

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

	Note	Unaudited	
		2001	2000
		HK\$'000	HK\$'000
Turnover	2	<b>719,929</b>	668,896
Cost of sales		<b>(403,767)</b>	(390,897)
Gross profit		<b>316,162</b>	277,999
Other revenues		<b>15,517</b>	23,963
Staff costs		<b>(137,997)</b>	(116,118)
Depreciation and amortisation		<b>(28,140)</b>	(21,551)
Other operating expenses		<b>(147,630)</b>	(118,770)
Operating profit		<b>17,912</b>	45,523
Finance costs		<b>(212)</b>	(48)
Profit before taxation	2	<b>17,700</b>	45,475
Taxation	3	<b>(3,336)</b>	(6,661)
Profit after taxation		<b>14,364</b>	38,814
Minority interests		<b>528</b>	(544)
Profit attributable to shareholders		<b>14,892</b>	38,270
Interim dividend	4	<b>13,257</b>	13,474
Basic earnings per share	5	<b>1.1 cents</b>	2.8 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>Unaudited</b>	Restated*
		<b>30th September</b>	31st March
		<b>2001</b>	2001
	Note	<b>HK\$'000</b>	HK\$'000
<b>Fixed assets</b>	6	<b>162,012</b>	153,199
<b>Intangible assets</b>	7	<b>28,911</b>	1,595
<b>Deposit for investment in subsidiaries</b>		<b>–</b>	9,000
<b>Investment securities</b>		<b>1,070</b>	1,070
<b>Current assets</b>			
Inventories		<b>274,973</b>	316,670
Trade receivable	8	<b>23,688</b>	11,178
Other receivables, deposits and prepayments	9	<b>88,206</b>	87,943
Tax recoverable		<b>1,470</b>	7
Cash and bank balances		<b>608,732</b>	594,810
		<b>997,069</b>	1,010,608
<b>Current liabilities</b>			
Trade and bills payables	10	<b>80,969</b>	60,126
Other payables and accrued charges		<b>66,841</b>	43,716
Current portion of receipts in advance		<b>71,608</b>	70,619
Taxation payable		<b>7,229</b>	5,564
Current portion of obligations under finance leases/hire purchase contracts		<b>241</b>	237
Bank overdrafts – secured		<b>1,204</b>	1,757
Current portion of bank loan – secured		<b>147</b>	–
		<b>228,239</b>	182,019
<b>Net current assets</b>		<b>768,830</b>	828,589
		<b>960,823</b>	993,453

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		<b>Unaudited</b>	Restated*
		<b>30th September</b>	31st March
		<b>2001</b>	2001
	Note	<b>HK\$'000</b>	HK\$'000
<b>Financed by:</b>			
<b>Share capital</b>	11	<b>132,913</b>	133,720
<b>Reserves</b>	12	<b>754,772</b>	757,871
<b>Proposed dividend</b>	12	<b>13,257</b>	53,535
<b>Total capital and reserves</b>		<b>900,942</b>	945,126
<b>Minority interests</b>		<b>(23,813)</b>	(32,181)
<b>Non-current liabilities</b>			
Long term portion of receipts in advance		<b>73,375</b>	73,036
Obligations under finance leases		<b>247</b>	353
Deferred taxation		<b>2,001</b>	2,041
Provision for long service payments		<b>4,611</b>	5,078
Long term portion of bank loan – secured		<b>3,460</b>	–
		<b>83,694</b>	80,508
		<b>960,823</b>	993,453

\* Restated based on the audited accounts; refer to note 1(a).

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>112,803</b>	(9,969)
Net cash outflow from returns on investments and servicing of finance	<b>(42,377)</b>	(32,131)
Tax paid	<b>(4,244)</b>	(1,269)
Net cash outflow from investing activities	<b>(42,573)</b>	(94,706)
Net cash outflow from financing	<b>(9,701)</b>	(12,792)
Increase/(decrease) in cash and cash equivalents	<b>13,908</b>	(150,867)
Cash and cash equivalents at 1st April	<b>593,053</b>	774,386
Effect of foreign exchange rate changes	<b>567</b>	(832)
Cash and cash equivalent at 30th September	<b>607,528</b>	622,687
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<b>608,732</b>	624,076
Bank overdrafts	<b>(1,204)</b>	(1,389)
	<b>607,528</b>	622,687

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Exchange differences arising on translation of the accounts of overseas subsidiaries	<b>285</b>	(1,273)
Net gains/(losses) not recognised in the consolidated profit and loss account	<b>285</b>	(1,273)
Profit for the period	<b>14,892</b>	38,270
Total recognised gains	<b>15,177</b>	36,997
Goodwill directly eliminated to reserves (note 12)	<b>-</b>	(87,972)
Total recognised gains/(losses)	<b>15,177</b>	(50,975)

Notes:

## I. Principal accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts) and Appendix 16 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants 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 30	:	Business combinations

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

(a) *SSAP 9 (revised): Events after balance sheet date*

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.

As detailed in note 12, opening retained earnings at 1st April 2000 have increased by HK\$54,210,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st March 2000 although not declared until after balance sheet date. Opening retained earnings at 1st April 2001 have increased by HK\$53,535,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31st March 2001 although not declared until after the balance sheet date. A corresponding decrease in current liabilities by HK\$53,535,000 has been reflected in the comparative 31st March 2001 balance sheet.

Changes to headings used in the previously reported 31st March 2001 balance sheet relating to dividends have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) *SSAP 30: Business combinations*

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is generally amortised over 10 years. Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. Such goodwill has not been retroactively capitalised and amortised.

## 2. 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		Profit/(loss) before taxation	
	Six months ended		Six months ended	
	30th September		30th September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal Activities				
Retail and wholesale	<b>644,274</b>	654,721	<b>5,526</b>	22,102
Membership service	<b>75,655</b>	14,175	<b>1,015</b>	1,619
	<b>719,929</b>	668,896	<b>6,541</b>	23,721
Add: Net interest income			<b>11,159</b>	21,754
			<b>17,700</b>	45,475
Principal Markets				
Hong Kong and Macau	<b>585,268</b>	537,122	<b>11,092</b>	27,730
Thailand	<b>10,895</b>	2,309	<b>1,050</b>	539
Taiwan	<b>50,617</b>	81,849	<b>(5,124)</b>	(7,338)
Singapore	<b>37,194</b>	30,838	<b>759</b>	1,749
Malaysia	<b>24,085</b>	16,778	<b>(352)</b>	1,041
People's Republic of China	<b>11,870</b>	–	<b>(884)</b>	–
	<b>719,929</b>	668,896	<b>6,541</b>	23,721
Add: Net interest income			<b>11,159</b>	21,754
			<b>17,700</b>	45,475



### 3. 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:

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

### 4. Interim dividend

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interim – HK\$0.01 (2000: HK\$0.01) per ordinary share	<b>13,257</b>	13,474

### 5. 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.

## 6. Fixed Assets

	HK\$'000
At 1st April 2001	153,199
Acquisition of subsidiaries (note 13)	6,376
Additions	30,493
Disposals/write off	(488)
Depreciation	(27,217)
Exchange adjustments	(351)
At 30th September 2001	<u>162,012</u>

## 7. Intangible assets

	Goodwill HK\$'000	Trademark HK\$'000	Total HK\$'000
At 1st April 2001	–	1,595	1,595
Acquisition of subsidiaries (note 13)	28,310	–	28,310
Amortisation	(708)	(215)	(923)
Exchange adjustments	–	(71)	(71)
<b>At 30th September 2001</b>	<b><u>27,602</u></b>	<b><u>1,309</u></b>	<b><u>28,911</u></b>

## 8. Trade receivable

Majority of the Group's turnover are cash or credit sales. The aging analysis of trade receivables was as follows:

	30th September 2001 HK\$'000	31st March 2001 HK\$'000
0 – 1 month	17,974	10,438
1 – 3 months	3,192	415
Over 3 months	2,522	325
	<b><u>23,688</u></b>	<u>11,178</u>

## 9. Other receivables, deposits and prepayments

Included in other receivables are loans to officers which are acquired in relation to the purchase of subsidiaries during the year ended 31st March 2001. Particulars of these loans are as follows:

	(i)	(ii)
Name of borrower	Platinum Corporation (note (i))	Edwin John Phillips
Connected party	Edwin John Phillips	N/A
Position	Director of a subsidiary	Director of a subsidiary
Terms of the loan		
– Duration and repayment terms	On or before 31st August 2001 (note (ii))	On or before 31st August 2001 (note (ii))
– Interest rate	Interest free	8.5% per annum
– Security	Unsecured	Unsecured
Balance of the loan	HK\$'000	HK\$'000
– At 30th September 2001	22,090	768
– At 31st March 2001	22,090	498
Maximum balance outstanding during the period	22,090	768

At 30th September 2001, no receivable interest has been accrued for.

Note:

- (i) Mr. Edwin John Phillips is a 50% shareholder of Platinum Corporation.
- (ii) Statutory demands have been served on 29th November 2001 (details refer to note 16).

## 10. Trade and bills payables

The aging analysis of trade and bills payables is as follows:

	<b>30th September 2001 HK\$'000</b>	31st March 2001 HK\$'000
0 – 1 month	<b>58,804</b>	22,989
1 – 3 months	<b>18,108</b>	30,509
Over 3 months	<b>4,057</b>	6,628
	<b>80,969</b>	60,126

**II. Share capital**

	<b>Number of Shares</b>	HK\$'000
	(Thousands)	
Authorised:		
Balance at 30th September 2001 and 1st April 2001	8,000,000	800,000
Issued and fully paid:		
Balance at 1st April 2001	1,337,203	133,720
Issue of shares pursuant to exercise of share options	3,240	324
Issue of shares at par to a director in lieu of cash remuneration pursuant to the terms of his Service Agreement	1,583	158
Repurchase of own shares	(12,894)	(1,289)
<b>Balance at 30th September 2001</b>	<b>1,329,132</b>	<b>132,913</b>

(a) *Share options under a share option scheme ("the Share Option Scheme")*

Pursuant to the Share Option Scheme approved by the shareholders of the Company on 22nd May 1997, the Company's directors may, at their discretion, invite executive directors and full time employees of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Details of share options granted by the Company during the period and the options outstanding as at 30th September 2001 are set out as follows:

Date of grant	Subscription price per share	Exercisable period	Options outstanding as at 1st April 2001	Options granted during the period	Options exercised during the period	Options cancelled during the period	Options outstanding as at 30th September 2001
9th September 1997	HK\$2.01	9th September 1997 to 8th September 2007	1,808,000	-	-	-	1,808,000
9th September 1997	HK\$2.01	8th September 1998 to 8th September 2007	1,808,000	-	-	-	1,808,000
9th September 1997	HK\$1.90	8th September 1998 to 8th September 2007	7,098,000	-	-	-	7,098,000
7th May 1999	HK\$0.648	7th May 1999 to 6th May 2009	3,240,000	-	(3,240,000)	-	-
10th April 2000	HK\$1.25	30th September 2002 to 10th April 2010	3,194,000	-	-	(3,194,000)	-
14th April 2000	HK\$1.22	14th April 2003 to 14th April 2010	323,000	-	-	(323,000)	-
14th June 2000	HK\$0.96	14th June 2003 to 14th June 2010	229,000	-	-	-	229,000
19th June 2000	HK\$0.94	19th June 2003 to 19th June 2010	217,391	-	-	-	217,391
21st June 2000	HK\$0.93	21st June 2001 to 21st June 2010	504,000	-	-	(92,000)	412,000
21st June 2000	HK\$0.93	21st June 2002 to 21st June 2010	504,000	-	-	(92,000)	412,000
19th July 2000	HK\$0.92	19th July 2003 to 19th July 2010	170,940	-	-	-	170,940
4th June 2001	HK\$0.68	4th June 2002 to 4th June 2011	-	196,078	-	-	196,078
4th June 2001	HK\$0.68	4th June 2003 to 4th June 2011	-	196,078	-	-	196,078
4th June 2001	HK\$0.68	4th June 2004 to 4th June 2011	-	196,079	-	-	196,079
							12,743,566

(b) *Share options under a director's service agreement ("Service Agreement")*

Details of share options granted by the Company to the director in accordance with the terms set out in the Service Agreement during the period and the options outstanding at 30th September 2001 are set out as follows:

Date of grant	Subscription price per share	Exercisable period	Options outstanding as at 1st April 2001	Options granted during the period (note)	Options exercised during the period	Options cancelled during the period	Options outstanding as at 30th September 2001
14th September 1999 to 2nd September 2001	HK\$0.928	14th September 1999 to 2nd February 2007	14,521,054	4,585,596	-	-	19,106,650

Note: Pursuant to the Service Agreement, 764,266 share options were granted to the director on 14th September 1999 and on the second day of each month from October 1999 to September 2001. The exercisable period of the share options commenced respectively from the day of grant to 2nd February 2007.

**12. Movement of reserves**

	Share premium	Capital redemption reserve	Exchange fluctuation reserve	Retained earnings	30th September 2001 Total	30th September 2000 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April as previously reported	736,660	3,957	(23,348)	40,602	757,871	932,272
Effect of adopting SSAP 9 (revised)	-	-	-	53,535	53,535	54,210
At 1st April as restated	736,660	3,957	(23,348)	94,137	811,406	986,482
Final dividend paid	-	-	-	(53,536)	(53,536)	(53,885)
Exercise of share options	1,775	-	-	-	1,775	888
Purchase of own shares	(6,793)	1,289	-	(1,289)	(6,793)	(12,163)
Goodwill written off (note)	-	-	-	-	-	(87,972)
Exchange differences	-	-	285	-	285	(1,273)
Profit for the period	-	-	-	14,892	14,892	38,270
At 30th September	731,642	5,246	(23,063)	54,204	768,029	870,347
Reserves					754,772	856,873
Proposed dividend					13,257	13,474
At 30th September					768,029	870,347

Note: The goodwill amount was subsequently changed to HK\$159,429,000 in the annual report for the year ended 31st March 2001 because prior year adjustment has been made in the accounts of the subsidiaries acquired during the year ended 31st March 2001, mainly resulted from the change in the basis of amortisation of service fee income.

### 13. Acquisition

On 30th June 2001, the Group obtained 55% interest in Shenzhen Sa Sa Ebeca Enterprise Limited which principally engaged in cosmetic trading. The acquired business contributed revenues of HK\$11,870,000 and loss of HK\$1,063,000 to the Group for the three months period from 1st July 2001 to 30th September 2001.

The assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Fixed assets (note 6)	6,376
Bank loans	(7,223)
Other assets and liabilities	9,961
Minority interest	(9,050)
	<hr/>
Fair value of net assets	64
Goodwill (note 7)	28,310
	<hr/>
Total consideration	<u>28,374</u>
Satisfied by:	
Cash consideration (note)	27,374
Expenses incurred in respect of acquisition of subsidiaries	1,000
	<hr/>
	<u>28,374</u>

There were no other significant changes in the composition of the Group during the period ended 30th September 2001.

Note: Out of the cash consideration, HK\$9,000,000 was paid up and held as deposits by 31st March 2001.

#### 14. Commitments

(a) *Capital commitments*

	<b>30th September 2001 HK\$'000</b>	31st March 2001 HK\$'000
Contracted but not provided for		
– acquisition of subsidiaries	–	29,374
– acquisition of fixed assets	<b>1,964</b>	3,225
Authorised but not contracted for		
– acquisition of fixed assets	–	1,837
	<b>–</b>	<b>–</b>

(b) *Commitments under operating leases*

As at 30th September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30th September 2001 HK\$'000</b>	Restated 31st March 2001 HK\$'000
<b>Land and buildings</b>		
Within one year	<b>137,028</b>	121,065
In the second to fifth year inclusive	<b>148,177</b>	137,651
After the fifth year	<b>389</b>	–
	<b>285,594</b>	258,716
<b>Machinery and club equipments</b>		
Within one year	<b>834</b>	899
In the second to fifth year inclusive	–	374
	<b>834</b>	1,273

#### 15. Contingent liabilities

	<b>30th September 2001 HK\$'000</b>	<b>Group</b> 31st March 2001 HK\$'000
Letter of credit issued	<b>6,652</b>	19,461
Bank guarantees in lieu of deposits	<b>6,660</b>	5,176
Forward contracts committed	–	743
	<b>13,312</b>	25,380



## 16. 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

### Interim Results

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 months' 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 vigorously. 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.



## 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.



## PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 30th September 2001, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:—

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of shares</b>
Mr. Kwok, Siu Ming, Simon	Corporate Interests (Note)	898,506,400
	Personal Interests	20,364,000
Mrs. Kwok, Law Kwai Chun, Eleanor	Corporate Interests (Note)	898,506,400
Mr. King, Roger	Family Interests	8,405,172
	Personal Interests	6,083,332
Mrs. Lee, Look Ngan Kwan, Christina	Personal Interests	148,000

Note: These shares are held as to 696,780,000 shares by Sunrise Height Incorporated and as to 201,726,400 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. Kwok Siu Ming, Simon and Mrs. Kwok Law Kwai Chun, Eleanor.

In addition, Mr. Kwok Siu Ming, Simon and Mrs. Kwok Law Kwai Chun, Eleanor are each taken to be interested in all the issued non-voting deferred shares in Sa Sa Cosmetic Company Limited, Sa Sa Investment Limited, Matford Trading Limited and Base Sun Investment Limited, all wholly-owned subsidiaries of the Company. Mrs. Kwok Law Kwai Chun, Eleanor is also taken to be interested in all the issued non-voting deferred shares of Vance Trading Limited.

Save as disclosed above, no directors, chief executive and their associates have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations required to be disclosed pursuant to the SDI Ordinance and the Model Code.

## DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to a Share Option Scheme approved by the shareholders of the Company on 22nd May 1997 ("the Share Option Scheme") the Company's directors may, at their discretion, invite executive directors and full time employees of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

During the period, 4,585,596 share options have been granted to Mr. Roger King in accordance with the terms set out in his service agreement as approved at the extraordinary general meeting on 14th September 1999. None of the options granted was exercised during the period. Details of the share options granted to Mr. Roger King are set out in Note 11(b).

Save as disclosed above, at no time during the period was the Company, its holding company or its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September 2001, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders who had or were deemed to have interest in 10% or more of the Company's issued share capital were:–

<b>Name</b>	<b>Number of ordinary shares beneficially held</b>
Sunrise Height Incorporated	696,780,000 (Note)
Green Ravine Limited	201,726,400 (Note)

Note: Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. Kwok Siu Ming, Simon and Mrs. Kwok Law Kwai Chun, Eleanor.

Save as disclosed above, no person was recorded in the register as having an interest amounting to 10% or more of the issued share capital of the Company as at 30th September 2001.



## REPURCHASE, SALE OR REDEMPTION OF SHARES

During the period, the Company has repurchased at HK\$8,082,551 for a total of its 12,894,000 fully paid up shares on the Stock Exchange, all of which had been duly cancelled. The directors consider the share repurchases will lead to an enhancement of the Group's earnings per share.

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 period.

## DIRECTORATE

As a result of the expiration of service contract of Mr. Chen Chou Fan, Edward on 31st March 2001, Mr. Chen ceased to be a director of the Company with effect from 1st April 2001. At the Annual General Meeting of the Company held on 30th August 2001, Mr. Gary William John Coull has retired as an independent non-executive director of the Company.



## AUDIT COMMITTEE

On 4th December 2001, Dr. Leung Kwok Fai, Thomas was appointed as a member of the Audit Committee to fill the vacancy left by Mr. Gary William John Coull who retired as a director of the Company at the Annual General Meeting held on 30th August 2001. The present members of the Audit Committee are Professor Chan Yuk Shee, Mr. Cheng Ming Fun, Paul and Dr. Leung Kwok Fai, Thomas.

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.

By Order of the Board  
**Kwok Siu Ming, Simon**  
*Chairman*

Hong Kong, 21st December 2001