SA SA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001

The Board of Directors of Sa Sa International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2001.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30th September	
		2001	2000
	Note	HK$'000	HK$'000
Turnover	1	719,929	668,896
Cost of sales		(403,767)	(390,897)
Gross profit		316,162	277,999
Other revenues		15,517	23,963
Staff costs		(137,997)	(116,118)
Depreciation and amortisation		(28,140)	(21,551)
Other operating expenses		(147,630)	(118,770)
Operating profit		17,912	45,523
Finance costs		(212)	(48)

	Note	2001	2000
Profit before taxation	1	17,700	45,475
Taxation	2	(3,336)	(6,661)
Profit after taxation		14,364	38,814
Minority interests		528	(544)
Profit attributable to shareholders		14,892	38,270
Interim dividend	3	13,257	13,474
Basic earnings per share	4	1.1 cents	2.8 cents

Notes:

1. 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 health club facilities to members.

An analysis of the Group's turnover and profit/(loss) before taxation for the period by principal activities and markets is as follows:

	Turnover Six months ended 30th September		Profit/(loss) before taxation Six months ended 30th September	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Principal Activities				
Retail and wholesale	644,274	654,721	5,526	22,102
Membership service	75,655	14,175	1,015	1,619
	719,929	668,896	6,541	23,721

Add: Net interest income			11,159	21,754
			17,700	45,475

Principal Markets				
Hong Kong and Macau	585,268	537,122	11,092	27,730
Thailand	10,895	2,309	1,050	539
Taiwan	50,617	81,849	(5,124)	(7,338)
Singapore	37,194	30,838	759	1,749
Malaysia	24,085	16,778	(352)	1,041
People's Republic of China	11,870	-	(884)	-
	719,929	668,896	6,541	23,721
Add: Net interest income			11,159	21,754
			17,700	45,475

2. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. Taxation on overseas profits have been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the group operates.

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

	Six months ended 30th September	
	2001	2000
	HK$'000	HK$'000
Hong Kong profits tax	1,829	6,348
Overseas taxation	1,547	313
Deferred taxation	(40)	-
	3,336	6,661

3. Interim dividend

	Six months ended 30th September	
	2001	2000
	HK$'000	HK$'000
Interim - HK$0.01 (2000: HK$0.01) per ordinary share	13,257	13,474

4. Earnings per share

(a) The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to shareholders of HK$14,892,000 (2000: HK$38,270,000).

(b) The basic earnings per ordinary share is based on the weighted average of 1,333,442,144 (2000: 1,353,716,791) ordinary shares in issue during the period.

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

5. Subsequent Events

On 29th November 2001, Lisbeth Enterprises Limited ("Lisbeth"), a subsidiary of the Company, served two statutory demands as follows:

(a) one on Mr. Edwin John Phillips ("Mr. Phillips") in respect of an unpaid debt and accrued interest under two Promissory Notes amounting to HK$12,333,282.42; and

(b) one on Mr. Barry Richard Wain ("Mr. Wain") in respect of an unpaid debt and accrued interest under two Promissory Notes amounting to HK$12,322,104.91.

On 17th December 2001, the solicitors for Mr. Phillips and Mr. Wain applied to the High Court to set aside the aforementioned statutory demands. Lisbeth is presently considering further legal actions against Mr. Phillips and Mr. Wain. The directors considered that no provision needs to be made in the financial statements.

On 3rd December 2001, Mr. Phillips issued and served a Writ of Summons against the Company claiming, amongst other things, damages of HK$31.2 million based on alleged oral agreements made by the Company to exercise a Call Option Agreement. The Company's solicitors have advised that Mr. Phillips' claim is misconceived and should be defended.

On the basis of the advice received from the Company's solicitors, the Company has concluded that the legal action brought by Mr. Phillips will not materially impact the operation and financial position of the Group. Consequently, no provision to the financial statements is deemed necessary at this time.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September 2001, Sa Sa's performance was affected by an extremely adverse retail environment throughout the region. The Group's total turnover amounted to HK$719.9 million, including three months of sales from Shenzhen Sa Sa Ebeca Enterprise Limited ("Sa Sa Ebeca"), our new joint-venture with an extensive retail network in China, and a full six-month revenue from Phillip Wain. The Group's pre-tax profit for the period was HK$17.7 million.

During the period under review, our profit shortfall is mainly attributed to poor consumer sentiment, resulting from the region's difficult economic conditions, and a drop in Sa Sa retail's gross profit margin is a direct result from our efforts to improve inventory management. A substantial cut in bank deposit interest rates has further reduced our total interest income when compared with the same period last year.

Highlights of our interim results for the six months ended 30th September 2001:

- Group sales turnover amounted to HK$719.9 million, including six-month revenue of HK$77.9 million from Phillip Wain and three-month sales of HK$11.9 million from Sa Sa Ebeca.

- The Group's net cash and bank balances were HK$603.9 million.

- Through setting up clearance outlets, inventory turnover has reduced from 140 days to 118 days. Such sales affected the gross profit margin, which dropped from 40.3% to 37.3%. However, the reduction in inventory level should have a positive impact on the Group's long-term development.

- Phillip Wain increased the number of its beauty and health clubs from seven to nine.

- Sales counters and beauty salons under Sa Sa Ebeca increased to 149 and four respectively.

- The Group's retail network also expanded, opening two new stores in the region during the six-month period. The total number of Sa Sa retail outlets numbers 58 as at 30th September 2001.

- The Korean language site of sasa.com was launched with success in July 2001 and has stimulated an increase in sales.

In addition, as part of the Group's strategy to develop exclusive brands, three La Colline specialty stores in Hong Kong have successfully created synergies with Sa Sa's own retail business and significantly boosted the brand, as well as the Group's image and market standing.

Our first exclusive health supplement product, the Yuerong Beauty Preserver, has been well recognised by the market since its launch in March 2001.

For the six months under review, both our private-label products and exclusive-distribution products accounted for approximately 27% of the Group's retail sales.

Retail Business

The Group's turnover for retail business during the period was HK$627 million, down by 4.2% when compared with the corresponding period last year.

With global and local economic hardships, turnover in the Group's largest market, Hong Kong and Macau, has only slightly increased by 1.1% to HK$534.5 million. One new store was opened during the period under review, bringing the total number of outlets in Hong Kong and Macau to 33.

In Taiwan, the six months under review was a period full of volatile political, economic and climatic events, resulting in an understandably poor consumer sentiment. The closure of five underperforming Sa Sa stores in the last fiscal year further contributed to the substantial decrease in this market's turnover. Sa Sa believes the poor economic environment will continue, therefore, the Group will pursue a business strategy to achieve a turnaround within the next few months.

Overall sales in Malaysia increased by 3.9% while turnover in Singapore has decreased by 9.9%, and both markets remained profitable during the period under review. The total number of stores in Singapore remains at nine. With a new store opened in Malaysia during the period, the total number of shops in Malaysia has increased to eight. As there has been no improvement in the retailing environment in these two countries, we have no plan to open new stores in either of these markets in the near future.

By pushing sales in clearance outlets, the Group's inventory turnover reduced from 140 days to 118 days. However, this has also caused a drop in the Group's gross profit margin to 37.3%. The Group will continue its efforts to reduce the inventory.

Sa Sa Ebeca

The Group reached a joint venture agreement with Shenzhen Ebeca Enterprise Company Limited on 1st July 2001, and formed a new joint-venture company, Shenzhen Sa Sa Ebeca Enterprise Limited. During the period under review, the Group's turnover included Sa Sa Ebeca's three-month revenue from July to September 2001, which was HK$11.9 million.

During this period, Sa Sa Ebeca has opened one new beauty salon in Chengdu and is currently working on new salons in Shanghai, Shenzhen and Dalian, while nine new sales counters have also commenced business. As at 30th September 2001, Sa Sa Ebeca has 149 retail counters and four beauty salons.

Sa Sa Ebeca is Sa Sa's first step into the vast PRC market. Since the establishment of the joint venture, Sa Sa has adopted various measures to reposition and streamline the business of Sa Sa Ebeca for further development in the PRC market and we remain confident of the long-term value of Sa Sa Ebeca to the Group. Leveraging the joint-venture company's extensive PRC sales and distribution network, Sa Sa will introduce its own house-brand products to the PRC market and create a standalone Sa Sa retail network.

Beauty Services

Phillip Wain's turnover during the period under review is HK$77.9 million.

In August and September 2001, two new Phillip Wain clubs were opened, one in Malaysia and Singapore respectively, bringing the total number of clubs to nine. However, the unexpected events of September 11 have since led to a sudden downturn in the economies of these two markets. The luxury-goods market suffered the most severely under these new economic conditions. As a premier health club, Phillip Wain has been noticeably impacted.

On 29th November 2001, the Group's subsidiary, Lisbeth Enterprises Limited, served statutory demands on Mr Edwin J. Phillips and Mr Barry R. Wain for their outstanding loan amounting to approximately HK$24 million in total.

On 3rd December 2001, Mr Phillips issued a writ against Sa Sa claiming damages of HK$31.2 million alleging a breach of contract in respect of a call option agreement. Based on the Group's legal advice, the Group considers Mr Phillip's claim against Sa Sa to be misconceived and lacking in merit. The Group has been advised it has a good prospect of success in its defence and intends to pursue its defence vigourously. Therefore, the Group concluded that no provision is required in its financial statement.

With its strong financial backing, the Group firmly believes that the legal action brought by Mr Phillips will not materially impact its operation or financial position, nor that of Phillip Wain. The Group is confident that, under new management, Phillip Wain continues to be committed to providing high-quality services to its members.

E-Business

Turnover of sasa.com has increased since its launch of a Korean-language site in July 2001. As overseas orders currently contribute to over 90% of our total online sales, the related operating expenses have increased correspondingly. For the month of September 2001, the hit rate and page view of sasa.com were over 22 million and 3 million respectively and the number of unique visitors is over 70,000. This trend continues to increase. With its Chinese, English and Korean versions, sasa.com has boosted the Group's image, overseas awareness, and strengthened its external communication and product promotion. Therefore, the Group will prudently assess benefits to the Group against operating costs when reviewing the prospects and profitability of our e-business strategy.

Employees

As at 30th September 2001, the Group had a total of 1,820 employees. Remuneration packages continue to be reviewed on a regular basis. Share options, as part of basic remuneration packages, have also been offered to key employees to strengthen loyalty to the Group.

Liquidity and Capital Resources

In the fiscal year to date, the Group continues to maintain a strong financial position and is confident that it has sufficient funds to meet its daily business operation requirements, as well as to finance future expansion. As at 30th September 2001, net cash and bank balances were HK$603.9 million and working capital was HK$768.8 million. The current ratio is 4.4.

The Group's general banking facilities total approximately HK$102.4 million. Trade facilities amounting to HK$18.9 million have been utilised. The total debt to equity ratio is 0.3.

The assets of certain Group subsidiaries have been pledged to secure part of these general banking facilities, of which HK$2.7 million is utilised. As at 30th September 2001, property of a subsidiary with a net book value of HK$3.1 million has been pledged against an installment loan. On the same date, the Group's contingent liabilities totalled HK$13.3 million, comprising letters of credit and bank guarantees issued in lieu of deposits.

The Group has little exposure to foreign exchange fluctuations as most of its receipts and payments are in Hong Kong or US dollar.

Prospects

In view of the current severe market conditions in Asian retail business and possible challenges in the coming months, it is important that we carefully review the Group's operations and exercise painstaking cost control to maintain the Group's competitiveness.

Looking to the future, Sa Sa will conduct a thorough review of its business, including the overall operation and cost structure and inventory management. We will adopt all necessary measures to improve the profitability of the Group.

It will be some time before we see a clear robustness in the region's retail industry, especially across all the Group's international markets. Sa Sa will strive to weather these troubled times and bring long-term value to its shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9th January 2002 to 10th January 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the aforementioned interim 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 8th January 2002.

The interim dividend will be paid around 16th January 2002.

ISSUE OF SHARES

During the period, the Company issued and allotted a total of 1,583,332 shares of HK$0.10 each of the Company to a 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.

The Company also issued 3,240,000 shares to Mr. Chen Chou Fan, Edward during the period upon his exercise of share options granted under the Share Option Scheme. Mr. Chen ceased to be a director of the Company on 1st April 2001.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Unaudited Interim Financial Statements.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not or was not for any part of the period in compliance with the Code of Best Practice, except that one independent non-executive director was 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 INTERIM 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, 21st December 2001

"Please also refer to the published version of this announcement in the Hong Kong i-mail"