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)

Interim Results for the six months ended 30 September 2024
Dividend and Closure of Books
Trading Updates from 1 October to 10 November 2024

Highlights

- The Group's turnover decreased by 10.4% to HK$1,920.5 million due to the sluggish macroenvironment, continued outbound travel impacting the Group's core markets, Hong Kong and Macau, and dampened consumption by Mainland Chinese tourists entering Hong Kong and Macau.
- The Group's online sales growth in Mainland China continued into the first half of the current financial year growing 61.2% from HK$159.7 million in previous period to HK$257.5 million during the current period. Online sales in Mainland China has now normalised and future growth will very much depend on economic condition.
- Following the Group's re-entry to Singapore and opening of five offline stores in that market, total Offline Sales in Southeast Asia recorded a year-on-year growth of 18.5%.
- The Group's gross profit decreased year-on-year by 14.1% to HK$756.5 million while gross profit margin decreased by 1.7 percentage points to 39.4%. However, the gross profit margin had improved to 40.1% by the second quarter and, with offline retail gross margin for the half-year increased 1.2 percentage points to 45.9%.
- Profit before tax for the period was HK$43.9 million while profit for the period was HK$32.4 million (2023: HK$102.4 million).
- Basic earnings per share amounted to 1.0 HK cents (2023: 3.3 HK cents)
- The Board has resolved to declare an interim dividend for the six months ended 30 September 2024 of 0.75 HK cents per share (2023: Nil), representing approximately 72% of the profit for the period. The Group will seek to maintain a steady dividend policy going forward.

The board of directors of Sa Sa International Holdings Limited (the "**Company**") presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "**Group**") for the six months ended 30 September 2024. The unaudited condensed consolidated interim financial information has been reviewed by the audit committee of the Company.

Note: "Hong Kong" or "Hong Kong SAR" means the Hong Kong Special Administrative Region of the People's Republic of China; and "Macau" or "Macau SAR" means the Macau Special Administrative Region of the People's Republic of China.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 September **2024** **HK$'000**	 2023 HK$'000
Turnover	3	**1,920,543**	2,144,435
Cost of sales	6	**(1,164,078)**	(1,263,959)
Gross profit		**756,465**	880,476
Other income	4	**13,396**	17,897
Selling and distribution costs	6	**(614,204)**	(643,375)
Administrative expenses	6	**(111,084)**	(115,292)
Other gains/(losses)-net	5	**6,272**	(4,640)
Operating profit		**50,845**	135,066
Finance income		**7,430**	3,220
Finance costs	7	**(14,398)**	(12,576)
Profit before income tax		**43,877**	125,710
Income tax expense	8	**(11,469)**	(23,288)
Profit for the period attributable to owners of the Company		**32,408**	102,422
Earnings per share for profit attributable to owners of the Company for the period (expressed in HK cents per share)	9		
Basic		**1.0**	3.3
Diluted		**1.0**	3.3

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2024	2023
	HK$'000	HK$'000
Profit for the period	**32,408**	102,422
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Cash flow hedges, net of tax	**162**	-
Currency translation differences of foreign subsidiaries recorded in translation reserve	**16,306**	(8,439)
Other comprehensive income/(loss) for the period, net of tax	**16,468**	(8,439)
Total comprehensive income for the period attributable to owners of the Company	**48,876**	93,983

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2024 HK$'000**	Audited 31 March 2024 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**206,732**	203,357
Right-of-use assets		**642,945**	642,237
Rental deposits and other assets		**94,762**	92,584
Deferred tax assets		**175,743**	181,600
		1,120,182	1,119,778
Current assets			
Inventories		**678,742**	705,303
Trade receivables	11	**70,293**	72,755
Other receivables, deposits and prepayments		**134,983**	145,659
Cash and cash equivalents		**337,903**	457,757
Income tax recoverable		**1,150**	2,866
		1,223,071	1,384,340
LIABILITIES			
Current liabilities			
Trade payables	12	**248,141**	306,648
Other payables and accruals		**194,945**	193,786
Lease liabilities		**307,702**	298,136
Income tax payable		**19,217**	16,750
		770,005	815,320
Net current assets		**453,006**	569,020
Total assets less current liabilities		**1,573,248**	1,688,798
Non-current liabilities			
Other payables		**34,092**	29,896
Lease liabilities		**379,871**	394,012
Retirement benefit obligations		**13,147**	12,561
Deferred tax liabilities		**221**	240
		427,331	436,709
Net assets		**1,145,917**	1,252,089
EQUITY			
Capital and reserves			
Share capital		**310,319**	310,319
Reserves		**835,598**	941,770
Total equity		**1,145,917**	1,252,089

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim report does not include all the notes of the type normally included in annual financial report. Accordingly, this interim report should be read in conjunction with the annual financial statements for the year ended 31 March 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2024, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2.1 Adoption of new accounting policy in the current interim period

(a) Amendments to standards and revised to interpretation adopted by the Group

The following amendments to standards and revised to interpretation are effective to the Group for accounting periods beginning on or after 1 April 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The above amendments to standards and revised to interpretation did not have material impact on the results and financial position of the Group.

2. Accounting policies (continued)

2.1 Adoption of new accounting policy in the current interim period (continued)

(b) New standards, amendments to standards and interpretation have been issued but not yet adopted

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 April 2024 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 April 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 April 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 April 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 April 2027
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Group will adopt the above new standards, amendments to standards and interpretation when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments to standards and interpretation, none of which is expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Group who make strategic and operating decisions.

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results. The business reportable segments identified are Hong Kong and Macau, Mainland China, Southeast Asia and Others.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, deferred tax assets, inventories, receivables, deposits and prepayments, cash and cash equivalents and income tax recoverable. Capital expenditure comprises additions to property, plant and equipment.

The breakdown of key segment information including total turnover from external customers is disclosed below.

	Six months ended 30 September 2024				
	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**Southeast Asia HK$'000**	**Others HK$'000**	**Total HK$'000**
Turnover	**1,403,071**	**311,152**	**201,041**	**5,279**	**1,920,543**
Segment results	**43,967**	**(9,975)**	**(729)**	**(855)**	**32,408**
Other information					
Capital expenditure	**15,335**	**39**	**15,201**	**-**	**30,575**
Finance income	**6,808**	**86**	**536**	**-**	**7,430**
Finance costs	**11,297**	**141**	**2,960**	**-**	**14,398**
Income tax expense/(credit)	**9,055**	**(17)**	**2,436**	**(5)**	**11,469**
Depreciation on property, plant and equipment	**24,346**	**1,247**	**4,339**	**-**	**29,932**
Depreciation on right-of-use assets	**144,924**	**2,503**	**19,062**	**-**	**166,489**
Reversal of provision for slow moving inventories and shrinkage	**(5,622)**	**(3,466)**	**(3,755)**	**-**	**(12,843)**

3. Segment information (continued)

	Six months ended 30 September 2023				
	Hong Kong & Macau HK$'000	Mainland China HK$'000	Southeast Asia HK$'000	Others HK$'000	Total HK$'000
Turnover	1,719,591	244,535	175,068	5,241	2,144,435
Segment results	114,507	(11,951)	1,202	(1,336)	102,422
Other information					
Capital expenditure	29,751	477	9,390	-	39,618
Finance income	2,396	200	624	-	3,220
Finance costs	10,587	400	1,589	-	12,576
Income tax expense	21,671	182	1,428	7	23,288
Depreciation on property, plant and equipment	26,814	2,040	2,208	-	31,062
Depreciation on right-of-use assets	135,635	3,778	13,273	-	152,686
(Reversal of provision)/ provision for slow moving inventories and shrinkage	1,486	(2,910)	688	-	(736)

	Hong Kong & Macau HK$'000	**Mainland China HK$'000**	**Southeast Asia HK$'000**	**Others HK$'000**	**Total HK$'000**
At 30 September 2024					
Non-current assets	**929,076**	**5,795**	**185,311**	**-**	**1,120,182**
Current assets	**953,663**	**94,265**	**172,740**	**2,403**	**1,223,071**
Total assets as per condensed consolidated interim statement of financial position					**2,343,253**
At 31 March 2024					
Non-current assets	981,962	11,119	126,697	-	1,119,778
Current assets	1,117,996	114,760	151,191	393	1,384,340
Total assets as per consolidated statement of financial position					2,504,118

4. Other income

	Six months ended 30 September	
	2024	2023
	HK$'000	HK$'000
Slide display rental income	**12,001**	11,099
Storage income	**1,395**	6,798
	13,396	17,897

5. Other gains/(losses)-net

	Six months ended 30 September	
	2024	2023
	HK$'000	HK$'000
Net exchange gains/(losses)	**6,272**	(4,640)

6. Expenses by nature

	Six months ended 30 September	
	2024	2023
	HK$'000	HK$'000
Cost of inventories sold	**1,176,921**	1,264,695
Employee benefit expenses (including directors' emoluments)	**331,234**	345,968
Depreciation expenses		
- right-of-use assets	**166,489**	152,686
- property, plant and equipment	**29,932**	31,062
Lease rentals in respect of land and buildings		
- lease rental for short-term leases	**21,128**	23,934
- contingent rent	**11,668**	21,947
- rent concession related to COVID-19 (Note)	**-**	(665)
Building management fees, government rent and rates	**32,947**	32,892
Advertising and promotion expenses	**25,599**	29,688
Utilities and telecommunication	**16,512**	17,371
Bank and credit card charges	**16,444**	18,672
Transportation and delivery charges	**15,636**	19,309
Outsource warehouse handling expenses and platform charges	**10,994**	12,964
Repair and maintenance	**10,244**	11,613
Packaging expenses	**4,587**	6,588
Postage, printing and stationery	**2,823**	3,070
Auditors' remuneration		
- audit services	**1,204**	1,577
- non-audit services	**207**	31
Donations	**1,223**	1,634
Write-off of property, plant and equipment	**40**	47
Reversal of provision for slow moving inventories and shrinkage	**(12,843)**	(736)
Others	**26,377**	28,279
	1,889,366	2,022,626
Representing:		
Cost of sales	**1,164,078**	1,263,959
Selling and distribution costs	**614,204**	643,375
Administrative expenses	**111,084**	115,292
	1,889,366	2,022,626

Note:

During the six months ended 30 September 2023, rent concession related to COVID-19 amounted to HK$665,000 was included in selling and distribution costs.

7. Finance costs

	Six months ended 30 September **2024** **HK$'000**	2023 HK$'000
Interest expenses on lease liabilities	**14,398**	11,722
Interest expenses on bank borrowings	**-**	854
	14,398	12,576

8. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 September **2024** **HK$'000**	2023 HK$'000
Current tax		
- Hong Kong profits tax	**1,490**	2,231
- Overseas taxation	**3,797**	909
Deferred tax relating to origination and reversal of temporary differences	**6,182**	20,148
	11,469	23,288

9. Earnings per share

(a) Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under the Share Award Scheme during the period.

	Six months ended 30 September **2024** **HK$'000**	2023 HK$'000
Profit attributable to owners of the Company	**32,408**	102,422
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,102,137**	3,102,065

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the period. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 30 September 2024 and 2023 have been included in the number of shares.

9. Earnings per share (continued)

	Six months ended 30 September	
	2024	2023
	HK$'000	HK$'000
Profit attributable to owners of the Company	**32,408**	102,422
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,102,137**	3,102,065
Adjustment for share options and awarded shares (thousands)	**240**	19
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,102,377**	3,102,084

10. Dividend

	Six months ended 30 September	
	2024	2023
	HK$'000	HK$'000
Interim, declared – 0.75 HK cents (2023: Nil) per share	**23,274**	-

At a meeting held on 14 November 2024, the directors declared an interim dividend of 0.75 HK cents per share. This declared dividend is not reflected as dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of distributable reserve for the year ending 31 March 2025.

11. Trade receivables

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 120 days. The ageing analysis of trade receivables by invoice date is as follows:

	30 September 2024	31 March 2024
	HK$'000	HK$'000
Within 1 month	**60,662**	62,097
1 to 3 months	**5,307**	4,171
Over 3 months	**4,324**	6,487
	70,293	72,755

The carrying amounts of trade receivables approximate their fair values.

12. Trade payables

The ageing analysis of trade payables by invoice date is as follows:

	30 September 2024	31 March 2024
	HK$'000	HK$'000
Within 1 month	**165,484**	224,192
1 to 3 months	**68,048**	64,748
Over 3 months	**14,609**	17,708
	248,141	306,648

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW

Chart 1: GDP / Retail Sales / Medicines and Cosmetics Sales in 2024* (Year-on-Year Change)

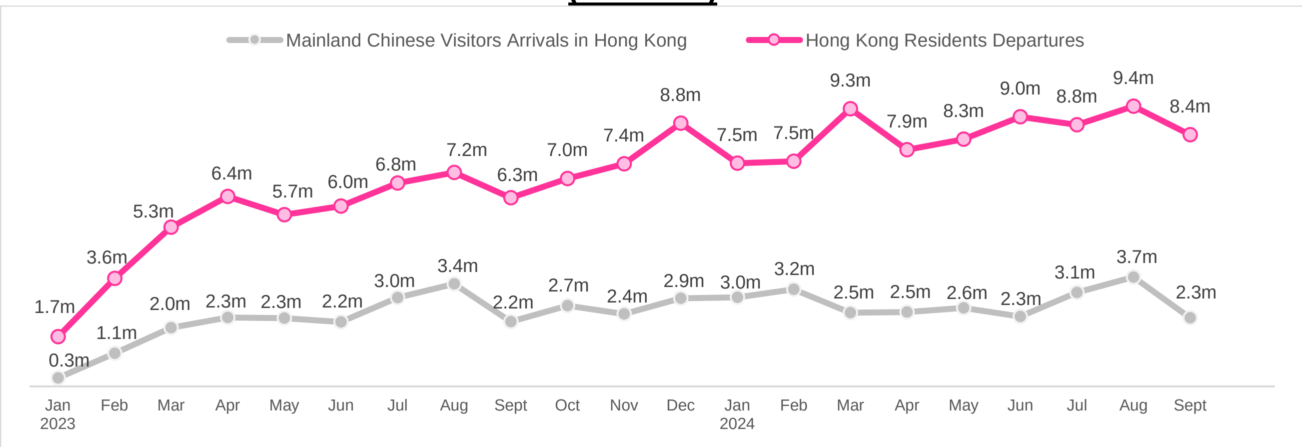
Market (Apr – Sept 2024)	**GDP Growth Rate**	**Retail Sales Change**	**Medicines and Cosmetics Sales change**
Hong Kong	+7.6% (Apr – Jun)	-10.8% (Apr – Sept)	+0.6% (Apr – Sept)
Macau	+7.8% (Apr – Jun)	-23.1% (Apr – Jun)	-15.0% (Apr – Jun)
Mainland China	+4.0% (Apr – Sept)	+2.7% (Apr – Sept)	+1.6% (Apr – Sept)
Southeast Asia:			
Malaysia	+5.6% (Apr – Sept)	+6.9% (Apr – Aug)	*Note 1*
Singapore (at Current Market Price)	+7.8% (Apr – Jun)	+0.4% (Apr – Jun)	*Note 3* -0.1% (Apr – Jun)
The Philippines	+10.1% (Apr – Jun)	*Note 2* +12.8% (Apr – Jun)	*Note 1 & 2*

Note:

1. *There were no cosmetics retail sales statistics provided by the Malaysian and the Philippines Governments.*
2. *This is the figure of Retail Trade, except motor vehicles and motorcycles, provided by the Government of the Philippines.*
3. *"Cosmetics, toiletries and medical goods" as classified by the Government of Singapore.*

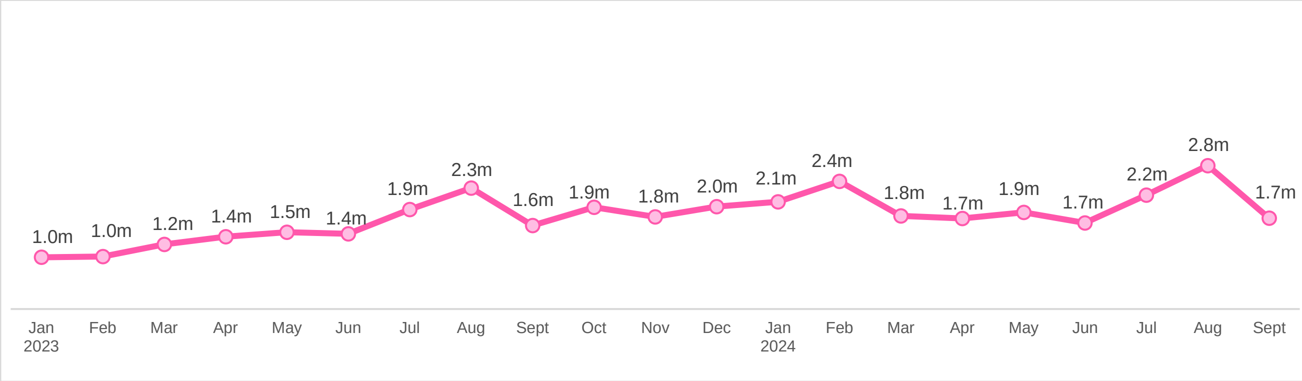
**All of the above data were sourced and extrapolated from statistics published by the corresponding governments' statistics bureaus. There are some inconsistencies in the definition of cosmetics retail sales in the methodologies adopted by different government statistics bureaus in conducting statistics on such sales.*

Chart 2: Mainland Visitor Arrivals vs Hong Kong Residents Departure in Hong Kong (in million)



Source: Hong Kong SAR Census and Statistics Department & Hong Kong Tourism Board

Chart 3: Mainland Visitor Arrivals in Macau (in million)



Source: Government of Macao Special Administrative Region Statistics and Census Service

During the six months ended 30 September 2024 ("the period"), the global economy continued to be challenging with heightened geopolitical tensions. During the period, tight monetary policy, high interest rates and a strong United States dollar were the norm, with the federal funds rate at its 20-year high of 5.3%. It was not until 19 September 2024 that the fed cut its interest rate by 50 basis points and The People's Bank of China ("PBOC") followed suite with a rate cut of their own, and a series of monetary easing policies that generated feel-good factor leading into October 2024 golden week.

Hong Kong & Macau

Northbound travel appears to have stabilised, but the persistent weak domestic demand and macroeconomic environment continue to impact the retail sectors in Hong Kong and Macau

While we saw a spike in northbound travel by local Hong Kong residents to Southern China as it stepped up pace in its integration into the Greater Bay Area ("GBA"), the travelling numbers appear to have settled down at current levels and has become part of the norm. Inbound travel numbers are highly dependent on policy stance and visa approvals from Mainland China to Hong Kong and Macau. While it was a positive step to see the tax-free allowance for visitors to Hong Kong and Macau raised from RMB5,000 to RMB12,000 with effect from 1 July 2024, the Group has yet to see any meaningful impact on tourist sales.

Demographic changes to Mainland Chinese tourists provide opportunities to grow the Group's exclusive brand portfolio given their tendency to try niche brands in the search for value-for-money

During the period, Hong Kong and Macau welcomed a total of 21.4 million and 17.0 million visitors, of which 16.5 million and 11.9 million were from Mainland China, respectively. In comparison to the same period last year, there has been an increase of 13.0% and 13.8% in tourism numbers in Hong Kong and Macau, respectively.

Statistics from the Hong Kong Tourism Board show that the demographic of Mainland Chinese tourists has changed and now tends to be of a younger age, seeking experiential travel as opposed to shopping and, unlikely to stay overnight due to the exorbitant hotel costs in Hong Kong and the ease of same day travel back to cities in the GBA. With a weak Renminbi against the US dollar, the spending power of Mainland Chinese tourists while overseas is also reduced.

On a positive note, the Group is seeing Mainland Chinese consumers more willing to try lesser-known niche brands and domestic Chinese beauty brands. This enables the Group's beauty consultants to be more effective in introducing the Group's portfolio of exclusive brands that enjoy higher gross margin.

Macau progressively regaining its status as Asia's Gaming Resort

Macau has a population of just under 700,000 and is positioned as a tourism and leisure centre, which relies heavily on the Mainland Chinese tourists.

Macau possesses several unique competitive advantages including the most gaming tables and five-star hotel rooms in the region and abundant theatre infrastructure that has enabled it to secure notable concerts to attract tourists from the GBA. While Macau surpassed Las Vegas and led the world in gaming revenues in 2007, following several years of pandemic disruption and tightening of legislation in the role of promoters, competing gaming destinations across Asia Pacific have emerged, such as the Philippines. Visa-free travel to Malaysia also provides a much more favourable foreign exchange rate, provides real competition to Macau for Mainland Chinese tourists. However, the government announced that starting from 6 May 2024, Mainland Chinese citizens may apply for multi-entry visas to Macau.

The Group operates nine stores in Macau, four on the high street near major tourist attractions, three within hotel resort complex and two in local areas.

Mainland China

Macro-economic challenges in Mainland China impacting propensity to spend

With continued geopolitical tensions and Western countries seeking to reduce reliance on Mainland China, foreign direct investment and exports continue to be pressured. Economic growth has been challenging as China continues to steer towards domestic consumption-led growth, which contributed 82% to the GDP growth rate in 2023.

Since the beginning of last year, the property sector has been hit hard with notable loan defaults. On the back of these economic uncertainties and youth unemployment remaining high, there has been a reluctance to spend and a rise in consumer household savings to record highs. In the current climate, Mainland Chinese consumers are placing greater emphasis on the functionality of goods and value-for-money.

With the reduction in interest rates by the PBOC and series of monetary easing policies issued in late September 2024 releasing liquidity into the market, there are some positive signs for the coming year.

Southeast Asia

The broader Southeast Asian economy is seeing growth. In particular, Malaysia’s GDP has been increasing quarter-on-quarter reaching 5.9% in the second quarter of 2024 and projected to land somewhere between 4.5% and 5.5% compared to 3.7% in 2023. With the Fed interest rate cut, the Malaysian Ringgit also appreciated to its highest level since March 2022.

Singapore also saw real GDP stable growth which reached 2.9% in the second quarter of 2024 and projected to land somewhere between 2.0% and 3.0% compared to 1.1% in 2023.

This seeds optimism for resilient domestic spending and growth.

BUSINESS REVIEW

Retail Network

Renovating store portfolio and focusing on serving local consumers while staying agile to seize opportunities from tourism

The Group is actively seeking to expand its store network in Hong Kong and across the region so long as the economics make sense, including reasonable rentals that will support a reasonable profit margin. The Group is taking steps to further integrate its online channels and capabilities with offline stores providing a seamless online-merge-offline (“OMO”) shopping experience and meeting its customers wherever they choose to appear.

In Hong Kong and Macau, the Group is looking at non-tourist areas to better serve local consumers and at prime tourist locations that supplement its existing coverage, subject to a step up in inbound tourism. As at 30 September 2024, the Group had a total of 26 stores located in core tourist areas in Hong Kong and Macau (31 March 2024: 26).

While in Mainland China, given the challenging offline market and slow recovery of consumer sentiment, the Group closed nine brick-and-mortar stores during the period.

In Southeast Asia, the Group is looking at high-traffic malls in Malaysia and Singapore. In Malaysia, the Group improved its overall portfolio by renovating four stores during the period. The Group was delighted to re-establish a physical presence in Singapore with five stores, complementing its existing online business and setting a foundation for its continued growth in this region.

Online Channels

Upgraded membership programme allowing customers from Hong Kong, Macau, and Mainland China to enjoy a seamless OMO shopping experience with a single app

One of the three key prongs to the Group's strategic framework is to invest in and develop its online business in Hong Kong, Mainland China and Southeast Asia. The Group continues to focus on delivering operational excellence in its online businesses and integrating online with offline to create seamless OMO shopping experiences.

In September 2024, the Group successfully completed the technological upgrade of its member program with a view to better serving its member base with personalised offerings.

Investing in live-commerce to reach a younger demographic and provide an alternate scalable sales channel

The Group continues to invest in improving customer experience and is making traction with its 'live-commerce' model that has been refined to expand reach and conversion. The online beauty market is saturated with a multitude of brands vying for the attention and loyalty of consumers while consumers are increasingly demanding and are more digitally savvy than ever.

Consumers are also reliant on KOLs for product recommendations and are more willing to try out emerging and trendy brands that offer functional benefits. This development in consumer behaviour bodes well for the Group's product strategy.

By bringing the Group's signature beauty consultant online in collaboration with KOLs via live-commerce, the Group has successfully promoted and garnered interest in exclusive brands in the online marketplace.

While the Group's total online sales was HK$396.2 million for the period, online penetration is now at 20.6% of total Group sales (2023: 13.9%).

Category Management

Excite our consumers through diversified product offerings and strategic brand partnerships

The Group continued to invest in the category extension strategy, explore potential categories, meet market trends and customer needs, and strive to bring more product choices to consumers. Aside from our core categories of skincare, make-up, and fragrance, the Group is beginning to grow additional categories including inner beauty and beauty equipment. Adding to the portfolio, the Group now carries 102 and 28 brands for inner beauty and beauty equipment respectively. Designated beauty equipment display furniture with electricity supply to aid trial has been added to our latest store design.

With the proliferation of the availability of information and social media, consumers are becoming more educated and astute in their consumption, dedicating more time to studying product ingredients, efficacy, and user reviews. Assessing whether products align with their social values, they consider whether ingredients and packaging adhere to environmental sustainability principles or whether the product is cruelty-free and free from toxic chemicals.

Sa Sa has established dedicated “Clean Beauty” displays to enable customers to conveniently access a range of personal care offerings free from potentially harmful chemicals. Sa Sa obtained the “Platinum Class Award Certificate and Microbead Phraseout Award – Pioneer Award”, while many of its exclusive brands were also awarded “Microbead-free Brand Certificate” from the Environmental Protection Department of Hong Kong, underscoring the Group’s unwavering support for the sustainable development of the green beauty industry.

The Group’s dedicated Category Management and Product Development team consistently introduces new brands to suit consumer preferences and keep pace with the current trends. The Group strategically brought in popular new brands from different countries to expand its portfolio of exclusive brands. This approach aims to cultivate customer loyalty by optimising and enhancing the diversity of the Group’s exclusive brand offerings and positioning Sa Sa as the place to go to “make yourselves beautiful”. New brands launched during the period include skincare brands like Empro and Alteya Organics.

FINANCIAL PERFORMANCE SUMMARY

Chart 4: Turnover by Market in the First Half of Financial Year 2024/25

	Turnover				
HK$ Million	**Offline**	**Online**	**Total**	**Year-on-year change (%)**	**% to Group turnover (%)**
Hong Kong & Macau	$1,308.2	$94.8	$1,403.0	-18.4%	73.1% *(LY: 80.2%)*
Mainland China	$53.7	$257.5	$311.2	+27.2%	16.2% *(LY: 11.4%)*
Southeast Asia	$162.4	$38.6	$201.0	+14.8%	10.5% *(LY: 8.2%)*
Others	-	$5.3	$5.3	+0.7%	0.2% *(LY: 0.2%)*
Total	$1,524.3	$396.2	$1,920.5	-10.4%	100.0%

Chart 5: Breakdown of Offline Turnover (by Market)

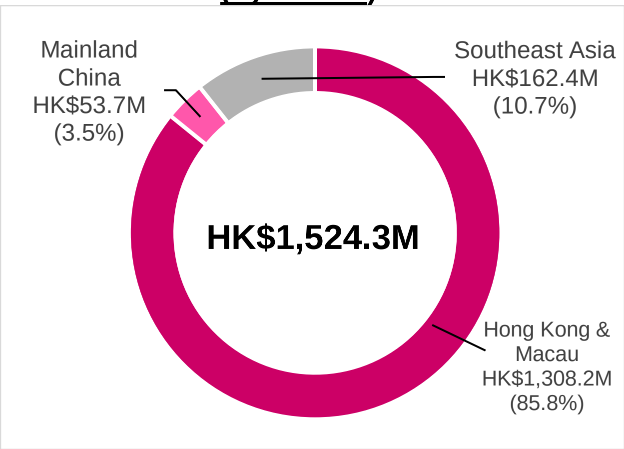
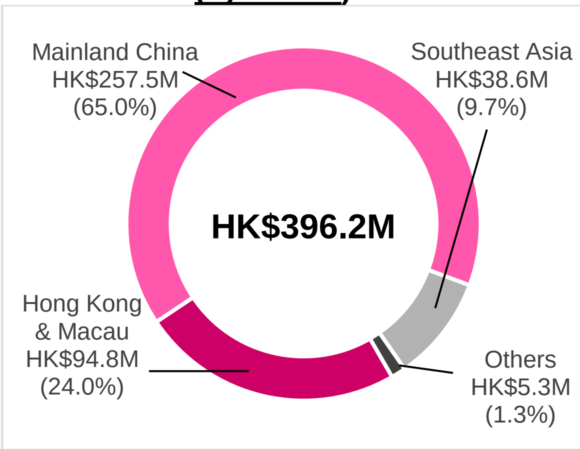


Chart 6: Breakdown of Online Turnover (by Market)



For the six months ended 30 September 2024, the Group's turnover amounted to HK$1,920.5 million, representing a decline of 10.4% over the six months ended 30 September 2023 ("the previous period") due to headwinds in our core markets of Hong Kong and Macau. The downward pressure resulted from: (i) a sluggish macroenvironment; and (ii) continued northbound travel of local residents in the core markets of Hong Kong and Macau to neighbouring southern China; (iii) increase in overseas travel by local residents, in part due to the relative strength of the Hong Kong dollar against a basket of other currencies, including the Japanese Yen, thus reducing local consumption; and (iv) dampened consumption by Mainland Chinese tourists entering Hong Kong and Macau. This has been partially offset by sustained strong performance in online sales channels in Mainland China and the opening of five physical stores in Singapore since April 2024.

Offline retail sales and wholesales ("Offline Sales") in Hong Kong and Macau decreased by 19.4% to HK$1,308.2 million. Offline Sales in Southeast Asia increased by 18.5% to HK$162.4 million, while Offline Sales in Mainland China decreased by 36.7% to HK$53.7 million due to operating 12 fewer offline stores, compared with the previous period. The Group operated 178 retail stores across all regions as 30 September 2024.

The Group's online sales was a bright spot increasing significantly by 32.6% to HK$396.2 million and now representing 20.6% of the Group's total turnover (2023: 13.9%). The online sales growth was mainly due to the robust growth of online business in the Mainland China market from HK$159.7 million in previous period to HK$257.5 million during the current period.

The Group's gross profit for the period decreased by 14.1% to HK$756.5 million at a gross profit margin of 39.4%. As a percentage of turnover, selling and distribution costs and administrative expenses increased from 30.0% to 32.0% and from 5.4% to 5.8%, respectively.

Accordingly, the Group's profit for the period declined to HK$32.4 million.

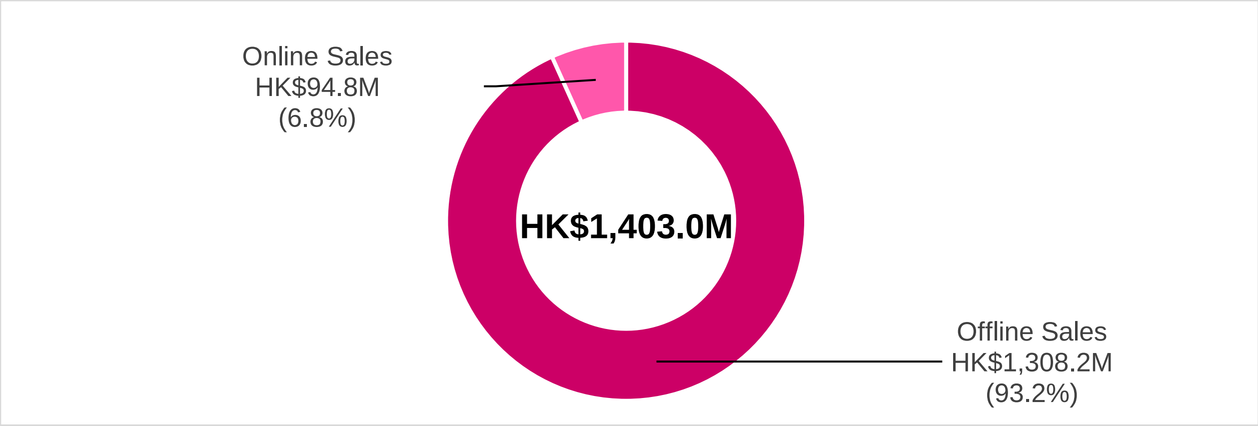
After paying out final dividend of HK$155.2 million for the previous financial year, the Group's cash decreased by HK$119.9 million to HK$337.9 million (2023: HK$164.2 million). With a cash inflow of HK$54.9 million from operating activities (less the payment of lease liabilities and interest) during the period or 1.7 times the profit for the period, the Group possesses sufficient cashflow, adequate for its operating needs.

Basic earnings per share amounted to 1.0 HK cents (2023: 3.3 HK cents). The Board has resolved to declare an interim dividend for the six months ended 30 September 2024 of 0.75 HK cents per share (2023: Nil), representing approximately 72% of the profit for the period. The Group will seek to maintain a steady dividend policy going forward.

Hong Kong & Macau

Turnover for the period decreased by 18.4% to HK$1,403.0 million, while decline narrowed from the first quarter to the second quarter, driven by local resident VIP loyalty and tourism

Chart 7: Turnover in Hong Kong & Macau (by Online and Offline Channels)



The Group has been enhancing operational efficiency in existing stores while exploring market gaps to expand the offline network. Efforts were made to strengthen the brand's product lineup and introduce various promotional activities to be ahead of the pack.

Total online and Offline Sales in Hong Kong and Macau amounted to HK$1,403.0 million accounting for 73.1% of total Group sales for the period. Within this, Offline Sales in Hong Kong and Macau decreased by 19.4%. The profit in this region was HK$44.0 million for the period compared to HK$114.5 million in the previous period.

While the conditions in Hong Kong and Macau remain challenging, we have seen the decline in year-on-year sales in this market reduce from 20.4% in the first quarter to 16.4% in the second quarter as the Group took steps to adapt to the change in consumer preferences and optimised its strategies to enhance operational efficiency.

36.7% and 78.1% of the Group's sales in Hong Kong and Macau, respectively were from tourists. On a combined basis 47.2% of the Group's Offline Sales were from tourists compared to approximately 74% pre-pandemic period.

Online sales in Hong Kong and Macau amounted to HK$94.8 million or 6.8% of total sales.

Offline Sales – Hong Kong and Macau

Chart 8: Same-store Sales Performance

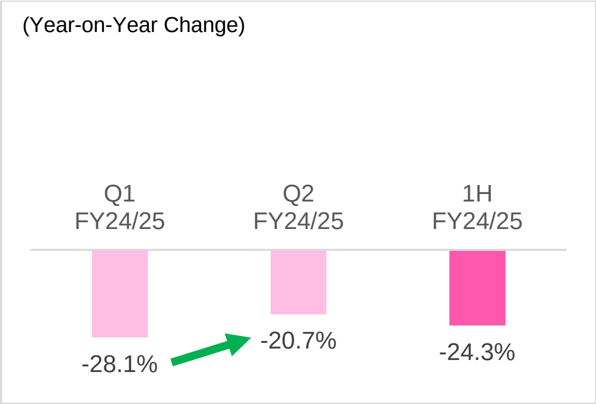
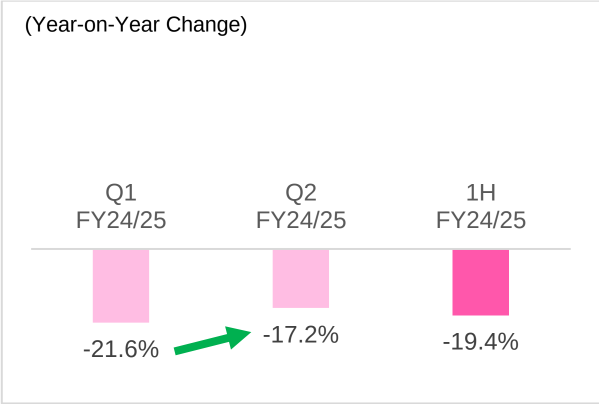


Chart 9: Offline Sales Performance



Note: 1H: Apr – Sept

The Group's Same-store sales ("SSG") and Offline Sales in the core market of Hong Kong and Macau during the period decreased 24.3% and 19.4% respectively during the period.

In light of these challenges, the Group focused on cultivating its brand portfolio, investing in exclusive brands and in the quality of customer service through the Group's unique professional beauty consultants, to increase customer loyalty and repeat purchase rates. 57% of Offline Sales in Hong Kong and Macau were attributable to VIP members. This strategy aims to provide much more attractive unit economics to enhance the profitability of product assortments and cultivate exclusive brands for sustainable business growth to make Sa Sa the go-to destination for purchasing high-quality beauty products.

The Group has responded to the evolving consumer trends by introducing a range of high-quality products that focus on value-for-money and this has contributed to reducing the year-on-year decline in the second quarter as compared to the first quarter. This decline has continued to narrow to 6.4% in the third quarter to date (up to 10 November) including 1-8 October National Week as compared to the previous year.

Number of stores **Market**	**As at 31 Mar 2024**	Opened	Closed	**As at 30 Sept 2024**
Hong Kong & Macau	82	-	-	**82**

The Group operated 82 stores in Hong Kong & Macau as at 30 September 2024. In Macau, the Group operates nine stores in Macau, four on the high street near major tourist attractions, three within hotel resort complex and two in local areas.

Hong Kong

Chart 10: Same-store Sales Performance

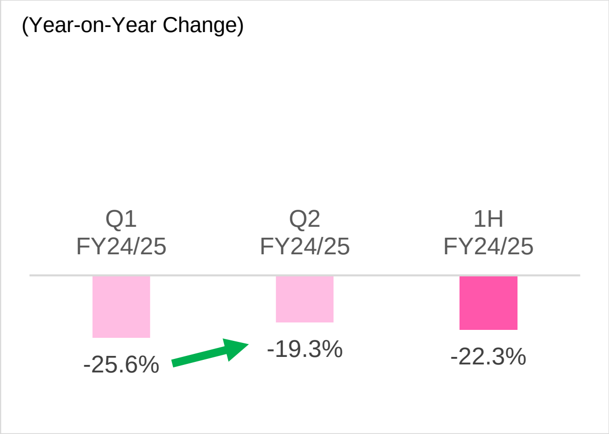
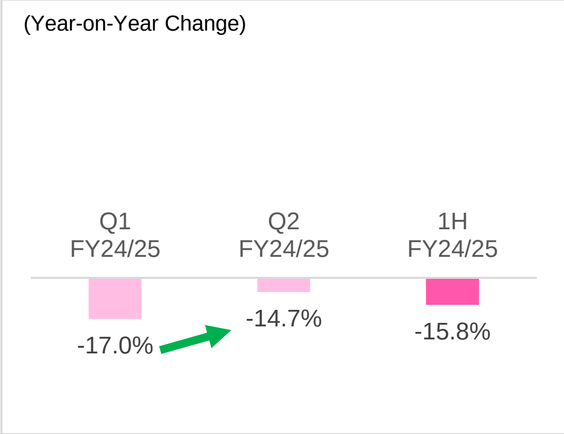


Chart 11: Offline Sales Performance



Note: 1H: Apr – Sept

During the first quarter from 1 April to 30 June 2024, the Group's performance in Hong Kong was impacted by continued northbound travel to Southern China during weekends and a long Easter holiday that stretched over nine days where local residents either took short a trip to neighbouring Korea and Japan, or long-haul trips to Europe and afar.

As the Group entered the second quarter from 1 July to 30 September 2024, and the summer holiday, though the average spending power of tourists entering Hong Kong was weaker than before, foot traffic began to rise with more Mainland Chinese travellers visiting Hong Kong and Macau compared to the first quarter, leading to an improvement in sales performance.

Macau

Chart 12: Same-store Sales Performance

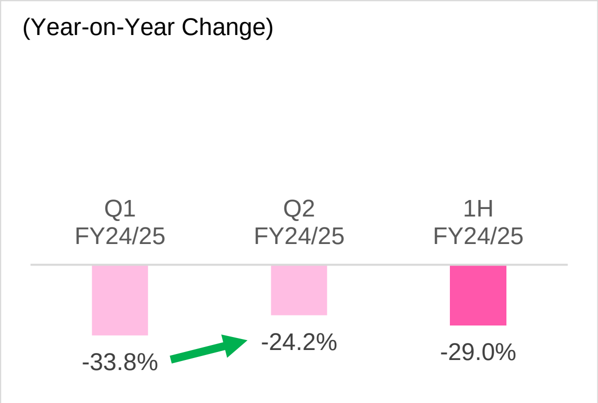
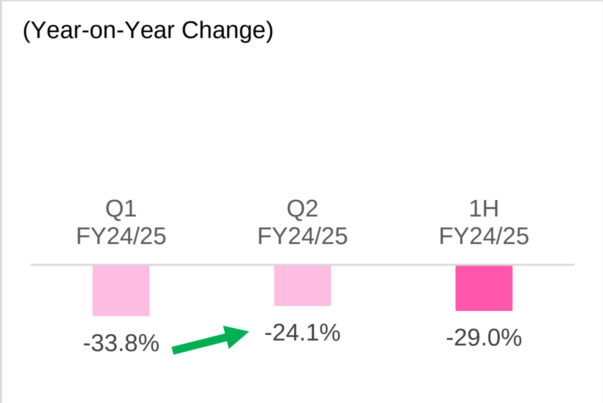


Chart 13: Offline Sales Performance



Note: 1H: Apr – Sept

Macau is a region predominantly driven by tourism. Although the spending power of Mainland Chinese visitors has yet to recover to pre-pandemic levels, the second quarter has witnessed a resurgence in mainland tourists visiting Macau (please refer to Chart 3). As a result, the Group's absolute sales performance in Macau, has improved considerably. The year-on-year decline of 33.8% in the first quarter has narrowed to 24.1% in the second quarter, respectively.

Online Sales – Hong Kong and Macau

Sa Sa online penetration in Hong Kong and Macau increased by 1.2 percentage points to 6.8%

Hong Kong and Macau online sales account for 24.0% of the Group's total online sales. Online sales marginally decreased 1.1% to HK$94.8 million (2023: HK$95.9 million) with sales mix increasing slightly to 6.8% from 5.6% in the previous period. VIP members accounted for 72% of total online sales at own channel 'HK eShop', declining 18% year-on-year.

Online penetration in Hong Kong and Macau is predominantly through the Group's own channel 'HK eShop' that is accessible on mobile app and website at https://www.sasa.com.hk. The Group is also present on major local third-party platforms such as HKTV Mall. The Sa Sa e-shop carries a wide range of brands and products, including exclusive online products, comprehensive product descriptions and user-generated content. The e-shop also accepts all major forms of digital payment and offers a variety of delivery options including pickup from the store.

"Buy Online Pick-up In-Store" continues to be a popular consumer choice, creating a seamless OMO integrated experience

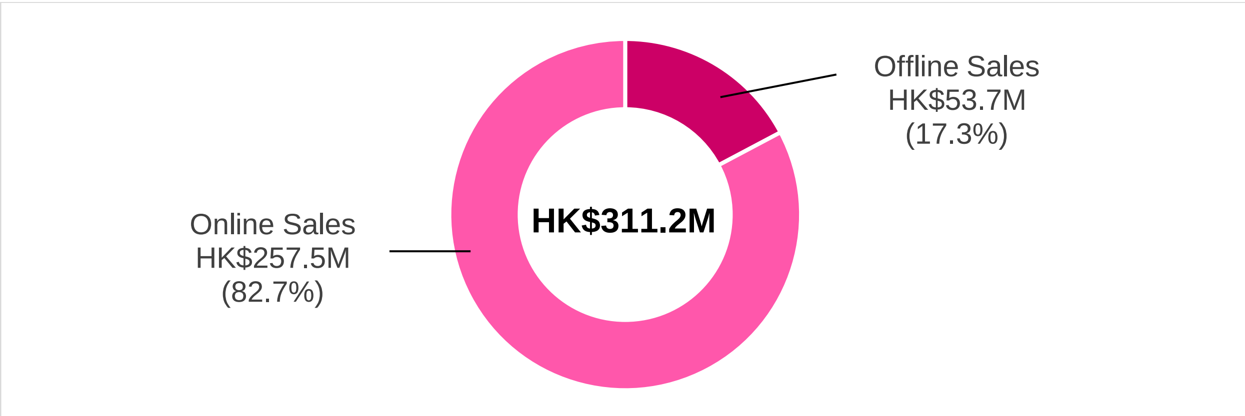
"Buy Online Pick-up In-Store" ("BOPIS") has proved to be a popular route-to-consumer where customers can also experience the comprehensive services provided by our professional beauty consultants when they pick up the products in-person, a seamless OMO experience. The Group's large portfolio of stores located near people hubs make it an extremely convenient location for pick-up and while they are not purely pick-up stations, consumers can also enjoy store exploration. The Group has innovated new packaging that significantly reduces both its carbon footprint and the size of packaging for pick-up in store. In doing so, it reduced the in-store space required to hold packages and thus increased the capacity to provide this service.

Traction with live-commerce model innovation, delivering tangible results for exclusive brand sales reach

The Group hosted 79 sessions of live-commerce during the period and started to deliver tangible results, accounted for 21.5% of total online sales in Hong Kong and Macau during the period.

Mainland China

Chart 14: Mainland China Turnover (by Online and Offline Channels)



During the period, the Group's turnover in Mainland China was HK$311.2 million, increasing significantly by 27.2% compared with the previous period, in which online sales played a prominent role accounting for 82.7% of the total sales and is now overwhelmingly the Group's dominant sales channel in this region. This is consistent with the digitally native Mainland China. Accordingly, the Group's loss narrowed significantly to HK$10.0 million for the period from HK$12.0 million in the previous period. Mainland China continues to be one of the Group's core focus markets.

Offline Sales – Mainland China

Number of stores

Market	As at 31 Mar 2024	Opened	Closed	As at 30 Sept 2024
Mainland China	32	-	9	**23**

Challenging Mainland China economy continues to impact Offline Sales while the Group maintains financial discipline to enhance operational efficiency

Mainland Chinese economy during the period continues to be challenging with consumers leaning towards cautious spending and holding onto cash to address future uncertainties.

Under these circumstances, the Group focused on enhancing operational efficiency by reducing inventory, closing underperforming physical stores, and optimising operational processes through digital management systems. These measures minimise the loss and cash outflow while maintaining strength for future growth when economic conditions allow.

While closing 12 offline stores compared to the previous period, Offline Sales decreased 36.7% to HK$53.7 million. The Group is diligently managing its retail network, and while economic conditions remain challenging, current priorities are to maximise the overall financial health of the store portfolio with a focus on store productivity and profitability.

Leveraging on the trend for Mainland China consumers' willingness to trial niche brands, the Group focuses on growing its portfolio of exclusive brands. The Group demonstrates the functionality and benefits of these products to customers through a range of exclusive offline experiences including skin analysis, facial treatment, and consultation services.

Online Sales – Mainland China

Chart 15: Online Sales

HK$257.5M ▲ 61.2%

Chart 16: No. of Key Third-Party Online Platforms

5

31 March 2024: 5

Online remains the predominant sales channel in a digitally native Mainland China with Sa Sa's reputation for Quality and Genuine products helping it to grow 61.2% in a crowded market

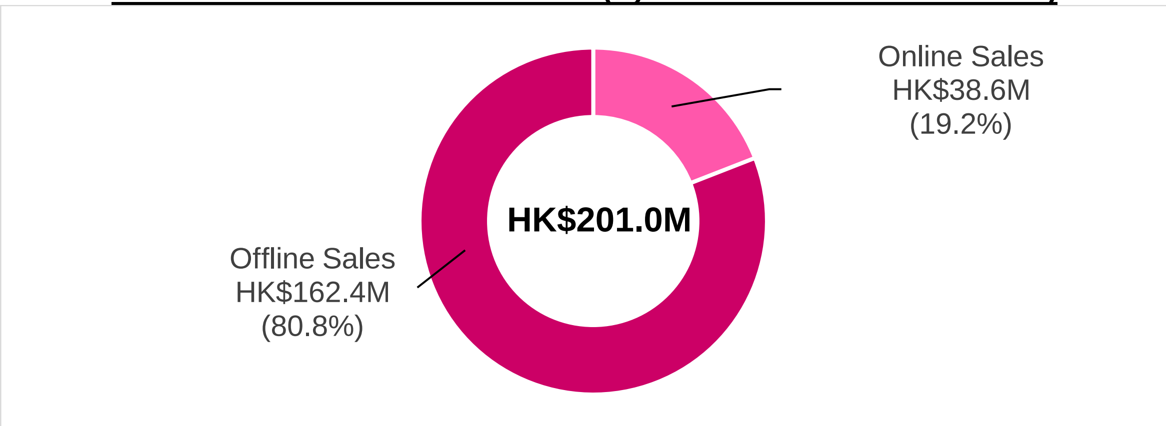
The Group's online sales in Mainland China are largely through a cross-boundary model via the Group's WeChat mini-programme store and third-party platforms such as T-mall, JD.com and Douyin. Online sales in Mainland China saw a substantial increase of 61.2% from HK$159.7 million in previous period to HK$257.5 million during the current period, representing 65.0% of the Group's total online sales. Online sales in Mainland China has now normalised and future growth will very much depend on economic condition.

The Group has bolstered its presence on various online social platforms, particularly Xiaohongshu, to position Sa Sa as a trusted one-stop destination for genuine beauty and skincare products, catering to customers seeking trending items. In addition, as Mainland China tourism continues to recover, the Group is able to tap into Mainland tourists returning to Mainland China after visiting the Group's Hong Kong and Macau offline stores.

The Group's online operations in Mainland China has made a turnaround profit compared to the previous period.

Southeast Asia

Chart 17: Southeast Asia Turnover (by Online and Offline Channels)



Offline Sales – Southeast Asia

Number of stores

Market	As at 31 Mar 2024	Opened	Closed	As at 30 Sept 2024
Southeast Asia	69	4	-	73

Chart 18: Same-store Sales Performance*^

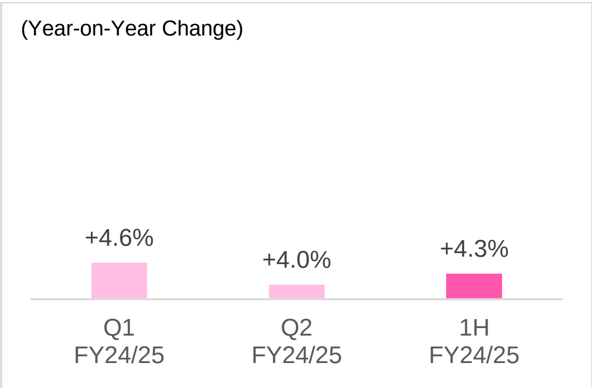
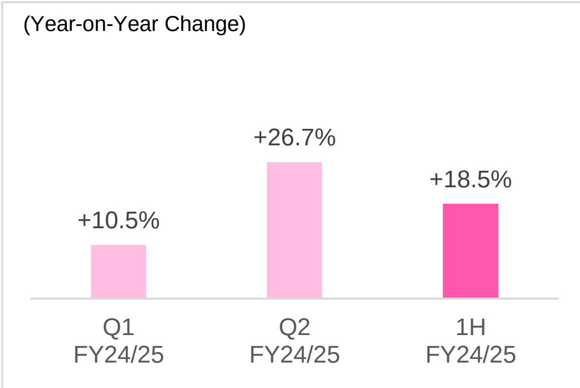


Chart 19: Offline Sales Performance



**In local currency* ^*refers to Malaysia only*
Note: 1H: Apr – Sept

The Group's offline presence in Southeast Asia is through a network of 68 stores in Malaysia and five in Singapore. As part of the Group's ambitions for the Southeast Asia market, it re-entered the Singapore market with its first store in December 2023 that increased to five by April 2024. The Group adopted an asset-light approach aimed at achieving quicker returns on investment and enhanced operational efficiency by managing out of the Group's regional office in Kuala Lumpur, Malaysia.

During the period, the Group recorded total turnover of HK$201.0 million in the Southeast Asia market, marking a 14.8% increase against the previous period. The expansion to Singapore contributed approximately 60% to this increase while organic growth in Malaysia contributed approximately 40%. Within this, Offline Sales contributed HK$162.4 million or 80.8% of the total sales for this region. Loss for the period in Southeast Asia was HK$0.7 million (2023: profit of HK$1.2 million) largely due to expenses associated with initial re-entry into Singapore and the opening of five offline stores including channel promotions. The Group expects to see improvement in business performance in this region.

Southeast Asia turnover grew an impressive 14.8% year-on-year due to: (a) offline sales growth in both the first quarter and the second quarter, totalling overall offline sales grew 18.5% and (b) online sales grew marginally by 1.7% to HK$38.6 million with sales mix at 19.2%

The Group's Offline Sales in Southeast Asia for the period increased by 18.5% year-on-year with same-store sales increasing by 4.3% (measured in local currency).

Meanwhile, the Group stepped up its effort to enhance the strength of its product portfolio and brand partnerships, with a particular focus on exclusive brands. During the period, The Group developed a counter for its exclusive brand, Mercedes-Benz Parfum, in Sogo KL. The Group has run a few roadshows: the TOUS LoveMe Fragrance Roadshow and the Sa Sa Beauty Bash Roadshows. The Advanced Cellular Boosting Solution, Fourth Generation, was launched at a PR event that was arranged for the Suisse Programme. A PR event is also organised for Artdeco as well.

Online Sales – Southeast Asia

Our online presence in the region is mainly through third-party platforms, Shopee, Lazada and Zalora, reaching Singapore, Malaysia, the Philippines and Thailand. The Group also launched in Thailand via Shopee and added Zalora in Singapore. Total online sales increased marginally by 1.7% during the period and accounted for 19.2% of total sales in this market.

Other Jurisdictions

The Group's online sales in markets outside Hong Kong, Macau, Mainland China, and Southeast Asia are conducted via online third-party channels and an international website and are currently at an exploratory stage.

FUTURE OUTLOOK

Sustainable profits and long-term growth

The Group focuses on achieving sustainable profit particularly given the macroeconomic uncertainties leading to increased cost of living in the region and challenges to the retail operating environment. Given the weighting of sales to Mainland China consumers either directly in their home market or indirectly through tourism, the state of the China economy, disposable incomes and propensity to spend have a significant impact on the Group's performance.

The Group remains steadfast on initiatives to improve operational efficiency including acceleration of digitalisation, optimising people structures and processes, and strictly adopting zero-based budgeting. The implementation of operational digitalisation measures has led to a substantial improvement in store performance across regions. These initiatives enhance the Group's competitiveness and resilience during unexpected headwinds.

The Group will look to continue to drive margin growth across all retail channels through its portfolio of exclusive brands and will invest in building its exclusive brands to support this strategy.

The Group will also look at raising the return on investment and reducing working capital invested mainly through the management of inventory, by reducing inventory turnover days.

As at 30 September 2024, the Group's cash decreased by HK$119.9 million to HK$337.9 million. With further unutilised banking facilities of approximately HK$267.5 million, the Group has adequate funding for its operating needs.

Hong Kong and Macau Strategy

The Group’s core markets remain Hong Kong and Macau serving both local residents and Mainland Chinese consumers through offline channels. The macroeconomic challenges and lifestyle changes have somewhat dragged back the economy. In a bid to invigorate the economy, the Hong Kong SAR government is making efforts to attract large-scale business exhibitions to bolster tourist arrivals. Similarly, the Macau SAR government is committed to securing notable business exhibitions and collaborating with the entertainment and cultural sectors to host festive events. These endeavours aim to entice visitors and prolong their stay, enriching the overall experience. The Group anticipates these measures will contribute to a gradual improvement in consumption within the retail and tourism sectors.

The Group is focusing on investing in new product categories including beauty equipment which has a high fit with existing product categories. The Group’s beauty consultants are able to naturally recommend beauty equipment that is complimentary to the Group’s skincare range. Customers can get the best out of skin care products by using the equipment to achieve beauty salon at-home treatment. This also taps into current lifestyle changes with consumers choosing to stay at home. The Group has increased this category portfolio and continues to look to better serve local customers by optimising its product portfolio to address customer preferences and the latest market trends that are seeking value-for-money.

In September 2024, the Group relaunched its revamped member app that integrates member pools from online and offline channels in Hong Kong and Macau as well as Mainland China. This will allow the Group to track consumer preferences and shopping behaviour, where permission is granted and in accordance with the law, through data collected. It also allows the Group to leverage digital marketing tools to provide personalised recommendations and targeted marketing campaigns. These initiatives will enhance customer loyalty and repurchase rates to achieve higher returns on marketing investments. Through the data collected over time, the Group will enhance labelling and provide personalised product recommendations to further enhance customer experience. While this is in its infancy, the Group seeks to leverage to increase member activity and raise customer lifetime value.

The focus of the Group’s online business has been to: (i) raise customer loyalty: significantly raising repeat purchase rate and active members; (ii) create an online community: promoting online user-generated product reviews; (iii) promote exclusive brands: which can only be purchased from Sa Sa in the region; and (iv) accelerate OMO initiatives to leverage the offline store network and the customer base.

To cater for the trend of livestreaming in the region that tends to attract younger consumers, and following successful exploration of the period, the Group will look to scale sales contribution of exclusive brands via this channel.

Mainland China Strategy

Mainland China remains a core focus of the Group’s long-term growth strategy. However, economic conditions remain sluggish. The Group is closely monitoring the market conditions to align its strategy and will manage its inventory in the region to enhance efficiency and retain cashflow in the meantime.

In order to improve the Group’s competitiveness in Mainland China, the Group will focus on exclusive brands and invest to increase the product assortment where it has the right to win, is able to build brand loyalty and can avoid direct price competition. This also leverages on the willingness of consumers to trial lesser-known brands that contain the sought after ingredients, deliver the required functionality and offer value-for-money.

The Group sees significant growth opportunities in online channels, particularly in respect to live-commerce and in Mainland China. The Group will focus on exploring online channels this year. The Group will also invest in strengthening promotion on popular social media platforms and digital channels, with influencers to promote and increase brand awareness, and credibility among target consumers.

The Group will also continue to leverage the WeChat Mini-programme to connect Sa Sa's beauty consultants with customers in Mainland China. With the return of Mainland tourists visiting Hong Kong and Macau, the Group is seeking to connect with these customers after they return to Mainland China to enable them to shop and purchase online.

Southeast Asia Strategy

As at the end of the period, the Group operates a total of 73 stores in the region. As operating conditions in Malaysia have improved during the first half, the Group is on the lookout for possible new store openings to enrich its store portfolio and fuel further growth. In Singapore, the opening of five physical stores since April 2024 has re-established our offline presence and complements our existing online business.

The Group is placing a strategic emphasis on e-commerce as a cornerstone of Sa Sa's future growth initiatives, including the imminent launch of Sa Sa's e-commerce platform in Singapore to offer a seamless and engaging shopping experience with the cutting-edge technology and localised strategies, as well as revamp of Malaysia E-Commerce Platform and upgrade of the Group's digital infrastructure to better serve our customers by integrating advanced functionalities and scalable solution supporting future growth.

Other Jurisdictions Strategy

The Group leverages existing infrastructure and collaboration mainly with third-party ecommerce platforms to reach North America, Australia and New Zealand. The average order value for these jurisdictions tends to be much higher to cover the cost of delivery while customer loyalty is also proving to be sticky. Sales growth is expected to be steady yet marginally profitable.

FY2024/25 Q3 OPERATIONAL SALES DATA

For the third quarter from 1 October to 10 November 2024, the Group's total turnover decreased by 7.0% compared to last financial year. 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**				
	Offline	**Online**	**Total**	**Year-on-year change (%)**	**% of Group Turnover**
HK & Macau	$336.2	$22.0	$358.2	-6.4%	77.6%
Mainland China	$12.5	$42.8	$55.3	-26.5%	12.0%
Southeast Asia	$36.6	$10.0	$46.6	+26.0%	10.1%
Others	-	$1.3	$1.3	+10.8%	0.3%
Total	$385.3	$76.1	$461.4	-7.0%	100.0%

The marginal year-on-year decrease in sales in Hong Kong and Macau of 6.4% represents a remarkable improvement in performance compared to the decline of 20.4% and 16.4% in the first quarter and then the second quarter. Following the reduction in HIBOR in September 2024, local equity markets received a shot-in-the-arm with the Hang Seng Index recovering from 18,013 points on 19 September 2024 to 20,317 as at 31 October 2024. This has contributed to an improvement in consumer confidence and local spending. Similarly, the reduction in interest rate by the PBOC and series of monetary easing policies announced by the government of the People's Republic of China also helped to improve consumer sentiment, and we saw the positive impact during the October National Week holiday tourist sales improving significantly.

HUMAN RESOURCES

As at 30 September 2024, the Group had close to 2,600 employees. The Group's staff costs for the six months ended 30 September 2024 were HK$331.2 million.

FINANCIAL REVIEW

Capital Resources and Liquidity

As at 30 September 2024, the Group's total equity amounted to HK$1,145.9 million including reserves of HK$835.6 million. The Group continued to maintain a strong financial position with working capital of HK$452.5 million that included cash and bank balances of HK$337.9 million, while unutilised banking facilities were approximately HK$267.5 million giving total accessible funds of HK$605.4 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and the continued availability of the Group's banking loan facilities, the Group has adequate liquidity and financial resources to meet its working capital requirements and operating needs in the next twelve months from the balance sheet date.

During the period, the majority of the Group's cash and bank balances were in Hong Kong dollar, United States dollar, Malaysian Ringgit, Renminbi and Macau Patac, and deposited in reputable financial institutions with maturity dates falling within a year. This is in line with the Group's treasury policy to maintain liquidity of its funds and continue to contribute a relatively stable yield to the Group.

Financial Position

Total funds employed (representing total equity) as at 30 September 2024 were HK$1,145.9 million, representing an 8.5% decrease over the funds employed of HK$1,252.1 million as at 31 March 2024.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 30 September 2024 and 31 March 2024.

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. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong dollar, United States dollar, Euro, Renminbi or Malaysian Ringgit. Based on purchase orders placed, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non-Hong Kong dollar or non-United States dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Property, plant and equipment

Capital expenditure was HK$30.6 million (2023: HK$39.6 million), mainly for store upgrades to latest design and to upgrade the Group's tech stack. Management will continue to devote resources to strengthen our store image, improve consumer experience and raise operational efficiency.

Inventories

Group inventories were HK$678.7 million (31 March 2024: HK$705.3 million) while stock turnover days was kept at 100 days through tightened inventory management practices.

Charge on Group Assets

As at 30 September 2024, land and buildings with carrying value amounting to HK$92.3 million (31 March 2024: HK$94.4 million) were pledged for banking facilities made available to the Group.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2024.

Capital Commitments

As at 30 September 2024, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$9.4 million.

INTERIM DIVIDEND

The board of directors has declared an interim dividend of 0.75 HK cents (2023: Nil) per share for the six months ended 30 September 2024, payable to shareholders whose names appear on the register of members of the Company on Monday, 2 December 2024. The interim dividend is expected to be paid on or around Friday, 13 December 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 29 November 2024 to Monday, 2 December 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all valid documents for the transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 28 November 2024.

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2024, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Company believes that its business can only be sustainable and beautiful to its stakeholders in the broadest sense when guided by a strong corporate governance culture. The Company is committed to maintaining high standards of corporate governance and strives to integrate the principles of good corporate governance practices into our operations, making corporate governance part of our culture.

Compliance with the Corporate Governance Code ("CG Code")

Throughout the six months ended 30 September 2024 and up to the date of this announcement, we have complied with all but one of the code provisions under the CG Code.

Code Provision C.2.1

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. We have deviated from the code in that Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. The division of responsibilities between the two roles are, however, clearly established and set out in writing in the respective terms of reference for the chairman and the chief executive officer. Dr Kwok, being one of the founders of the Group, has superior knowledge of our business and is a veteran in the retail industry. The Board is therefore of the view that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximises the effectiveness of our operations. We will, nevertheless, periodically review the Board's structure going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

For more information on our corporate governance practices, please refer to the Company's annual report 2023/24 published in July 2024.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

We have adopted our own model codes regarding securities transactions by directors and relevant employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Our model codes are extended to certain "relevant employees" who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities. We have received confirmation from all Directors and relevant employees that they have complied with the Company's model codes throughout the period under review.

The interim report of the Company for the six months ended 30 September 2024 will be dispatched to shareholders and published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in the middle of December 2024.

On behalf of the board of directors, I would like to extend my thanks and appreciation to all our staff for their hard work and commitment and to all our customers, suppliers and shareholders for their continued support.

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

Hong Kong, 14 November 2024

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)
Ms KWOK Sze Wai Melody, *MH, JP*
Mr HO Danny Wing Fi (Chief Financial Officer)
Ms KWOK Sea Nga Kitty

Independent non-executive Directors
Ms KI Man Fung Leonie, *GBS, SBS, JP*
Mr TAN Wee Seng
Ms LEE Yun Chun Marie-Christine
Mr CHAN Hiu Fung Nicholas, *BBS, MH, JP*