



Interim Report 2003/2004



莎莎國際控股有限公司
SA SA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)



INTERIM RESULTS

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 2003. The unaudited interim financial statements for the six months ended 30th September 2003 have been reviewed by the Company's Audit Committee.

The Group's unaudited profit attributable to shareholders for the six months ended 30th September 2003 amounted to HK\$48.7 million, an increase of 51.2% over the same period of the previous year. Basic earnings per share were 3.8 HK cents.

The Board of Directors resolved to declare an interim dividend of 2.0 HK cents (2002: 1.0 HK cent) and a special dividend of 1.0 HK cent (2002: 1.0 HK cent) per share.

OPERATIONS REVIEW

For the six months ended 30th September 2003, the Group's turnover amounted to HK\$785.6 million, up by 3.3% over the turnover for the same period last year. As the Group disposed of Ebeca in March 2003, on a comparable basis ("Comparable Basis") the turnover of HK\$785.6 million represented a 5.9% increase after excluding Ebeca business from the turnover for the same period last year. Despite the impact of the SARS outbreak, the Group's net profit increased to HK\$48.7 million, an increase of 51.2% over the same period of the previous year.

The reasons for the satisfactory performance of the Group were multiple. Firstly, the sale of Ebeca business eliminated a drag on our profits. Secondly, there was a significant improvement in the performance of our beauty services business. Thirdly, retail business in the Hong Kong market, stimulated by the relaxed travel policy for PRC tourists, grew healthily in the second quarter of this fiscal year. Fourthly, we controlled our costs effectively.

Highlights of the Group's achievements for the six months ended 30th September 2003 were:

- Group turnover increased by 5.9% to HK\$785.6 million on a Comparable Basis
- Group turnover in the second quarter of this fiscal year has a year-on-year increase of 19.2% on a Comparable Basis
- The performance of the beauty services business showed improvement
- Profit attributable to shareholders increased by 51.2% to HK\$48.7 million
- Basic earnings per share increased by 52.0% to 3.8 HK cents

Retail and Wholesale Business

During the first half of fiscal year 2003/2004, the Group's retail and wholesale business saw growth in turnover of 5.4% on a Comparable Basis, reaching HK\$703.5 million as compared to HK\$667.2 million last year. Turnover growth in the second quarter of this fiscal year was a significant 20.1%. However, the gross profit margin of our retail and wholesale business was adversely affected during the period under review due to changes in our product mix resulting from the SARS outbreak and the appreciation of Euro dollars.

Hong Kong and Macau

Sa Sa's core retail base in Hong Kong and Macau continued to perform well despite economic volatility and the SARS outbreak. The growth in turnover was 6.0% for the period under review, but year-on-year turnover in the second quarter of this fiscal year registered an impressive growth rate of 21.6%. Comparable store sales growth in the second quarter of this fiscal year was also up by 17.3%. This healthy performance was based on increased spending by both PRC tourists and local consumers.

An increase in the number of PRC tourists in the second quarter of this fiscal year substantially offset the impact of the SARS outbreak during the first quarter. This impact was further mitigated by Sa Sa's adaptability to the retailing environment and by swift adjustment of our merchandise mix. Further positive factors underpinning robust growth in the second quarter were Sa Sa's strong brand awareness among PRC tourists and the popularity of beauty products, which have become a daily necessity for a significant sector of the population. This was reflected in the rapid rebound of local consumption following the SARS outbreak. Sa Sa opened one new store in July 2003, making the total number of stores 37 including two Elizabeth Arden counters as of 30th September 2003.

As a reflection of the excellent service on which our performance is based, Sa Sa was the only cosmetics chain store whose employee won the Courtesy and Service Award 2003 organised by the Hong Kong Retail Management Association.

Singapore and Malaysia

Turnover increased by 15.1% for the Singapore and Malaysia market and comparable store sales growth reached 8.0%.

A small loss was recorded as our performance was temporarily affected by the launch of strategic adjustments to increase market penetration, such as fine-tuning of merchandise mix and higher marketing costs. Our primary aim for these markets is to increase market share as from next year onwards. With this in mind, we opened two stores in Singapore and one store in Malaysia during the period.

Taiwan

One Sa Sa store was temporarily closed for relocation during the period and only two stores were in operation for most of the time. A third store was re-opened in August 2003 as the only beauty products tenant in a Japanese Department store in Hsinchu.

Turnover, which was affected by a slow recovery after the SARS outbreak and the temporary closure of one store, decreased by 23.9%. A small loss was recorded for the period under review but the situation has been contained.

E-commerce – Sasa.com

Turnover for Sasa.com during the period under review amounted to HK\$9.3 million, an increase of 68.8% on the HK\$5.5 million achieved in the corresponding period last year. The performance of Sasa.com was substantially upgraded through strategic marketing activities, adjustments in the product mix and extension of product range. The management will continue to drive improvements in brand awareness and promotions for Sasa.com in order to enhance penetration of overseas markets and to broaden its customer base.

In terms of regional recognition, it is gratifying to report that Sasa.com has been awarded the grand prize for the 2003 e-Korea & CEO Award in the category of "Specialized Cosmetics Shopping Website" by Good Day newspaper, one of South Korea's most popular newspapers with a daily circulation of 800,000 copies. Winning this Award shows that Sasa.com has an established foothold in the Korean cosmetics market and has already become one of South Korean's most favoured on-line cosmetics shopping sites.

SARS Impact

The impact of SARS on our retail and wholesale business performance was mixed. For the first quarter from April to June 2003, Hong Kong experienced a 10.7% decline, and Taiwan 33.9%. However, performance improved by 9.1% in Singapore and Malaysia (where the situation was strictly controlled) and Sasa.com business saw an increase of 67.8%.

Overall, the Group's retail and wholesale business performed well notwithstanding the decrease of gross profit margin of Sa Sa's retail business to 37.0% from 39.8%. This was a direct result of changes in our product mix due to SARS and the appreciation of Euro dollars.

Brand Management

Sales of private-label and exclusively distributed products increased by 7.5% and contributed to 26.3% of the Group's total retail and wholesale sales for the period under review. The addition of the Elizabeth Arden brand to the portfolio of our exclusively distributed products resulted in over 400% year-on-year sales growth for Elizabeth Arden products. New brands such as the fragrances of Alain Delon, La Perla and Mauboussin as well as Carlton hair care products were also secured. Supported by the strength of our brand management capabilities and by our reputation, the management will continue to strengthen the marketing and to boost the sales of these exclusive products.

Beauty Services

Despite the impact of SARS, turnover for beauty services was HK\$82.1 million, an increase of 10.1% over the HK\$74.6 million recorded for the corresponding period last year on a Comparable Basis. This was partly due to the opening of Sa Sa Beauty+, our first salon, which complements the Phillip Wain beauty and health clubs and Sa Sa's existing retail business.

Other factors that significantly contributed to Sa Sa beauty services' performance were the introduction of new treatments and facilities such as photo-facial treatments for both women and men, as well as stringent cost control measures including improvement of cost structure and rental reduction.

During the period under review, we also enhanced our market positioning by a new marketing campaign led by the "new image woman", which included TV advertisements and frequent promotions. We also began to broaden our customer base to include male customers.

Outlook

Sa Sa's vision for the future continues to be well-focused and decisive: we are positioning ourselves as the dominant cosmetic retailing and beauty services group in Asia.

Our business strategies to implement this vision are equally clear. We are focusing on gaining further market share in the highly competitive, flourishing Hong Kong market and are pursuing geographical expansion through entrance to the Mainland China market, as well as seeking expansion in our existing overseas markets of Singapore, Malaysia and Taiwan. For the second half of this fiscal year, the investment in the store expansion plan to increase the retail coverage in the region is estimated to be approximately HK\$20 million.

Sales management is a vital factor in our overall strategy. We are increasing our market competitiveness by constantly improving the level of our customer service and are also developing Sa Sa's appeal for younger customers through the introduction of new store design concepts in order to enhance our market positioning and broaden our customer base.

In terms of product management, our intention is to continue to introduce a wide variety of brands and to promote continuous improvement of our product mix to support growth. We aim to develop closer relationships with suppliers, as well as to further expand our exclusive distributorship business and to enhance the marketing of exclusive brands.

Hong Kong

Since no import tax is imposed on cosmetics in Hong Kong, such products have always been attractive to tourists to Hong Kong. This tourist market will further grow and become a driving stimulus to the overall economy as well as to the cosmetics market in Hong Kong, which in turn will drive consumption.

Visitor arrivals from Mainland China are expected to grow substantially due to the relaxed travel policy for PRC tourists visiting Hong Kong. It is estimated that such policy will result in a 15% – 30% growth of Mainland visitors to Hong Kong. As Mainland tourists now contribute to about 20% – 30% of Sa Sa's Hong Kong retail sales, this influx is expected to have major repercussions on sales growth. In addition, more tourist attractions will attract visitors to Hong Kong in the coming years, including Disneyland and the ASEAN Games.

As a reputable brand name popular with PRC tourists, Sa Sa will target its growth by providing a wider retail network for both local consumers and tourists. We will be opening five new stores and expanding some of the existing stores in tourist areas in the second half of the fiscal year. This increased presence aims to provide our customers with more convenience and better service. In addition, we will strengthen our marketing efforts and adjust our merchandise mix.

Going forward, we expect that the Hong Kong market will continue to benefit from the relaxed travel policy for PRC tourists as it takes further effect in the coming years.

Singapore and Malaysia

In Southeast Asia, Sa Sa's objective is to further increase market share. We have introduced a new store design to broaden our customer base and to enhance the shopping experience of our customers. We aim to give Sa Sa stores a more clear market positioning. We will place more emphasis on our exclusive brands, make strategic adjustments to the merchandise mix and strengthen our marketing and promotion efforts. We will continue to adjust the existing store sizes and locations. These efforts will improve our market competitiveness and build up a closer relationship with suppliers.

Taiwan

Sa Sa's intention is to strengthen our market positioning and product mix in Taiwan, as well as to boost Sa Sa's brand image. We are building the foundations for future expansion and the appointment of a new head of the country team will significantly underpin these efforts.

PRC

As is widely recognized, the PRC market offers considerable potential for retail business expansion and Sa Sa remains focused on seizing new opportunities in this market. This is particularly so now that CEPA allows for qualified Hong Kong companies to obtain wholly owned retail licenses in the PRC (commencing January 2004), considerably lowering the requirements. The acceptance of applications for these licenses will allow much greater flexibility for Sa Sa's entrance to the China market. We are now making all necessary preparatory arrangements and planning for the license application process and for future operations.

Overall, our aim is to foster close working relationships with our suppliers in the PRC and to offer alternative channels to department stores, which are now the only distribution channel for most cosmetic brands. As a specialist alternative, Sa Sa has more flexibility in its choice of store locations because of our smaller store size requirements. In the long term, therefore, we can provide a better sales network coverage. As a first step, we intend to open one or two directly managed prototype stores in major cities of the PRC in 2004.

Beauty Services

Sa Sa remains confident of the growth potential of the beauty services market in the region. We continue to aim to serve the all-round beauty needs of our customers by offering comprehensive beauty products and services. We are also focusing on scalable, better managed, and more effective operations. We hope that these will provide a solid foundation for further regional expansion in the future.

Through continuous drives to achieve higher cost effectiveness and operational efficiency, we are confident in the continuation of our improved performance in this sector. Significant progress has been made in Hong Kong and we will now move on to strive for similar results in overseas markets. In order to provide better services to our customers, a new Sa Sa Beauty+ centre will be opened in Tsimshatsui in December 2003.

Employees

As at 30th September 2003, the Group had a total of 1,655 employees. Staff costs for the period under review were HK\$132.2 million. To ensure that the Group is able to attract and retain staff with good performance, remuneration packages are reviewed on a regular basis and share options, as explained below, are offered to qualified employees. Staff development initiatives were implemented during the period through in-house training programmes and the provision of financial subsidies for external training courses.

Share Option Scheme

On 30th October 2003, the Company granted share options under the Share Option Scheme adopted on 29th August 2002 to qualified employees to reward them for their long-term contributions to the Group and to encourage them to continue their dedication to the service of the Group.

The aims of the grant of share options are to align the goals and objectives of individual employees with those of the Group, to promote teamwork, to encourage employees to contribute to the success of the Group, and to enable our employees to share in the results of the Group.

Share options have been granted to 491 management staff and long-serving staff. Certain conditions, which are largely based on the staff's performance targets, have to be fulfilled by the staff before they can exercise their share options.

FINANCIAL REVIEW

Capital Resources and Liquidity

As at 30th September 2003, the Group's total shareholders' funds were HK\$766.7 million including reserves of HK\$638.9 million. The Group continued to maintain a strong financial position with cash and bank balances plus held-to-maturity securities in aggregate of HK\$723.0 million (please see table below). The Group's working capital plus held-to-maturity securities were HK\$742.9 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.

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Held-to-maturity securities	69,560	70,544
Cash and bank balances	653,468	650,913
Total	723,028	721,457

As at 30th September 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 period, 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 six months ended 30th September 2003 were HK\$766.7 million, which represented a 0.8% increase over the total funds employed of HK\$760.3 million for the year ended 31st March 2003.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 30th September 2003 and 31st March 2003.

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 period. 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 30th September 2003, the Group had HK\$51.4 million outstanding forward foreign exchange contracts committed for payment in foreign currencies in the coming year.

Charge on Group Asset

At 30th September 2003, no Group asset was under charge to financial institution.

Contingent Liabilities

The Group had no contingent liability as at 30th September 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30th September	
		2003 HK\$'000	Restated 2002 HK\$'000
Turnover	2	785,612	760,377
Cost of goods sold		(448,818)	(416,680)
Gross profit		336,794	343,697
Other revenues		11,942	11,943
Staff costs		(132,197)	(144,919)
Depreciation and amortisation		(16,274)	(22,750)
Other operating expenses		(142,430)	(153,731)
Operating profit		57,835	34,240
Finance costs		(2)	(123)
Profit before taxation	2	57,833	34,117
Taxation	3	(9,169)	(7,928)
Profit after taxation		48,664	26,189
Minority interests		–	5,994
Profit attributable to shareholders		48,664	32,183
Dividends	4	38,436	25,334
Earnings per share – Basic	5	3.8 cents	2.5 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September 2003 HK\$'000	Restated Audited 31st March 2003 HK\$'000
	Note		
Non-current assets			
Fixed assets	6	83,359	89,306
Investment securities		9,143	37,723
Deferred tax assets		19,600	18,124
		112,102	145,153
Current assets			
Inventories		253,165	215,880
Trade receivables	7	15,757	13,134
Other receivables, deposits and prepayments		59,085	55,081
Tax recoverable		2,354	2,331
Investment securities		61,487	33,891
Cash and bank balances		653,468	650,913
		1,045,316	971,230
Current liabilities			
Trade and bills payables	8	126,282	89,314
Other payables and accrued charges		77,759	80,991
Taxation payable		27,705	32,102
Current portion of receipts in advance		78,780	76,134
		310,526	278,541
Net current assets		734,790	692,689
Total assets less current liabilities		846,892	837,842

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30th September 2003 HK\$'000	Restated Audited 31st March 2003 HK\$'000
	Note		
Financed by:			
Share capital	9	127,721	126,668
Reserves		600,497	582,941
Proposed dividend		38,436	50,667
Total capital and reserves		766,654	760,276
Non-current liabilities			
Receipts in advance		72,126	72,888
Retirement benefits obligations		7,134	3,840
Deferred tax liabilities		978	838
		80,238	77,566
		846,892	837,842

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	HK\$'000	HK\$'000
Net cash flows from operating activities	49,885	111,205
Net cash flows from/(used in) investing activities (Note)	11,729	(161,447)
Net cash used in financing activities	(40,947)	(89,749)
Increase/(decrease) in cash and cash equivalents	20,667	(139,991)
Cash and cash equivalents at 1st April	270,293	656,119
Effect of foreign exchange rate changes	(1,992)	544
Cash and cash equivalents at 30th September	288,968	516,672
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	288,968	516,672

Reconciliation of cash and cash equivalents in respect of cash and bank balances:

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	HK\$'000	HK\$'000
Cash and bank balances	653,468	601,782
Cash and bank balances over three months to maturity	(364,500)	(85,110)
Cash and cash equivalents	288,968	516,672

Note:

Net cash flows from/(used in) investing activities represent:

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	HK\$'000	HK\$'000
Decrease/(increase) in investment securities	984	(77,488)
Decrease/(increase) in cash and bank balances over three months to maturity	16,120	(85,110)
Other investing activities	(5,375)	1,151
Net cash flows from/(used in) investing activities	11,729	(161,447)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	
At 1st April 2003, as previously reported	126,668	665,787	11,783	(24,344)	(36,904)	742,990
Change in accounting policy – provision for net deferred tax assets (note 1)	–	–	–	136	17,150	17,286
At 1st April 2003, as restated	126,668	665,787	11,783	(24,208)	(19,754)	760,276
Exercise of share options	1,053	8,677	–	–	–	9,730
Exchange differences	–	–	–	(1,341)	–	(1,341)
Profit for the period	–	–	–	–	48,664	48,664
Final dividend paid	–	–	–	–	(50,675)	(50,675)
At 30th September 2003	127,721	674,464	11,783	(25,549)	(21,765)	766,654
Representing:						
Share capital						127,721
Reserves						600,497
Proposed dividend						38,436
At 30th September 2003						766,654

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital HK\$'000	Share premium HK\$'000	Unaudited		Accumulated losses HK\$'000	Total HK\$'000
			Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000		
At 1st April 2002, as previously reported	131,833	725,360	6,501	(25,163)	(46,353)	792,178
Change in accounting policy						
– provision for net deferred tax assets (note 1)	–	–	–	–	14,391	14,391
At 1st April 2002, as restated	131,833	725,360	6,501	(25,163)	(31,962)	806,569
Issuance of shares	117	–	–	–	–	117
Repurchase of own shares	(5,155)	(33,635)	5,155	–	(5,155)	(38,790)
Exchange differences	–	–	–	935	–	935
Profit for the period	–	–	–	–	32,183	32,183
Final dividend paid	–	–	–	–	(50,732)	(50,732)
At 30th September 2002	126,795	691,725	11,656	(24,228)	(55,666)	750,282
Representing:						
Share capital						126,795
Reserves						598,153
Proposed dividend						25,334
At 30th September 2002						750,282

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated 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.

These interim accounts should be read in conjunction with the 2002/2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has changed the accounting policy for deferred taxation following the adoption of SSAP 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants which becomes effective for accounting periods commencing on or after 1st January 2003.

The effect of adopting this revised accounting standard is set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening reserves at 1st April 2002 and 2003 have been increased by HK\$14,391,000 and HK\$17,286,000 respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$18,124,000 and HK\$838,000 respectively.

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 beauty and health club services.

(a) Primary reporting format – business segments

	Six months ended 30th September 2003			
	Retail and wholesale HK\$'000	Beauty and health club services HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Turnover	703,471	82,141	–	785,612
Results				
Segment results	49,753	1,663	–	51,416
Interest income	6,757	15	(353)	6,419
Interest expenses	–	(355)	353	(2)
Profit before taxation	56,510	1,323	–	57,833
Taxation				(9,169)
Profit after taxation				48,664
Minority interests				–
Profit attributable to shareholders				48,664

(a) Primary reporting format – business segments (continued)

	Six months ended 30th September 2002			
	Retail and wholesale HK\$'000	Beauty and health club services HK\$'000	Inter-segment elimination HK\$'000	Restated Total HK\$'000
Turnover	682,606	77,771	–	760,377
Results				
Segment results	39,601	(12,173)	–	27,428
Interest income	5,858	1,062	(108)	6,812
Interest expenses	(106)	(125)	108	(123)
Profit/(loss) before taxation	45,353	(11,236)	–	34,117
Taxation				(7,928)
Profit after taxation				26,189
Minority interests				5,994
Profit attributable to shareholders				32,183

(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.

	Six months ended 30th September 2003			
	Greater China HK\$'000	Taiwan HK\$'000	South Asia HK\$'000	Total HK\$'000
Turnover	681,875	26,954	76,783	785,612
Results				
Segment results	54,586	(207)	(2,963)	51,416
Interest income	5,876	11	532	6,419
Interest expenses	–	–	(2)	(2)
Profit/(loss) before taxation	60,462	(196)	(2,433)	57,833

	Six months ended 30th September 2002			
	Greater China HK\$'000	Taiwan HK\$'000	South Asia HK\$'000	Total HK\$'000
Turnover	654,707	35,414	70,256	760,377
Results				
Segment results	29,391	527	(2,490)	27,428
Interest income	6,186	23	603	6,812
Interest expenses	(106)	–	(17)	(123)
Profit/(loss) before taxation	35,471	550	(1,904)	34,117

3. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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 to the condensed consolidated profit and loss account represents:

	Six months ended 30th September	
	2003 HK\$'000	Restated 2002 HK\$'000
Current taxation:		
– Hong Kong profits tax	8,238	6,357
– Overseas taxation	2,116	1,861
– (Over)/under provision in previous periods	(190)	4
Deferred taxation	(995)	(294)
	9,169	7,928

4. Dividends

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Interim, proposed – 2.0 HK cents (2002: 1.0 HK cent) per ordinary share	25,624	12,667
Special, proposed – 1.0 HK cent (2002: 1.0 HK cent) per ordinary share	12,812	12,667
	38,436	25,334

At a meeting held on 3rd December 2003, the Directors declared an interim dividend of 2.0 HK cents and a special dividend of 1.0 HK cent per ordinary share. These proposed dividends are not reflected as dividend payables in these condensed accounts, but will be reflected as an appropriation of distributable reserve for the year ending 31st March 2004.

5. Earnings per share

- The calculation of basic earnings per ordinary share is based on the Group's profit attributable to shareholders of HK\$48,664,000 (2002: HK\$32,183,000 (as restated)).
- The basic earnings per ordinary share is based on the weighted average of 1,268,500,672 (2002: 1,289,242,226) ordinary shares in issue during the period.
- The diluted earnings per share is not materially different from the basic earnings per share as the dilution from the potential exercise of the share options granted by the Company outstanding at 30th September 2003 is immaterial (30th September 2002: No dilutive effect). Accordingly, diluted earnings per share has not been shown.

6. Fixed Assets

	HK\$'000
At 1st April 2003	89,306
Additions	10,038
Disposals/write-off	(8)
Depreciation	(16,274)
Exchange differences	297
At 30th September 2003	83,359

7. Trade receivables

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

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Within 1 month	13,391	11,472
1 – 3 months	992	1,168
Over 3 months	1,374	494
	15,757	13,134

8. Trade and bills payables

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

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Within 1 month	58,063	37,230
1 – 3 months	68,055	51,702
Over 3 months	164	382
	126,282	89,314

9. Share capital

		Company – Authorised Ordinary shares of HK\$0.1 each	
		No. of shares	HK\$'000
At 30th September 2003 and 1st April 2003		8,000,000,000	800,000
		Company – Issued and fully paid Ordinary shares of HK\$0.1 each	
		No. of shares	HK\$'000
	Note		
At 1st April 2002		1,318,332,500	131,833
Issuance of shares		1,166,672	117
Repurchase of shares		(52,820,000)	(5,282)
At 31st March 2003 and 1st April 2003		1,266,679,172	126,668
Issuance of shares	(a)	10,529,000	1,053
At 30th September 2003		1,277,208,172	127,721

(a) *Issuance of shares*

During the six months ended 30th September 2003, a total of 529,000 and 10,000,000 ordinary shares were issued to certain staff members and to an ex-director pursuant to the exercise of share options under the 1997 Share Option Scheme and the terms of the ex-director's service agreement with the Company dated 2nd August 1999 ("Service Agreement") respectively. Subsequent to 30th September 2003, a total of 4,000,000 ordinary shares were issued to the ex-director upon exercise of share options pursuant to the terms of the Service Agreement.

(b) *Share Option*

The movements in the number of share options granted, exercised and lapsed pursuant to the 1997 Share Option Scheme, 2002 Share Option Scheme and the Service Agreement during the period are as follows:–

	Number of share options		
	1997 Share Option Scheme	2002 Share Option Scheme	Service Agreement with an ex-director
As at 1st April 2003	26,070,520	7,500,000	27,513,587
Add: share options granted during the six months ended 30th September 2003	–	400,000 note (ii)	–
Less: share options exercised during the six months ended 30th September 2003	(529,000)	–	(10,000,000)
Less: share options lapsed during the six months ended 30th September 2003	(1,160,000) note (i)	–	–
As at 30th September 2003	24,381,520	7,900,000 note (iii)	17,513,587 note (iv)

Notes:

- (i) During the six months ended 30th September 2003, 944,000 and 216,000 share options granted pursuant to the 1997 Share Option Scheme lapsed upon the resignation of 2 employees and termination of employment of 2 employees respectively.
- (ii) During the six months ended 30th September 2003, the Company granted share options pursuant to the 2002 Share Option Scheme to an employee on 1st September 2003 to subscribe for an aggregate of 400,000 shares in the Company at an exercise price of HK\$1.81 per share. The closing price of the shares immediately before the date on which the options were granted was HK\$1.60. The employee may exercise 133,334 share options one year from the date of grant and the remaining balance of the share options may be exercised subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 31st August 2013.
- (iii) Subsequent to 30th September 2003, the Company granted share options pursuant to the 2002 Share Option Scheme as follows:–
- (1) on 2nd October 2003, the Company granted share options to an employee to subscribe for an aggregate of 1,000,000 shares at an exercise price of HK\$1.88 per share. The closing price of the shares immediately before the date on which the options were granted was HK\$1.87. The employee may exercise 333,334 share options one year from the date of grant and the remaining balance of the share options may be exercised subject to certain performance targets that must be reached by the employee;
 - (2) on 30th October 2003, the Company granted share options to an employee* to subscribe for an aggregate of 1,000,000 shares at an exercise price of HK\$1.68 per share. The closing price of the shares immediately before the date on which the options were granted was HK\$1.74. The employee may exercise 333,334 share options one year from the date of grant and the remaining balance of the share options may be exercised subject to certain performance targets that must be reached by the employee;
 - (3) on 30th October 2003, the Company granted share options to 376 employees* who had completed a minimum of 5 years of employment with the Group as at 30th September 2003 to subscribe for an aggregate of 40,493,000 shares at an exercise price of HK\$1.68 per share in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the business of the Group. The closing price of the shares immediately before the date on which the options were granted was HK\$1.74. The employees may exercise 1/3 of their respective share options one year, two years and three years respectively from the date of grant. Subsequent to 30th October 2003, 55,000 and 25,000 share options lapsed upon the resignation of an employee and termination of employment of an employee respectively; and
 - (4) on 30th October 2003, the Company granted share options to 226 employees* of the Company who are of managerial level or above to subscribe for an aggregate of 40,650,000 shares at an exercise price of HK\$1.68 per share in order to encourage and motivate them to continue to contribute to the success of the business of the Group. The closing price of the shares immediately before the date on which the options were granted was HK\$1.74. The employees may exercise 1/3 of their share options three years from the date of grant and the remaining balance of their share options may be exercised subject to certain performance targets that must be reached by the employees. Subsequent to 30th October 2003, 424,000 share options lapsed upon the resignation of 3 employees.
- * after eliminating duplication, the number of employees is 491 in total.
- (iv) Subsequent to 30th September 2003, 4,000,000 ordinary shares were issued to an ex-director upon exercise of share options at an exercise price of HK\$0.928 per share pursuant to the terms of the Service Agreement.

10. Commitments

(a) *Capital commitments in respect of acquisition of fixed assets:*

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Contracted but not provided for	3,458	417
Authorised but not contracted for	1,019	–

(b) *Commitments under operating leases*

The Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Land and buildings		
Within one year	124,521	138,767
In the second to fifth year inclusive	110,061	106,361
After the fifth year	966	–
	235,548	245,128

(c) *Foreign currency contracts*

The Group and the Company had entered into agreements for forward purchases of foreign currencies in the ordinary course of business. As at 30th September 2003, the total outstanding foreign exchange contracts purchased with banks amounted to HK\$51,437,000 (31st March 2003: HK\$32,031,000) for the Group and HK\$51,437,000 (31st March 2003: HK\$16,394,000) for the Company.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board of Directors has resolved to declare an interim dividend of 2.0 HK cents per ordinary share (2002: 1.0 HK cent) and a special dividend of 1.0 HK cent per ordinary share (2002: 1.0 HK cent) for the six months ended 30th September 2003 to be payable to shareholders whose names appear on the Register of Members of the Company on 19th December 2003.

The interim dividend and special dividend will be paid around 30th December 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18th December 2003 to 19th December 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the aforementioned interim dividend and special dividend, all valid documents in respect of 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, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 17th December 2003.

DIRECTORATE

At the Annual General Meeting of the Company held on 28th August 2003, Mrs. KWOK LAW, Kwai Chun, Eleanor and Mr. LOOK, Guy retired as executive directors of the Company and both being eligible for re-election were re-elected as executive directors of the Company.

As at 30th September 2003 and at the date of this report, the members of the Board of Directors are:

Executive Directors

Mr. KWOK, Siu Ming, Simon (Chairman)
Mrs. KWOK LAW, Kwai Chun, Eleanor (Vice-Chairman)
Mr. LOOK, Guy

Independent Non-executive Directors

Professor CHAN, Yuk Shee
Mrs. LEE LOOK, Ngan Kwan, Christina
Dr. LEUNG, Kwok Fai, Thomas

ISSUE OF SHARES

During the six months ended 30th September 2003, the Company issued and allotted a total of 10,529,000 shares of HK\$0.10 each of the Company to certain staff members and an ex-director pursuant to their exercise of share options under the scheme adopted by the Company on 22nd May 1997 and share options in accordance with the terms set out in the Service Agreement respectively. The issue of shares to the ex-director constituted a connected transaction for the purpose of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and was approved by shareholders of the Company at the extraordinary general meeting on 14th September 1999.

SHARE OPTIONS

(I) 1997 Share Option Scheme

On 29th August 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 22nd May 1997 (the "1997 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme"). Upon the termination of the 1997 Share Option Scheme, no further options will be granted under the 1997 Share Option Scheme but its provisions will remain in full force and effect in respect of the options granted.

Details of the share options which were granted under the 1997 Share Option Scheme and remained outstanding as at 30th September 2003 are as follows:

	Date of grant	Subscription price per share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st April 2003	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2003
Director									
Mr. LOOK, Guy	24th April 2002	HK\$0.80	24th April 2003 to 23rd April 2012	1 year	4,000,000	-	-	-	4,000,000
	24th April 2002	HK\$0.80	24th April 2004 to 23rd April 2012	2 years	5,000,000	-	-	-	5,000,000
	24th April 2002	HK\$0.80	24th April 2005 to 23rd April 2012	3 years	4,116,285	-	-	-	4,116,285
Employees Under Continuous Employment Contract									
	9th September 1997	HK\$2.01	9th September 1997 to 8th September 2007	-	1,808,000	-	-	(418,000) note	1,390,000
	9th September 1997	HK\$2.01	9th September 1998 to 8th September 2007	1 year	1,808,000	-	-	(418,000) note	1,390,000
	9th September 1997	HK\$1.90	9th September 1998 to 8th September 2007	1 year	7,098,000	-	-	(324,000) note	6,774,000
	14th June 2000	HK\$0.96	14th June 2003 to 13th June 2010	3 years	229,000	-	(229,000)	-	-
	21st June 2000	HK\$0.93	21st June 2001 to 20th June 2010	1 year	374,000	-	(82,000)	-	292,000
	21st June 2000	HK\$0.93	21st June 2002 to 20th June 2010	2 years	374,000	-	(18,000)	-	356,000
	4th June 2001	HK\$0.68	4th June 2002 to 3rd June 2011	1 year	196,078	-	(196,078)	-	-
	4th June 2001	HK\$0.68	4th June 2003 to 3rd June 2011	2 years	196,078	-	(3,922)	-	192,156
	4th June 2001	HK\$0.68	4th June 2004 to 3rd June 2011	3 years	196,079	-	-	-	196,079
	24th April 2002	HK\$0.80	24th April 2005 to 23rd April 2012	3 years	675,000	-	-	-	675,000
					26,070,520	-	(529,000)	(1,160,000)	24,381,520

Note: During the six months ended 30th September 2003, 944,000 and 216,000 share options lapsed upon the resignation of 2 employees and termination of employment of 2 employees respectively.

(II) 2002 Share Option Scheme

The 2002 Share Option Scheme was approved by the shareholders of the Company at the Annual General Meeting held on 29th August 2002. During the period, the Company has granted share options to an employee pursuant to the 2002 Share Option Scheme. Details of the share options which were granted to the eligible participants under the 2002 Share Option Scheme and remained outstanding as at 30th September 2003 are as follows:–

	Date of grant	Subscription price per share	Exercisable period	Vesting period (from the date of grant)	Options outstanding as at 1st April 2003	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2003
Director									
Professor CHAN, Yuk Shee	16th December 2002	HK\$0.76	16th December 2003 to 15th December 2012	1 year	1,000,000	–	–	–	1,000,000
Mrs. LEE, LOOK Ngan Kwan, Christina	16th December 2002	HK\$0.76	16th December 2003 to 15th December 2012	1 year	1,000,000	–	–	–	1,000,000
Dr. LEUNG, Kwok Fai, Thomas	16th December 2002	HK\$0.76	16th December 2003 to 15th December 2012	1 year	1,000,000	–	–	–	1,000,000
Employees									
Under Continuous Employment Contract	6th January 2003	HK\$0.77	6th January 2005 to 5th January 2013	2 years	500,000	–	–	–	500,000
	7th March 2003	HK\$0.91	5th March 2004 to 6th March 2013	1 year from date of employment	1,333,334	–	–	–	1,333,334
	7th March 2003	HK\$0.91	note (i)	note (i)	1,000,000	–	–	–	1,000,000
	7th March 2003	HK\$0.91	note (i)	note (i)	1,000,000	–	–	–	1,000,000
	7th March 2003	HK\$0.91	note (ii)	note (ii)	333,333	–	–	–	333,333
	7th March 2003	HK\$0.91	note (ii)	note (ii)	333,333	–	–	–	333,333
	1st September 2003	HK\$1.81	1st September 2004 to 31st August 2013	1 year	–	133,334 note (iii)	–	–	133,334
	1st September 2003	HK\$1.81	note (iv)	note (iv)	–	133,333 note (iii)	–	–	133,333
	1st September 2003	HK\$1.81	note (iv)	note (iv)	–	133,333 note (iii)	–	–	133,333
					7,500,000	400,000	–	–	7,900,000 note (v)

Notes:

- (i) The exercise of the share options is subject to certain performance targets that must be reached by the employee on or before 31st March 2006. A minimum of 800,000 shares shall be vested in the employee one month from the date the employee achieves the performance target specified in the share option offer letter to the employee. The number of shares vested in the employee shall be increased proportionately up to a maximum of 1,000,000 shares depending on the percentage of the performance target being achieved. The share options shall be exercised by the employee not later than 6th March 2013.
- (ii) The exercise of the share options is subject to certain performance targets that must be reached by the employee on or before 31st March 2006. A minimum of 266,666 shares shall be vested in the employee one month from the date the employee achieves the performance target specified in the share option offer letter to the employee. The number of shares vested in the employee shall be increased proportionately up to a maximum of 333,333 shares depending on the percentage of the performance target being achieved. The share options shall be exercised by the employee not later than 6th March 2013.
- (iii) The closing price of the shares immediately before the date on which the options were granted was HK\$1.60.
- (iv) The exercise of the share options is subject to certain performance targets that must be reached by the employee. The share options shall be exercised by the employee not later than 31st August 2013.
- (v) Subsequent to 30th September 2003, the Company granted share options pursuant to the 2002 Share Option Scheme as follows:—
- (1) on 2nd October 2003, the Company granted share options to an employee to subscribe for an aggregate of 1,000,000 shares at an exercise price of HK\$1.88 per share. The closing price of the shares immediately before the date on which the options were granted was HK\$1.87. The employee may exercise 333,334 share options one year from the date of grant and the remaining balance of the share options may be exercised subject to certain performance targets that must be reached by the employee;
 - (2) on 30th October 2003, the Company granted share options to an employee* to subscribe for an aggregate of 1,000,000 shares at an exercise price of HK\$1.68 per share. The closing price of the shares immediately before the date on which the options were granted was HK\$1.74. The employee may exercise 333,334 share options one year from the date of grant and the remaining balance of the share options may be exercised subject to certain performance targets that must be reached by the employee;
 - (3) on 30th October 2003, the Company granted share options to 376 employees* who had completed a minimum of 5 years of employment with the Group as at 30th September 2003 to subscribe for an aggregate of 40,493,000 shares at an exercise price of HK\$1.68 per share in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the business of the Group. The closing price of the shares immediately before the date on which the options were granted was HK\$1.74. The employees may exercise 1/3 of their respective share options one year, two years and three years respectively from the date of grant. Subsequent to 30th October 2003, 55,000 and 25,000 share options lapsed upon the resignation of an employee and termination of employment of an employee respectively; and
 - (4) on 30th October 2003, the Company granted share options to 226 employees* of the Company who are of managerial level or above to subscribe for an aggregate of 40,650,000 shares at an exercise price of HK\$1.68 per share in order to encourage and motivate them to continue to contribute to the success of the business of the Group. The closing price of the shares immediately before the date on which the options were granted was HK\$1.74. The employees may exercise 1/3 of their share options three years from the date of grant and the remaining balance of their share options may be exercised subject to certain performance targets that must be reached by the employees. Subsequent to 30th October 2003, 424,000 share options lapsed upon the resignation of 3 employees.
- * after eliminating duplication, the number of employees is 491 in total.

(III) Share Options under an Ex-director's Service Agreement

The Company has granted to Mr. KING, Roger ("Mr. KING"), an ex-director of the Company, share options in accordance with the terms set out in the Service Agreement which was approved by the shareholders of the Company at an extraordinary general meeting on 14th September 1999. The details of the share options which were granted to Mr. KING and remained outstanding as at 30th September 2003 are set out as follows:

Date of grant	Subscription price per share	Exercisable period	Vesting period	Options outstanding as at 1st April 2003	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options outstanding as at 30th September 2003
14th September 1999 to 9th May 2002 note (i)	HK\$0.928	14th September 1999 to 2nd February 2007	-	27,513,587	-	10,000,000	-	17,513,587 note (ii)

Notes: (i) Due to the large number of monthly grants of options under the Service Agreement, the dates of grant are shown in a summarised manner.

(ii) Subsequent to 30th September 2003, a total of 4,000,000 ordinary shares of the Company were issued to Mr. KING on 3rd November 2003 and 19th November 2003 upon his exercise of 2,000,000 share options each pursuant to the terms of the Service Agreement. As a result, the options of Mr. KING outstanding as at the date of this report was 13,513,587.

The financial impact of options granted will not be recorded in the accounts of the Group until such time when the options are exercised. Upon the exercise of the options, the resulting shares issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of shares will be recorded by the Company in the share premium account. Options which have lapsed prior to their exercise date will be deleted from the outstanding options.

The directors do not consider it appropriate to state the value of the options granted during the six months ended 30th September 2003 as a number of variables which are crucial for the calculation of the value of the options have not been determined. The directors believe that any calculation of the value of the options based on a great number of speculative assumptions would not be meaningful and would be misleading.

REPURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th September 2003, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2003, the interests or short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules, were as follows:

(I) Long position in shares of the Company

Name of director	Nature of interest	Number of shares
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
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.

(II) Long position of shares in associated corporations

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 of 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, a wholly-owned subsidiary of the Company.

Save as disclosed above, no directors or chief executive have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Options" above, at no time during the six months ended 30th September 2003 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled 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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any director or chief executive of the Company, as at 30th September 2003, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

Long position of substantial shareholders in the shares of the Company

Name	Number of ordinary shares beneficially held
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, the Company has not been notified by any person (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

For the six months ended 30th September 2003, certain members and ex-members of the Group entered into the following transactions defined by the Listing Rules as “connected transactions”. Details of such transactions are as follows:

(I) Sa Sa Cosmetic Company Limited and its subsidiaries (“Sa Sa Cosmetic Group”) and Lisbeth Enterprises Limited and its subsidiaries (“Lisbeth Group”)

As Lisbeth Enterprises Limited became a wholly owned subsidiary of the Company on 10th March 2003, any transactions and loans between Sa Sa Cosmetic Group and Lisbeth Group and any management fees charged after the said date will no longer be required to be disclosed pursuant to the Listing Rules.

(II) Sa Sa Cosmetic Company Limited and Ebeca Cosmetic (Holding) Limited

Pursuant to sales and purchases in their ordinary course of business and on normal commercial terms during the year ended 31st March 2003 between Sa Sa Cosmetic Company Limited (“Sa Sa Cosmetic”), a wholly owned subsidiary of the Company, and Ebeca Cosmetic (Holding) Limited (“Ebeca”), a wholly owned subsidiary of Shenzhen Sa Sa Ebeca Enterprise Ltd. (“Shenzhen Sa Sa”), Ebeca owed Sa Sa Cosmetic HK\$412,000 as at 28th March 2003. Shenzhen Sa Sa was a 55% owned subsidiary of Sa Sa (China) Holdings Limited which was in turn a wholly owned subsidiary of the Company, the entire interest of which was disposed of by the Company on 28th March 2003.

It had been agreed between Ebeca and Sa Sa Cosmetic that Ebeca would repay HK\$206,000 to Sa Sa Cosmetic by cash and the remaining balance of HK\$206,000 would be settled by an equivalent sum of products of Ebeca on or before 30th November 2003. During the six months ended 30th September 2003, HK\$206,000 had been settled by cash by Ebeca in May 2003 and HK\$56,000 and HK\$150,000 equivalent of products had been delivered to Sa Sa Cosmetic in June 2003 and October 2003 respectively.

According to the Stock Exchange, although the Company disposed of its interests in Sa Sa (China) Holdings Limited on 28th March 2003, any transactions between the Group and Ebeca for the 12 month period from 28th March 2003 will still be considered as connected transactions pursuant to Rule 14.03(2) (c) of the Listing Rules.

(III) Service Agreement of an ex-director

On 2nd August 1999, the Company entered into the Service Agreement to appoint Mr. KING as the president and chief executive officer of the Company. At the same time, Mr. KING, who had previously been an independent non-executive director of the Company, was appointed as an executive director of the Company. The services of Mr. KING under the Service Agreement were completed on 10th May 2002.

Pursuant to the Service Agreement, a total of 9,000,000 new shares in the Company would be issued to Mr. KING over a period of three years as his remuneration and he would also be granted options to subscribe for shares ("Share Options") in the Company in accordance with the terms set out in the Service Agreement. The issue of new shares and Share Options to Mr. KING constituted a connected transaction for the purpose of Chapter 14 of the Listing Rules which was approved by shareholders of the Company at an extraordinary general meeting held on 14th September 1999.

For the six months ended 30th September 2003 and subsequent thereto, a total of 14,000,000 ordinary shares of the Company were issued to Mr. KING pursuant to his exercise of Share Options.

AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company established an Audit Committee in 1999. The Committee comprises two independent non-executive directors and has adopted 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.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements with management.

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 ended 30th September 2003 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 meetings in accordance with the Articles of Association of the Company.

By Order of the Board

Kwok Siu Ming, Simon

Chairman and Chief Executive Officer

Hong Kong, 3rd December 2003