Sa Sa Announces Interim Results for FY2023/24

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Hong Kong and Macau SARs Same Store Sales Up 65.7%
Significant Turnaround Following the Return of Tourism
with an Overall Profit of HK$102.4 million

(17 November 2023 - HONG KONG) - **Sa Sa International Holdings Limited** ("Sa Sa" or the "Group", stock code: 0178) announced its interim results for the six months ended 30 September 2023 (the "period").

In the first half of the financial year, the Group's turnover amounted to HK$2,144.4 million, representing an increase of 38.3% over the six months ended 30 September 2022 ("the previous period"), largely attributable to the return of tourism in our core markets of Hong Kong and Macau SARs following the re-opening of boundaries offsetting the challenging economic conditions in Mainland China and Southeast Asia. During the period, approximately 48.6% of the Group's sales was from tourists in Hong Kong and Macau SARs as compared to 74% during the pre-pandemic period. Tourist sales mix for the period was as high as 59.9% in core tourist areas giving confidence in the future growth.

The Group's profit for the period improved to HK$102.4 million, a significant turnaround from the loss of HK$133.2 million for the previous period. This is particularly pleasing as sales and margins are typically higher in the second half of the financial year which includes winter products. The Group operated 184 retail stores across all regions as at 30 September 2023.

During the period, the Group's gross profit increased by 53.6% to HK$880.5 million at a gross profit margin of 41.1%. This represents a significant improvement of HK$307.2 million in gross profit and an increase of 4.1 percentage points in gross profit margin compared with the previous period, driven by an increase in sales and more importantly an increase in sales mix of exclusive brands as our strategies start to take effect.

The Group's basic earnings per share amounted to 3.3 HK cents (2022: basic loss per share of 4.3 HK cents). Given that the Group has just emerged from the challenges brought about by the pandemic in the core markets where the Group operates and is investing in future growth, the Board has resolved not to pay any interim dividend for the period in accordance with the Group's policy to pay dividends out of profits and for the reason of responsible risk management (2022: Nil).

Business Review

The Hong Kong and Macau SAR markets are together the Group's largest region by turnover. In **Hong Kong SAR**, the Group recorded significant offline sales growth of 58.7% year-on-year on the back of tourism, exhibitions and consumption-boosting campaigns, as well as the loyalty of our customers and VIP members. Same-store sales increased by 64.9% during the period, with the number of transactions and the average transaction amount growing by 24.9% and 33.9%, respectively.

Similarly, **Macau SAR** enjoyed a return of tourism during the period with same-store sales growing 67.5% year-on-year. The offline sales recorded a significant year-on-year growth of 84.1%, recovering to 65.9% of pre-pandemic levels.

Expanding Store Network to Capitalise on Market Recovery

During the period, the Group opened three new stores in the Hong Kong SAR, with two in the core tourist district, Tsim Sha Tsui, and one in a local district at "The Wai", a new popular shopping mall in Tai Wai district, in order to capitalise on the recovery in the retail industry and the return of tourists. Furthermore, the Group is actively seeking to expand its store network, looking at gaps in non-tourist areas to better serve local consumers and also prime tourist locations that supplement our existing coverage, contingent upon the availability of reasonable rental rates. Furthermore, the Group has signed rental agreements to add three new stores in Hong Kong SAR, two during the second half year, one in a local area, Wong Chuk Hang, and the other in the Central district. The third store at Kai Tak will open in FY2024/25.

"Buy Online Pick In-Store" Continues to be a Popular Consumer Choice

The Group's online penetration has improved since the pre-pandemic period, while "Buy Online Pick-up In-Store" ("BOPIS") has proved to be popular route-to-consumer where customers can also experience the comprehensive services provided by our professional beauty consultants when they pick-up the products in person, a seamless OMO experience.

Mainland China Emerged from the Pandemic

In **Mainland China**, despite operating seven fewer offline stores compared to the previous period and offline sales decreasing 25.2% (measured in local currency) to HK$84.8 million, the Group raised the productivity of each store resulting a 12.1% increase in gross profit dollars. The Group is diligently managing its existing store portfolio, channelling efforts towards optimising operational effectiveness while economic conditions remain challenging.

Online sales in Mainland China amounted to HK$159.7 million or approximately 65.3% of total sales, a high online penetration rate is in line with the digital native, Mainland China. As the Mainland China's economy recovers, and the Group is able to tap into Mainland tourists returning to Mainland China after visiting the Group's Hong Kong and Macau SARs offline stores, we anticipate future growth in this channel.

Significant Steps regarding Re-entry into the Singapore Market

Affected by the cost-of-living crisis hitting Malaysia, the Group's offline sales in Southeast Asia for the period declined marginally by 3.2% year-on-year with same store sales decreasing by 1.4% (measured in local currency). Despite this, offline sales have reached 80.3% of pre-pandemic levels. During the period, seven stores underwent upgrade and sales at the renovated stores experienced a reasonable increase post upgrade.

Most importantly, the Group is progressing on track with its expansion into Southeast Asia and is delighted to share significant steps regarding re-entry into the Singapore market. It has entered into rental agreements to open three Sa Sa retail stores in the second half of this financial year. In March 2024, the first rental agreement signed located at Westgate, CapitaLand's premier lifestyle and family mall in the West of Singapore. These three new stores in Singapore will re-establish our offline presence and complement our existing online business, setting the foundations for our continued growth in Southeast Asia. The Group will also add two stores in Kuala Lumpur in the second half of the year.

Outlook and Strategies

Looking ahead, the Group anticipates a boost in consumption within the retail and tourism sectors on the back of stimulating economic measures implemented by the Hong Kong and Macau SARs government. These measures are aimed at stimulating a heightened atmosphere of spending during the upcoming festive celebrations over Christmas and New Year. The Group strives to build a portfolio of exclusive brands to drive margin accretion and tap into the growing trend of consumers trying new and emerging brands that offer functional benefits. The Macau SAR market is expected to recover eventually as the Mainland China's economy improves and consumer spending power increases.

Turnover in Southeast Asia is expected to increase as our new stores in Singapore commence operations in the second half of the year. Fragrance and make-up are two strong categories for Malaysia, and the Group will be stepping up its brand and product assortment this coming financial year, particularly to enhance its exclusive brand portfolio in this market.

Mainland China remains a core focus of the Group's long-term growth strategy. The Central Government announced a series of policy measures to support domestic consumption and this bodes well for a recovery in the second half of the year with consumer and business confidence rebuilding over time. Moreover, the integration of online and offline in the retail industry is accelerating, which presents huge opportunities. The Group is focused on advancing its OMO strategy in the second half of the year integrating online platforms with the retail network to provide customers with an enhanced and seamless shopping experience.

Dr Simon Kwok, *SBS, JP,* Chairman and Chief Executive Officer of the Group, concluded, "The HKSAR government has been active in stimulating tourism and organised various business exhibitions which helped to improve consumer sentiment and create a spending occasion. The Group has been preparing for the return of tourism adopting agile management practices including, extending store opening hours, refreshing the product mix, flexibly adjusting frontline staff deployment and inventory to cope with the increasing demand. While there will be investment in frontline staff and new leases, the Group expects its operating margin to stabilise over the remainder of the financial year. Further improvement in operating margins would be possible if tourism continues to increase, delivering further scale economies, or an increase in sales from exclusive brands is achieved. We will further enhance the operating efficiency of our stores and bolster the ability of the Group to earn profits for our shareholders over the long term."

FY2023/24 Quarter Three Operational Sales Data

For the third quarter from 1 October to 12 November 2023, the Group's total turnover increased by 27.0% compared to same period of last year. The decrease in growth rate is mainly because the boundary between Macau SAR and Mainland China was already open in the comparative period and Hong Kong and Macau SARs were affected by adverse weather conditions in October 2023 causing lost operating days for the Group's stores. Online and offline sales, as well as year-on-year changes of turnover of different regions are shown in the table below:

HK$ million	**Turnover**			**Year-on-year change**	**% of the Group Turnover**
	Offline	Online	Total		
HK & Macau SARs	379.4	25.2	404.6	+33.3%	77.0%
Mainland China	21.3	58.8	80.1	+15.8%	15.2%
Southeast Asia	31.2	8.7	39.9	-1.6%	7.6%
Others	-	1.2	1.2	+78.7%	0.2%
Total	**431.9**	**93.9**	**525.8**	**+27.0%**	**100.0%**

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