



SA SA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2003

The Board of Directors of Sa Sa International Holdings Limited (the “Company”) have pleasure in presenting the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2003 as follows:

| | <i>Note</i> | 2003 HK\$'000 | 2002 HK\$'000 |
|--|-------------|--------------------------------|------------------|
| Turnover | 2 | 1,641,385 | 1,537,411 |
| Cost of goods sold | | <u>(912,110)</u> | <u>(875,385)</u> |
| Gross profit | | 729,275 | 662,026 |
| Other revenues | 2 | 24,620 | 28,132 |
| Staff costs | | (292,902) | (282,928) |
| Depreciation and amortisation | | (44,468) | (59,193) |
| Other operating expenses | | <u>(307,890)</u> | <u>(308,568)</u> |
| Operating profit | | 108,635 | 39,469 |
| Finance costs | 3 | (237) | (289) |
| Loss on disposal of subsidiaries | 4 | (11,800) | – |
| Restructuring costs and provisions for debts of several subsidiaries | | – | (64,877) |
| Store closure costs | | – | (10,665) |
| Impairment of fixed assets of an e-commerce business – sasa.com | | – | (8,915) |
| Deficit on revaluation of an investment property, leasehold land and buildings | | (123) | (18,919) |
| Impairment of goodwill | | <u>(3,688)</u> | <u>–</u> |

| | | | |
|--|---|-------------------------|--------------------|
| Profit/(loss) before taxation | | 92,787 | (64,196) |
| Taxation | 5 | <u>(36,237)</u> | <u>(9,652)</u> |
| Profit/(loss) after taxation | | 56,550 | (73,848) |
| Minority interests | | <u>8,913</u> | <u>2,673</u> |
| Profit/(loss) attributable to shareholders | | <u>65,463</u> | <u>(71,175)</u> |
| Dividends | 6 | <u>76,001</u> | <u>64,128</u> |
| Earning/(loss) per share – Basic | 7 | <u>5.1 cents</u> | <u>(5.3 cents)</u> |

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 and investment properties, 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 2002:

| | | |
|-------------------|---|--------------------------------------|
| SSAP 1 (revised) | : | Presentation of financial statements |
| SSAP 11 (revised) | : | Foreign currency translation |
| SSAP 15 (revised) | : | Cash flow statements |
| SSAP 34 (revised) | : | Employee benefits |

The Group has adopted these revised standards in the accounting policies, and such adoption has no material impact on the accounts, except certain comparative figures have been reclassified to conform with the new disclosure requirements.

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 follows:

| | Group | |
|---|-------------------------|-------------------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Retail and wholesale | 1,485,124 | 1,385,845 |
| Beauty and health club services | 156,261 | 151,566 |
| | 1,641,385 | 1,537,411 |
| Other revenues | | |
| Interest income | 14,481 | 20,394 |
| Slide display rental income | 9,195 | 6,934 |
| Rental income from an investment property | 339 | – |
| Sundry income | 605 | 804 |
| | 24,620 | 28,132 |
| | <u>1,666,005</u> | <u>1,565,543</u> |

(a) Primary reporting format – business segments

| | Retail and wholesale HK\$'000 | Beauty and health club services HK\$'000 | 2003 Total HK\$'000 |
|--|--|---|------------------------------------|
| Turnover | <u>1,485,124</u> | <u>156,261</u> | <u>1,641,385</u> |
| Results | | | |
| Segment results | 119,715 | (25,561) | 94,154 |
| Interest income | 12,879 | 1,602 | 14,481 |
| Interest expenses | (221) | (16) | (237) |
| Loss on disposal of subsidiaries | (5,900) | (5,900) | (11,800) |
| Deficit on revaluation of an investment property | (123) | – | (123) |
| Impairment of goodwill | – | (3,688) | (3,688) |
| | <u>126,350</u> | <u>(33,563)</u> | 92,787 |
| Profit/(loss) before taxation | | | |
| | | | <u>(36,237)</u> |
| Taxation | | | |
| | | | 56,550 |
| Profit after taxation | | | |
| Minority interests | | | <u>8,913</u> |
| Profit attributable to shareholders | | | <u>65,463</u> |

| | Retail and wholesale <i>HK\$'000</i> | Beauty and health club services <i>HK\$'000</i> | 2002 Total <i>HK\$'000</i> |
|---|--|--|----------------------------------|
| Turnover | <u>1,385,845</u> | <u>151,566</u> | <u>1,537,411</u> |
| 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 | <u>(18,919)</u> | <u>–</u> | <u>(18,919)</u> |
| Profit/(loss) before taxation | <u>8,062</u> | <u>(72,258)</u> | (64,196) |
| Taxation | | | <u>(9,652)</u> |
| Loss after taxation | | | (73,848) |
| Minority interests | | | <u>2,673</u> |
| Loss attributable to shareholders | | | <u>(71,175)</u> |

(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 <i>HK\$'000</i> | Taiwan <i>HK\$'000</i> | South Asia <i>HK\$'000</i> | 2003 Total <i>HK\$'000</i> |
|-----------------|-------------------------------------|---------------------------|-------------------------------|----------------------------------|
| Turnover | <u>1,427,920</u> | <u>67,662</u> | <u>145,803</u> | <u>1,641,385</u> |

| | | | | |
|--|-------------------------------------|---------------------------|-------------------------------|----------------------------------|
| Results | | | | |
| Segment results | 96,808 | 1,994 | (4,648) | 94,154 |
| Interest income | 13,254 | 51 | 1,176 | 14,481 |
| Interest expenses | (221) | – | (16) | (237) |
| Loss on disposal of subsidiaries | (11,800) | – | – | (11,800) |
| Deficit on revaluation of an investment property | (123) | – | – | (123) |
| Impairment of goodwill | (1,229) | – | (2,459) | (3,688) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Profit/(loss) before taxation | 96,689 | 2,045 | (5,947) | 92,787 |
| | Greater China <i>HK\$'000</i> | Taiwan <i>HK\$'000</i> | South Asia <i>HK\$'000</i> | 2002 Total <i>HK\$'000</i> |
| Turnover | 1,291,655 | 104,088 | 141,668 | 1,537,411 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| 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) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Loss before taxation | (37,619) | (23,085) | (3,492) | (64,196) |

3 Finance costs

| | Group | |
|---|-----------------|-----------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Interest on bank overdrafts | 18 | 112 |
| Interest on bank loans not wholly repayable within five years | 218 | 157 |
| Interest on finance leases | 1 | 20 |
| | <hr/> | <hr/> |
| | 237 | 289 |
| | <hr/> | <hr/> |

4 Loss on disposal of subsidiaries

During the year, the Group disposed of its interests in Sa Sa (China) Holdings Limited and its subsidiaries, Shenzhen Sa Sa Ebeca Enterprise Limited and Ebeca Cosmetic (Holding) Limited (“Sa Sa China Group”). The Sa Sa China Group was disposed of at a consideration of HK\$3,000,000 which resulted in a loss of HK\$11,800,000.

5 Taxation

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

| | 2003 | Group |
|---|----------------------|---------------------|
| | HK\$'000 | 2002 |
| | | HK\$'000 |
| Hong Kong profits tax | | |
| Current | 21,570 | 8,660 |
| Under provision in previous years (<i>note (b)</i>) | 12,675 | – |
| Overseas taxation | | |
| Current | 2,597 | 3,338 |
| Over provision in previous years | (212) | (698) |
| Deferred taxation | (393) | (1,648) |
| | <u>36,237</u> | <u>9,652</u> |

Hong Kong profits tax has been provided at the rate of 16% (2002: 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.

(b) The Hong Kong Inland Revenue Department (“IRD”) had reviewed the tax position of certain subsidiaries of the Group. Certain queries on the offshore business have been raised by the IRD and the review has not been finalised at this stage. Nevertheless, the directors have decided to provide against possible tax liabilities arising from the offshore business.

6 Dividends

| | Company | |
|---|------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 |
| Interim, paid – 1.0 HK cent (2002: 1.0 HK cent) per ordinary share | 12,667 | 13,234 |
| Special, paid – 1.0 HK cent (2002: nil) per ordinary share | 12,667 | – |
| Final, proposed – 4.0 HK cents (2002: 4.0 HK cents) per ordinary share | 50,667 | 50,894 |
| | <u>76,001</u> | <u>64,128</u> |

At a meeting held on 25th June 2003 the directors declared a final dividend of 4.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of distributable reserve for the year ending 31st March 2004.

7 Earning/(loss) per share

- (a) The calculation of basic earning/(loss) per ordinary share is based on the Group's profit attributable to shareholders of HK\$65,463,000 (2002: loss of HK\$71,175,000).
- (b) The basic earning/(loss) per ordinary share is based on the weighted average of 1,278,133,366 (2002: 1,330,793,393) ordinary shares in issue during the year.
- (c) The diluted earning per share is not materially different from the basic earning per share as the dilution from the potential exercise of the share options granted by the Company outstanding as at 31st March 2003 is immaterial (2002: No dilutive effect). Accordingly, the diluted earning per share has not been shown.

8 Reserves – Group

| | 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) |
| | <u>725,360</u> | <u>6,501</u> | <u>(25,163)</u> | <u>(46,353)</u> | <u>660,345</u> |
| At 31st March 2002 | | | | | |
| Representing: – | | | | | |
| Reserves | | | | | 609,451 |
| Proposed dividend | | | | | <u>50,894</u> |
| At 31st March 2002 | | | | | <u>660,345</u> |

| | Share premium <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Exchange fluctuation reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---------------------------------|-------------------------------------|---|---|--|--------------------------|
| At 1st April 2002 | 725,360 | 6,501 | (25,163) | (46,353) | 660,345 |
| Repurchase of own shares | (34,239) | 5,282 | – | (5,282) | (34,239) |
| Exchange differences | – | – | 819 | – | 819 |
| Profit for the year | – | – | – | 65,463 | 65,463 |
| 2001/2002 Final dividend paid | – | – | – | (50,732) | (50,732) |
| 2002/2003 Interim dividend paid | (12,667) | – | – | – | (12,667) |
| 2002/2003 Special dividend paid | (12,667) | – | – | – | (12,667) |
| | <u>665,787</u> | <u>11,783</u> | <u>(24,344)</u> | <u>(36,904)</u> | <u>616,322</u> |
| At 31st March 2003 | | | | | |
| Representing: – | | | | | |
| Reserves | | | | | 565,655 |
| Proposed dividend | | | | | <u>50,667</u> |
| At 31st March 2003 | | | | | <u>616,322</u> |

OPERATIONS REVIEW

For the year ended 31st March 2003, the Group's consolidated turnover amounted to HK\$1,641.4 million, representing an increase of 6.8% from HK\$1,537.4 million in the previous fiscal year. This growth is attributable to the continued strengthening of Sa Sa's retail business in Hong Kong.

The Group's net profit showed a significant improvement and reached HK\$65.5 million for the 2002/03 fiscal year. The reasons for this satisfactory performance are threefold. Firstly, Sa Sa's retail and wholesale business in Hong Kong recorded an 11.5% growth that was driven by increased sales to both local customers and Mainland tourists. Secondly, following the strategic adjustment of inventory in the previous

financial year, the profit margin of Sa Sa's retail and wholesale business recovered from 37.3% to 39.1%. Thirdly, the implementation of stringent cost control measures last fiscal year resulted in a 5.2% reduction in Sa Sa's retail and wholesale operational expenses.

Highlights of the Group's achievements for the year ended 31st March 2003 are:

- Group turnover increased by 6.8% to HK\$1,641.4 million
- Sa Sa's retail and wholesale business in Hong Kong and Macau recorded turnover of HK\$1,290.8 million, representing an 11.5% increase from HK\$1,157.3 million
- The Group's gross profit increased by 10.2% to HK\$729.3 million
- Group operating profit increased from HK\$39.5 million to HK\$108.6 million
- The Group's results substantially improved with net profit standing at HK\$65.5 million
- Operational expenses for Sa Sa's retail and wholesale business were reduced by 5.2%
- The Group's net cash and bank balances, plus investment securities, increased to HK\$721.5 million

We are pleased to report that the core business of the Group – namely, cosmetic retailing – remains strong and profitable, forming a stable foundation for Sa Sa's growth in the future.

SA SA'S RETAIL AND WHOLESALE BUSINESS

Sa Sa's retail and wholesale turnover reached HK\$1,443.4 million this fiscal year, a 7.4% increase as compared to HK\$1,344.2 million last year. The retail and wholesale business performed satisfactorily with the second half of the year seeing an increase of 18.2% and 9.0% over the first half of the year and the corresponding period of last fiscal year, respectively. Sales momentum picked up during the second half of the fiscal year due to seasonal factors as well as to increased tourist numbers.

Hong Kong and Macau

Sa Sa's core retail base in Hong Kong and Macau achieved an encouraging performance amidst a poor economic landscape. Turnover reached HK\$1,290.8 million and the growth rate recorded was 11.5%. The growth rate for the second half of this fiscal year was 13.2% as compared to the corresponding period of last year. This growth can be attributed to stable spending by local customers and an increase in the number of PRC tourists. The growth in sales reflects increases in the number of transactions as well as spending per transaction, and was achieved mainly by comparable store turnover growth.

Despite the sluggish retail environment, strong demand from local customers also contributed to Sa Sa's stable growth trajectory, demonstrating the success of our business model. This model combines competitively priced products with a comprehensive product range and an effective product mix strategy. These results are a further indication that our wide product spectrum of cosmetics and skincare products have become daily necessities for our customers. Such consumer products are less sensitive to economic fluctuations.

As at 31st March 2003, the total number of Sa Sa stores stood at 34, along with one La Colline store, one Selective store and one Elizabeth Arden counter at a department store.

Taiwan

The Group's consolidation strategies for the Taiwan market produced positive results and generated a small profit. We now operate on a smaller scale in this market, and in a suitably prudent manner. Turnover decreased during the year, as five under-performing stores having been closed in the fiscal year 2001/02. However, most importantly, comparable store turnover growth achieved was 6.7%.

Sa Sa remains confident of the long-term growth potential of our business in Taiwan and will closely monitor market developments.

Singapore and Malaysia

Turnover increased by 2.7% for the Singapore and Malaysia markets and a small pre-tax profit was recorded for these operations.

We conducted in-depth analysis of these two Southeast Asian markets, making adjustments to our business strategies that take into account store size, store locations and product mix. We are also taking steps to improve our operational efficiency, which will in turn improve our overall competitiveness. These actions will enable us to increase Sa Sa's market share and enhance profitability.

E-COMMERCE – SASA.COM

Turnover for Sasa.com amounted to HK\$12.5 million, representing an increase of 25.6% over the corresponding period of last fiscal year. A series of measures were implemented, including: extending the product range, improving the product mix, and strengthening marketing and promotional activities; broadening our customer base; widening our income source; improving our customer services and reducing our operating costs. In the future, we aim to invest more resources in order to enhance our penetration in overseas markets and to further broaden our customer base.

EBECA

Since Ebeca failed to perform as expected, Sa Sa was able to recover a substantial amount of investment capital under the initial acquisition agreement. Overall, the cost of investment and goodwill was reduced by HK\$7.1 million. On 28th March 2003, Sa Sa disposed of its entire stakeholding in Ebeca for a consideration of HK\$3.0 million, thereby generating a loss of HK\$11.8 million on disposal.

PRIVATE LABELS AND EXCLUSIVE DISTRIBUTORSHIP

Sa Sa's sales of private-label products and exclusively distributed products increased by 8.5% to HK\$391.5 million, contributing 27.1% to Sa Sa's total retail and wholesale turnover for the year ended 31st March 2003. We continued to establish our reputation for strong brand management capabilities and we aim to increasingly leverage on our reputation to build up this business in the future.

Sa Sa was appointed the sole agent for Elizabeth Arden products in Hong Kong and Macau on 1st October 2002. This proved to be rewarding for both Elizabeth Arden and Sa Sa with sales of Elizabeth Arden products achieved substantial growth as compared to the corresponding period October-March the previous year. Such a result reflects our strength in brand building and marketing. Through a series of marketing and promotions campaigns, we successfully heightened brand awareness for Elizabeth Arden throughout Hong Kong and Macau. We also fostered a good working relationship with Elizabeth Arden in the course of our partnership.

BEAUTY SERVICES

Phillip Wain

Phillip Wain's turnover for the year ended 31st March 2003 was HK\$144.4 million, representing a decrease of 5.0%. This drop is attributable to the economic downturn throughout the region and the increasing competition in the field of beauty services. Due to the opening of two new clubs in Singapore and Malaysia during the second half of last fiscal year, the Group's operating costs also increased. As a result, our overall performance was adversely affected.

Pursuant to an agreement, the Group completed the acquisition of the remaining 41.67% shareholding in Phillip Wain on 10th March 2003 at a consideration of HK\$3.7 million and is now a 100% stakeholder in the business. Under the agreement, all litigation between Sa Sa and Phillip Wain's former shareholders has been settled.

The Group implemented a number of measures to improve Phillip Wain's performance during the year. A new marketing campaign was launched in March 2003 and a new image woman was appointed to enhance market awareness. We also worked to continuously improve and upgrade our club facilities and services in order to boost sales.

Over the coming year, the Group will enhance the market positioning of Phillip Wain and make any adjustments that we consider necessary to improve the competitiveness of Phillip Wain in the beauty and health services arena.

Sa Sa Beauty+

The Sa Sa Beauty+ beauty and slimming centre was opened in July 2002, providing comprehensive services to Sa Sa's loyal and VIP members as well as enhancing and reinforcing Sa Sa's brand image and customers' loyalty towards our products. Avant-garde treatments were introduced during the year and there was encouraging growth in the number of new customers and sales contracts. Net operating cash flow was positive and the total value of sales contracts procured during the period under review exceeded the Group's initial investment within three months of opening.

The Sa Sa Beauty+ initiative represents an extension of our existing services and complements our retail business. We remain positive about the potential of the market for beauty services as a business in its own right.

EMPLOYEES

As at 31st March 2003, the Group had a total of 1,587 employees. Staff costs for the year were HK\$292.9 million. To ensure that Sa Sa 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, are offered to key employees. Staff development initiatives were implemented during the year through in-house training programmes and the provision of financial subsidies for external training courses.

OUTLOOK

Sa Sa's vision for the future is well-defined and resolute: we are positioning ourselves to become the dominant cosmetic retailing and beauty services group in Asia.

Looking forward, our core retail business remains at the heart of our operations. By working continuously to strengthen our market understanding and review our product mix, Sa Sa seeks to ensure that we meet the demands of our loyal customers. Both local and tourist customers are equally important to our sales, and we aim to strike an optimum balance between the different needs of all categories of our consumers. Our retail operations will continue to provide stable and growing profits for our business.

By securing more exclusive distribution rights from major international brands, we hope to develop and augment our product range. Exclusive products allow the Group to increase our profit margins through more pricing control and less competition, and our intention is that this segment will continue to expand and contribute to our sales and turnover. We have already established a strong reputation for our brand management capabilities, and we expect that this will allow us to secure other renowned global brands in the future.

Synergies will continue to be enhanced between our retail operations and our beauty services. Sa Sa looks forward to exploring other opportunities to cross-leverage and add value between the sale of beauty products and the provision of beauty services.

We have also defined plans for geographical expansion and measures to enhance sales and maximize profitability in all our markets. We will leverage on our solid retail foundation in Hong Kong, expand our revenue base and enhance our overseas presence. We remain committed to developing the PRC market. The potential for expansion in China remains considerable. The prospect of a strong and growing consumer market is truly attractive, but our approach to this market must be flexible, patient and dependent on local conditions. At present, we are making preparatory arrangements including business planning, forming a management team, obtaining requisite approvals for our exclusive products and taking careful tax planning measures. All these initiatives will facilitate our entry into the market and further our aim of opening freestanding Sa Sa retail stores in China in the future. Depending on market conditions, we aim to target the major cities first, and then expand our market presence throughout the nation.

The outbreak of SARS in the region has created uncertainty in the market, in particular in the Greater China region. As the sluggish economic environment persists, the year ahead will continue to present challenges. However, we believe that we are well placed to respond to such challenges. For example, we reacted positively to the SARS situation by offering a wide variety of SARS-related hygiene products, and we took decisive steps to minimize the effect of SARS on our operations. In the same spirit, given our established business foundation, solid financials and sound fundamentals, we are confident that we will be able to realize our strategies and to meet our objective to become the dominant cosmetic retailing and beauty services group in Asia.

FINANCIAL REVIEW

Capital resources and liquidity

As at 31st March 2003, the Group's total shareholders' funds were HK\$743.0 million including reserves of HK\$616.3 million. The Group continued to maintain a strong financial position with cash and bank balances plus held-to-maturity securities in aggregate of HK\$721.5 million (please see table below). The Group's working capital plus held-to-maturity securities were HK\$729.3 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

| | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> |
|-----------------------------|--------------------------------|-------------------------|
| Held-to-maturity securities | 70,544 | – |
| Cash and bank balances | 650,913 | 656,970 |
| | <hr/> | <hr/> |
| Total | 721,457 | 656,970 |
| | <hr/> | <hr/> |

As at 31st March 2003, the Group's held-to-maturity securities were composed of corporate bonds and bank notes with maturity dates falling within two years. This is in line with the Group's policy to invest in investment grade securities with maturity periods of less than two years. When compared with short-term deposit interest rate, the Group was able to achieve a higher yield based on its investment strategy.

During the year, most of the Group's cash and bank balances were in U.S. dollars and were deposited in leading banks.

Financial position

Total funds employed (comprising shareholders' fund only) for the year ended 31st March 2003 were HK\$743.0 million, which represented a 7.5% decrease over the total funds employed (including shareholders' fund, bank loans and overdrafts and obligations under finance leases) of HK\$803.0 million for the year ended 31st March 2002.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31st March 2003 and 31st March 2002 respectively.

Treasury policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no significant borrowing during the year. The Group does not have significant exposure to foreign exchange fluctuations as most of its assets, receipts and payments are either in Hong Kong or U.S. dollars. However, the Group will monitor its foreign exchange position and, when appropriate, the Group will hedge its non U.S. dollar foreign exchange exposure by way of forward foreign exchange contracts. As at 31st March 2003, the Group had HK\$32.0 million outstanding forward foreign exchange contracts committed for payment in foreign currencies in the coming year.

Charge on Group assets

At 31st March 2003, the Group had general banking facilities of HK\$3.3 million which were subject to pledges of equivalent amount of bank deposits as security. HK\$2.2 million of the secured banking facilities had been employed by the Group for the purpose of issuing bank guarantees in lieu of cash deposits.

Contingent liabilities

The Group's contingent liabilities as at 31st March 2003 were HK\$6.2 million which included the utilized banking facilities of HK\$2.2 million as stated in the paragraph headed "Charge on Group assets" above.

FINAL DIVIDEND

The Board of Directors has recommended a final dividend for the year ended 31st March 2003 of 4.0 HK cents per ordinary share (2002: 4.0 HK cents) to be payable to shareholders whose names appear on the Register of Members on 28th August 2003.

The final dividend will be paid around 3rd September 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25th August 2003 to 28th August 2003, 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 registrar, Abacus Share Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 22nd August 2003.

ISSUE OF SHARES

During the year, the Company issued and allotted a total of 1,166,672 shares of HK\$0.10 each of the Company to an ex-director being the remuneration shares issued pursuant to his service agreement. The issue of shares to the director constituted a connected transaction for the purpose of Chapter 14 of the Listing Rules and was approved by shareholders of the Company at the extraordinary general meeting held on 14th September 1999.

REPURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company applied an aggregate sum of HK\$39,520,743 to repurchase a total of 52,820,000 fully paid up shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which had been duly cancelled. The directors consider that the share purchases will lead to an enhancement of the Group's earnings per share.

| Month of Repurchase | No. of shares repurchased | Total consideration HK\$ | Purchase Price per share | |
|---------------------|---------------------------|-----------------------------|--------------------------|----------------|
| | | | Highest HK\$ | Lowest HK\$ |
| April | 10,888,000 | 8,366,239 | 0.80 | 0.66 |
| May | 11,550,000 | 8,904,789 | 0.79 | 0.72 |
| June | 24,700,000 | 18,942,204 | 0.78 | 0.75 |
| July | 700,000 | 390,640 | 0.57 | 0.55 |
| August | 3,360,000 | 1,984,510 | 0.59 | 0.58 |
| September | 350,000 | 201,319 | 0.58 | 0.56 |
| October | 472,000 | 271,900 | 0.59 | 0.55 |
| November | 800,000 | 459,142 | 0.57 | 0.57 |
| | <u>52,820,000</u> | <u>39,520,743</u> | | |

On 8th February 2002, upon the application by the Company, the Stock Exchange granted to the Company a waiver pursuant to Rule 10.06(2)(g) of the 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 was effective for a period of six months from 8th February 2002 to 7th August 2002. On 18th October 2002, upon the application by the Company, the Stock Exchange granted a new waiver to the Company. The new waiver was effective for a period of six months from 18th October 2002 to 17th April 2003.

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 two 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 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 one of the independent non-executive directors is not appointed for a specific term as recommended under paragraph 7 of Appendix 14 of the Listing Rules but is 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

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 in due course.

By Order of the Board
Kwok Siu Ming, Simon
Chairman

Hong Kong, 25th June 2003

“Please also refer to the published version of this announcement in The SCMP-C”.