retail sales by more than 2% during the year. *However, the reduction in inventory levels will strengthen our stock management and improve our operational efficiency, which will enhance our future financial performance.*

During the year, the Group pursued a stringent cost-reduction programme to enhance the cost-efficiency of its operations. Measures included reductions in both labour force and compensation packages, which resulted in a decrease of 148 staff. These measures will contribute to an annualized cost saving of about HK$10 million. Together with other cost-reduction efforts, the Group was able to decrease overall expenses for its retail business by 4.8%.

Hong Kong and Macau

Turnover for the year in Hong Kong and Macau increased by 4.2% to HK$1,157.3 million. *Notably, the Group achieved turnover for the second half of the fiscal year of 16.5% above that of the first half of the year, and 7.1% up on the corresponding period of the previous year*. The Group boosted sales through increased sales drives, opened new stores in prime locations and conducted successful clearance sales. The Group also benefited from increased PRC tourist arrivals since January 2002, following the relaxation of visa quotas for mainland tourists. Set against the backdrop of a sluggish retailing environment, such growth demonstrates the strength of Sa Sa's position in the market.

Three new Sa Sa stores were opened during the year, bringing the total number of outlets in Hong Kong and Macau to 35.

Taiwan

Poor consumer sentiment, largely attributable to a weak economy, has made Taiwan a challenging market for retailers. In the year ending 31st March 2002, the Group closed five underperforming stores, out of a total of eight, resulting in closure costs of HK$10.7million. The Group remains confident of this market's long-term growth potential, and will continue to monitor the market situation.

Singapore and Malaysia

Turnover in Singapore and Malaysia decreased as a result of the generally dampened economy but the consolidated results of these markets remain positive. At the end of March 2002, the total number of stores in Singapore and Malaysia was maintained at nine and seven, respectively. The Group remains committed to expanding its share of these two markets when their economies start to pick up.

E-TAILING–SASA.COM

Following the launch of our Korean-language site in July 2001, annualized sales of sasa.com substantially increased. Turnover for the year amounted to approximately HK$10 million. During the year, the logistics and product mix were further enhanced to achieve a higher gross profit margin. With continuing effort, we intend to further increase the gross profit margin and, in combination with stringent cost controls, the Group aims to lower sasa.com's break-even point.

With Hong Kong, Korean and international versions of our Web site, overseas orders currently constitute over 90% of our total online sales. *This multilingual, 24-hour sales platform is doing much to increase Sa Sa's public profile and international market penetration, allowing us to test out markets and establish brand names even in markets where we do not yet have a presence.* It also strengthens our communication with customers, investors, shareholders as well as existing and prospective business partners, through the provision of comprehensive information on products and promotions, and it showcases corporate developments.

SA SA EBECA

As the Group's first step into the vast PRC market, the Group acquired Shenzhen Sa Sa Ebeca Enterprise Limited on 1st July 2001 at a consideration of approximately HK$28.4 million for its 55% stake. The remaining 45% stake is held by Shenzhen Ebeca Enterprise Company Limited. In the nine months to March 2002, this new subsidiary contributed HK$31.3 million to the Group's turnover.

During the year under review, Sa Sa Ebeca provided invaluable information and expertise that will help spearhead the Group's expansion into the PRC. It also assisted the Group in obtaining product approval for its exclusive products.

For the period from July 2001 to March 2002, Sa Sa Ebeca opened five new beauty salons, in Chengdu, Shanghai, Shenzhen and Dalian, bringing the total number of its beauty salons to eight. At the close of the fiscal year, Sa Sa Ebeca was operating 162 retail counters in over 40 cities across the PRC. Forty-nine of these counters were directly managed and 113 franchised. We will continue to review its business operations and retail network, as well as to strengthen its management and business base, in order to enhance its performance and to facilitate Sa Sa's future development in mainland China.

BEAUTY SERVICES

Phillip Wain

Phillip Wain's turnover for the year ended 31st March 2002 was HK$151.9 million. This was lower than expected, despite the opening of two new clubs during the fiscal year – one in Malaysia in August 2001, and one in Singapore in September 2001– taking the total number of clubs to nine. The unexpected events of 11th September 2001 led to a marked downturn in the economies of these two markets, resulting in a reduced demand for premium-brand health and beauty services. In addition, expenses related to the opening of the two new clubs increased our financial burden.

The Group has taken steps to improve the situation at Phillip Wain, including a change of top management, reorganisation and de-layering of middle management, improved management and staff accountability and strengthened internal communication. The Group is in the process of upgrading and enforcing new policies, procedures and systems, as well as considering other strategies and measures to improve Phillip Wain's performance and service to its customers. By understanding the business more fully, we aim to gain more control over future operations.

The Group is pleased with progress relating to the litigation between Sa Sa International and Mr. Edwin J. Phillips. The Group's management believes that the litigation will have no material impact on the Phillip Wain operation or the Group's future performance.

EMPLOYEES

As at 31st March 2002, the Group had a total of 1,845 employees. The staff costs for the year was HK$282.9 million. To ensure that the Group is able to attract and retain talented staff, remuneration packages are reviewed on a regular basis and share options, as part of basic remuneration packages, have also been offered to key employees. Staff development initiatives were implemented through in-house training programmes and the provision of financial subsidies for external training courses.

OUTLOOK

In the first few months of fiscal year 2003, the Group's retail sales in Hong Kong and Macau, which represent three-quarters of the Group's total turnover, achieved a *satisfactory growth despite a poor economic environment*. Looking forward, the Group is cautiously optimistic that this momentum will be sustained and will further benefit from the influx of PRC tourists arising from the relaxation of the PRC visitor quotas in Hong Kong in 2002. We will continue to adjust our merchandise selection to more effectively serve these tourists' needs.

Although immediate economic prospects around the region remain uncertain, the Group is confident of continued growth in the long term and is thus committed to regional expansion. We will actively pursue opportunities as they arise to develop new and existing markets. Sa Sa's relatively small overseas base provides significant growth opportunities.

Exclusive Distributorship and Private Labels

The Group is committed to becoming the exclusive distributor for an increasing portfolio of top international cosmetic brands, and to further expanding our business in exclusive distributorship and private labels. We aim to increase the share of this business to 30% of the Group's total retail turnover. This will strengthen our competitive position, increase our market share and enhance our profit margin . We will continue to grow the sales of our exclusive products by leveraging the full strength of our retail network distribution channels, including Phillip Wain and Sa Sa's new beauty centres as additional channels for retail sales.

Beauty Services

We see growth potential in beauty services and are committed to developing this area by extending our existing service range to different market segments. In addition to the premium ladies' beauty and health clubs of Phillip Wain, the Group opened its first Sa Sa Beauty + beauty and slimming centre end of June 2002, covering over 5,000 sq. ft. in the bustling Causeway Bay district of Hong Kong. Designed to extend the range of our services to Sa Sa's solid base of loyal customers and to become their one-stop-shop for cosmetics, beauty and slimming services, Sa Sa Beauty+ offers advanced beauty treatment services with an emphasis on quality and value for money. Sa Sa's loyal customers, including over 100,000 VIP members, have an increasing need for beauty treatment services. To cater for such needs, Sa Sa plans to open more Sa Sa Beauty+ centres in key strategic locations where Sa Sa stores are established.

Growth in Mainland China

The Group's application for product approval in the mainland market is making good progress via Sa Sa Ebeca. Three exclusive-brand fragrances, including Blumarine and Montana, have already been approved and will be launched on Sa Sa Ebeca's nationwide retail network in the near future.

With the PRC's accession to the World Trade Organisation, the retail market in China is growing in vitality. Sa Sa already enjoys strong brand recognition in Mainland China and is highly regarded as a trustworthy cosmetics retailer by consumers. Moreover, Sa Sa's one-stop-shop concept of providing a wide range of products and quality service is unique in the Mainland, where large-scale cosmetic chains are unknown and there is a strong demand for overseas cosmetic brands. *For these reasons, we firmly believe that Sa Sa is well positioned to make strong inroads into this emerging market, which offers vast potential for significant growth*. In the coming years, we remain committed to focusing on PRC expansion and plan to set up dedicated Sa Sa stores in China in the near future.

Future Growth

Overall, by leveraging our competitive strengths, we are building a solid foundation for future growth. Those strengths include established brand awareness and reputation, a strong and loyal customer base (including PRC tourists), a widespread sales network and market presence in the region, extensive sourcing ability with strong bargaining power, and our proven experience in the cosmetics business.

At the same time, the Group continues to exercise vigilant cost controls, striving to improve operational efficiency and profit margins. In the year ahead, we will make concerted efforts to further enhance the performance of the Group's newly acquired businesses. There is no doubt that our core business, cosmetic retailing, remains strong and provides a solid foundation for the Group's future growth.

FINANCIAL REVIEW

Capital Resources and Liquidity

The Group's total shareholders' funds were HK$792.2 million, of which reserves were HK$660.3 million at the year end. As at 31st March 2002, the Group continued to maintain a strong financial position with net cash and bank balances at HK$652.6 million. The Group's working capital was HK$740.5 million. With solid recurring cash flow from operations and existing cash and bank facilities, the Group has adequate financial resources to fund its future investment and expansion.

Most of the cash and bank balances were deposited in the leading banks of Hong Kong and their returns was affected by the substantial drop of bank deposit interest rates during the year.

Financial Position

Total funds employed (including shareholders' funds, bank loans and overdrafts, and obligations under finance leases) for the year ended 31st March 2002 was HK$803.0 million, which represented a 12.3% decrease over the figure of HK$915.3 million for the year ended 31st March 2001.

The decreased in inventories from HK$316.7 million last year to HK$216.6 million as at 31st March 2002 enhanced the working capital of the Group.

The gearing ratio, defined as the ratio of total loans less cash balances to total assets, was nil as at 31st March 2002 and 2001.

Treasury Policies

The Group continued to adopt a conservative approach in financial risk management. The majority of the Group borrowings were in Hong Kong dollar and were arranged on a floating rate basis. The Group does not have significant exposure to foreign exchange fluctuations as most of its assets, receipts and payments are in Hong Kong or U.S. dollars. The Group will, however, monitor its foreign exchange position and, when appropriate, the Group will hedge its foreign exchange explosure by way of forward foreign exchange contracts.

The Group's treasury management policy is not to engage in any highly leveraged or speculative derivative products.

Charge on Group Assets

The assets of certain Group subsidiaries, including fixed assets with a net book value of HK$13.0 million, have been pledged to secure general banking facilities amounting to HK$3.6 million, of which HK$2.6 million has currently been utilized. As at 31st March 2002, a property of a subsidiary with a net book value of HK$3.0 million had been pledged against an installment loan.

CONTINGENT LIABILITIES

The Group's contingent liabilities as at 31st March 2002 were HK$28.1 million, comprising letters of credit and bank guarantees issued in lieu of deposits.

FINAL DIVIDEND

The Board of Directors has recommended a final dividend for the year ended 31st March 2002 of 4.0 HK cents per ordinary share (2001: 4.0 HK cents) to be payable to shareholders whose names appear on the Register of Members on 29th August 2002.

The final dividend will be paid around 4th September 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26th August 2002 to 29th August 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the aforementioned final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Abacus Share Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong not later than 4:00 p.m. on 23rd August 2002.

ISSUE OF SHARES

During the year, the Company issued and allotted a total of 3,333,328 shares of HK$0.10 each of the Company to an ex-director being the remuneration shares issued pursuant to his service agreement approved at the extraordinary general meeting on 14th September 1999. The issue of shares to the director constituted a connected transaction for the purposes of Chapter 14 of the Listing Rules and was approved by shareholders of the Company at the extraordinary general meeting on 14th September 1999.

REPURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company has repurchased at HK$15,618,863 for a total of its 25,444,000 fully paid up shares on the Stock Exchange of Hong Kong Limited, all of which had been duly cancelled, as follows:–

Month of Repurchase	No. of shares repurchased	Total consideration	Purchase price per share: Highest	Purchase price per share: Lowest
		HK$	*HK$*	*HK$*
April 2001	3,340,000	2,601,894	0.78	0.76
September 2001	9,554,000	5,497,428	0.60	0.54
October 2001	4,260,000	2,973,409	0.71	0.67
December 2001	1,678,000	901,123	0.56	0.53
January 2002	4,070,000	2,161,865	0.54	0.51
February 2002	1,686,000	974,646	0.58	0.56
March 2002	856,000	508,498	0.60	0.58
	25,444,000	15,618,863		

Subsequent to the year end and up to the date of this report, the Company repurchased at HK$36,213,232 for a total of 47,138,000 fully paid up shares on the Stock Exchange of Hong Kong Limited, all of which had been duly cancelled, as follows:–

Month of Repurchase	**No. of shares repurchased**	**Total consideration** *HK$*	**Purchase price per share Highest** *HK$*	**Purchase price per share Lowest** *HK$*
April 2002	10,888,000	8,366,239	0.80	0.66
May 2002	11,550,000	8,904,789	0.79	0.72
June 2002	24,700,000	18,942,204	0.78	0.75
	47,138,000	36,213,232		

The directors consider the share purchases will lead to an enhancement of the Group's future earnings per share.

On 8th February 2002, the Stock Exchange of Hong Kong Limited has granted a waiver pursuant to Rule 10.06(2)(g) of Listing Rules in respect of the 25 percent monthly share repurchases restriction set out in Rule 10.06(2)(a) of the Listing Rules. The waiver is effective for a period of six months from 8th February 2002 to 8th August 2002.

Apart from the above, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities during the year.

AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an Audit Committee comprising three independent non-executive directors and has adopted the terms of reference governing the authority and duties of the Audit Committee.

The present members of the Audit Committee are Professor Chan Yuk Shee, Mr. Cheng Ming Fun, Paul and Dr. Leung Kwok Fai, Thomas.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the year, except that two of the independent non-executive directors are not appointed for a specific term as recommended under paragraph 7 of Appendix 14 of the Listing Rules but are subject to retirement by rotation at the Annual General Meeting in accordance with the Articles of Association of the Company.

PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing all information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules of the Stock Exchange will be published on the website of the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Kwok Siu Ming, Simon
Chairman

Hong Kong, 19th July 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Sa Sa International Holdings Limited (the "Company") will be held at Level 7, Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 29th August 2002 at 11:00 a.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31st March 2002.

2. To consider and declare a final dividend for the year ended 31st March 2002.

3. To re-elect the retiring directors and to authorise the board of directors to fix their remuneration.

4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.

5. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:–

   "**THAT**:–

   conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the share option scheme of the Company (the "Share Option Scheme"), a copy of which has been produced to this meeting marked "A" and signed by the chairman of the meeting for the purpose of identification, and the grant of options (the "Options") thereunder, and the listing of and permission to deal in the shares of the Company to be issued pursuant to the exercise of any Options granted thereunder:–

   (i) the existing share option scheme of the Company adopted on 22nd May 1997 (the "Existing Scheme") be and is hereby terminated and that all outstanding options granted pursuant to the Existing Scheme shall continue to be valid and exercisable in accordance with the rules of the Existing Scheme, subject to the provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; and

   (ii) the Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised, at their absolute discretion, to grant Options and to allot and issue shares of the Company."

6. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:–

   "**THAT**:–

   (A) subject to paragraph 6(C) below, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(B) the Directors be and are hereby authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;

(C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph 6(A) and (B), otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution; and

(D) for the purposes of this resolution:–

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

7. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:–

"**THAT**:–

(A) subject to paragraph 7(C) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to purchase such securities are subject to and in accordance with all applicable laws, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph 7(A) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;

(C) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph 7 (A) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution; and

(D) for the purposes of this resolution:–

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

8. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:–

"**THAT** conditional upon the passing of the ordinary resolutions numbered 6 and 7 in the notice convening this meeting, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered 7 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the resolution numbered 6 set out in that notice of meeting."

By Order of the Board
Tse Ping Shing
Company Secretary

Hong Kong, 19th July 2002

Notes:

1. The register of members of the Company will be closed from 26th August 2002 to 29th August 2002, both days inclusive, during which period no transfer of Shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share and transfer office, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong for registration not later than 4:00 p.m. on 23rd August 2002.

2. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting.

3. The instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority shall be delivered at the Company's branch share and transfer office, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than forty-eight hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid provided always that the chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

"Please also refer to the published version of this announcement in The Standard".