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SA SA INTERNATIONAL HOLDINGS LIMITED

莎莎國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 178)

Unaudited Sales Updates for the First Quarter ended 30 June 2020

The board of directors of Sa Sa International Holdings Limited (the "Company") announces the unaudited sales update of the Company and its subsidiaries (the "Group") for the first quarter from 1 April to 30 June 2020.

Highlights	
Group - Retail and Wholesale (Continuing operations)	
	<i>3 months ended 30 June 2020</i>
Turnover (HK\$ million)	590.5
YoY% change	-67.9%
HK and Macau SARs - Retail and Wholesale	
Turnover (HK\$ million)	406.3
YoY% change	-74.3%
Same store sales YoY % change	-71.9%
Average sales per transaction (HK\$)	198
YoY% change	-42.0%
Total no. of transactions (million)	2.0
YoY% change	-57.0%

For the first quarter from 1 April to 30 June 2020, the Group's retail and wholesale turnover decreased by 67.9% on a year on year basis.

In the Hong Kong and Macau SARs, the Group's retail and wholesale turnover decreased by 74.3% year on year, while same store sales dropped by 71.9%. The COVID-19 pandemic resulted in a decline in mainland tourist arrivals, leading to 98.4% decline in the Group's

number of transactions with mainland tourists, as well as 57.0% decline in the overall transaction volume. The average sales per transaction of local customers dropped by 6.5%. While the basket size of the local customers is smaller, their transaction volume mix has become very significant, this change has resulted in a 42.0% drop in overall basket size.

Local customers now account for the bulk of the Group's revenue in the Hong Kong and Macau SARs. To meet with their needs, the Group is adjusting its product mix by enriching product offerings for protection against pandemic, personal care, etc. This enhances the loyalty of existing customers and broadens the customers base. In the Macau SAR, the Consumption Subsidy Scheme adopted by the government in May drove up the transaction volume of local customers, leading to year on year double-digit sales growth from local customers in both May and June.

The Group has been actively pursuing e-commerce development, especially social commerce which could leverage on the strength of Sa Sa's beauty consultants. Thanks to the personal service element, social commerce presents a bigger potential in delivering better performance in house brand sales mix, gross margin and basket sizes as compared to traditional pure online sales. Piloted in October last year, the WeChat mini-programme achieved satisfactory progress in targeting mainland customers who visited retail shops in the Hong Kong and Macau SARs. Due to a low base and the effect of the 618 Shopping Festival, the sales of WeChat mini-programme more than doubled on a quarter on quarter basis in the first quarter though it is still inadequate at this stage to make up for the loss of sales from the closure of the Group's own shopping website in Mainland China. In addition, the Group began to use social media to engage interactively with customers in the Hong Kong SAR for online sales starting in late May. Leveraging the latest promotional strategy of live broadcasting for online shopping, Sa Sa has broadcasted live on several social platforms in Mainland China and Hong Kong SARs since May to further attract online customers.

The Group will continue to implement cost saving measures, including negotiating for significant rental reductions to lower the breakeven point. With the aid of approved wage subsidy from the Employment Support Scheme implemented by the Hong Kong SAR Government, the Group will do its best to protect the livelihood of its staffs. At group level, Sa Sa will continue to strictly control our inventory level to preserve working capital and manage inventory risks. The Group's overall inventory has been reduced from around HK\$1 billion as of 31 March 2020 to around HK\$839 million as of 30 June 2020. Cash balance was around HK\$663 million as of 30 June 2020 (included wage subsidy of HK\$61.3 million from the Employment Support Scheme) and is adequate to meet our current business needs.

The Group hopes that the COVID-19 pandemic will abate as soon as possible, and that the Hong Kong and Macau SARs Governments will then ease the compulsory quarantine measures for inbound visitors. This would allow Mainland China tourist arrivals and sales to gradually recover in the Hong Kong and Macau SARs.

The Group's retail and wholesale turnover in other markets outside the Hong Kong and Macau SARs (including Mainland China, Malaysia and e-commerce) decreased by 27.8% in the first quarter. Although Mainland China and Malaysia were still affected by the COVID-19 pandemic during the period, the decline in sales in the two markets narrowed as the stores have gradually reopened from March and May respectively.

Number of Retail Outlets by Market (Continuing operations)

	As at 30 June 2020	As at 31 March 2020	As at 30 June 2019
Hong Kong and Macau SARs	109	112	117
Mainland China	43	44	52
Malaysia	79	79	82
Total	231	235	251

Remarks: Figures in this announcement include adjustments in accordance with the Hong Kong International Financial Reporting Interpretation Committee – Interpretation 13 on the bonus point scheme.

The board of directors wishes to remind shareholders and potential investors that the above information is based on the unaudited management accounts of the Group which have not been reviewed nor audited by the auditors of the Company. Sales performance during the period is affected by a series of factors; therefore, the operational information for the period may not be able to reflect the Group’s overall performance in a complete reporting period.

Shareholders and potential investors of the Company are cautioned not to unduly rely on such information and are advised to exercise caution when dealing in the shares of the Company.

By order of the board of directors
Sa Sa International Holdings Limited
KWOK Siu Ming Simon
Chairman and Chief Executive Officer

Hong Kong, 13 July 2020

As at the date of this announcement, the directors of the Company are:

Executive Directors

Dr KWOK Siu Ming Simon, *SBS, JP* (Chairman and Chief Executive Officer)

Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP* (Vice-chairman)

Dr LOOK Guy (Chief Financial Officer)

Ms KWOK Sze Wai Melody

Non-executive Director

Ms LEE Yun Chun Marie-Christine

Independent non-executive Directors

Ms KI Man Fung Leonie, *GBS, SBS, JP*

Mr TAN Wee Seng

Mr CHAN Hiu Fung Nicholas, *MH*