Sa Sa Announces Interim Results for FY2024/25

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Interim Dividend of 0.75 HK Cents per Share

Maintain Stable Payout Ratio of 70%

Mainland China Online Operation Sees Profit Turnaround with Sales up 61.2%

Sales in Hong Kong and Macau Expected to Further Improve in Q3

Performance 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 of 0.75 HK cents per share (2023: Nil) for the six months ended 30 September 2024, representing approximately 72% of the profit for the period. The Group will seek to maintain a steady dividend policy going forward.

(14 November 2024 - HONG KONG) - **Sa Sa International Holdings Limited** (“Sa Sa” or the “Group”, stock code: 0178) announced its interim results for the year ended 30 September 2024 (the “period”).

In the first half of the financial year, 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"), largely attributable to a 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. As a result, 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 was HK$337.9 million (previous period: HK$164.2 million). After deducting the payment of lease liabilities and interest, the Group recorded a cash inflow of HK$54.9 million from operating activities during the period (1.7 times the profit for the period), possessing sufficient cashflow for its operating needs. The Group operated a total of 178 retail outlets across all regions as at 30 September 2024.

With the trend of consumers seeking value-for-money, there is pressure on the depth of promotions, however, the Group has increased sales mix of exclusive brands to more than compensate. The Group's offline retail gross profit margin increased by 1.2 percentage points to 45.9%. Gross profit for the period amounted to HK$756.5 million with gross profit margin of 39.4%.

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

Business Review

The **Hong Kong and Macau** markets are together the Group's largest region by turnover. During the period, the Group's turnover in its core markets of Hong Kong and Macau decreased by 18.4% to HK$1,403.0 million. However, the turnover decline narrowed from 20.4% in the first quarter to 16.4% in the second quarter, driven by local resident VIP loyalty and tourism. Facing challenging market environment, 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 was attributable to VIP members.

To cater for the trend of livestreaming in the region that tends to attract younger consumers, the Group hosted 79 sessions of live-commerce during the period and started to deliver tangible results, accounting for 21.5% of total online sales in Hong Kong and Macau. By bringing the Group's signature beauty consultant online in collaboration with KOLs via live-commerce, the Group has garnered interest in exclusive brands in the online marketplace.

With the normalisation of outbound travel by local residents and improving consumption by Mainland Chinese tourists in the third quarter, the turnover decline in the Hong Kong and Macau markets further narrowed to 6.4% for the third quarter from 1 October to 10 November, compared to the previous year.

Optimise store portfolio and invest in diversified product offerings

The Group's priority is to maximise the overall financial health of its store portfolio with a focus on store productivity and profitability to sustain its market leadership. In Hong Kong and Macau, the Group is actively looking at gaps in 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 long as the economics make sense.

The Group continued to invest in the category extension strategy and introduce new brands to suit consumer preferences and keep pace with current trends. Aside from its 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. The Group also strategically brought in popular new brands from different countries to expand its portfolio of exclusive brands to cultivate customer loyalty and position Sa Sa as the place to go to "make yourselves beautiful".

Launch upgraded membership app to enhance customer loyalty and repurchase rates

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 relaunched its revamped member app that integrates member pools from online and offline channels in Hong Kong and Macau as well as Mainland China. By gaining a deeper understanding of consumer preferences and shopping behaviour, the Group can provide personalised recommendations and targeted marketing campaigns, ultimately enhancing customer loyalty, increasing repurchase rates, and maximising returns on marketing investment.

Soaring online sales propel growth in Mainland China

In the **Mainland China** market, despite operating 12 fewer offline stores compared to the previous period and Offline Sales decreasing 36.7%, the Group's total turnover increased by 27.2% to HK$311.2 million, thanks to the online sales performance. The Group's online operations in Mainland China has made a turnaround profit compared to the previous period. Online remains the predominant sales channel with Sa Sa's reputation for Quality and Genuine products helping it to grow in a crowded market. The Group's online sales in Mainland China increased by 61.2% to HK$257.5 million, representing 65.0% of the Group's total online sales. Online sales in Mainland China have now normalised and future growth will very much depend on economic condition.

Southeast Asia posts impressive sales growth with five new stores in Singapore

In **Southeast Asian** market, the Group recorded total turnover of HK$201.0 million, 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%. During the period, the Group's Offline Sales in Southeast Asia increased by 18.5% to HK$162.4 million, with same-store sales increasing by 4.3% (measured in local currency). Online sales grew marginally by 1.7% to HK$38.6 million with sales mix at 19.2%. 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 initial setup costs from re-entering the Singaporean Market and opening of five physical stores during the period resulted in a marginal short-term loss for the Southeast Asian business. However, it is believed that this will drive sales growth in the long term.

Outlook and Strategies

Looking ahead, the macroeconomic challenges and lifestyle changes have somewhat dragged back the economic condition of Hong Kong and Macau. 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.

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. The Group will focus on exclusive brands and invest to increase the product assortment where it has the right to win, so as to build brand loyalty and avoid direct price competition. In addition, the Group will focus on exploring online channels this year and will invest in strengthening promotion on popular social media platforms and digital channels, with influencers to increase brand awareness and credibility among target consumers.

Dr Simon Kwok, *SBS, JP,* Chairman and Chief Executive Officer of the Group, concluded, “While the retail landscape remains challenging, I remain positive about the long-term outlook. Favourable government measures to stimulate tourism and consumer spending, combined with a progressive economic condition across Hong Kong, Macau and Mainland China, create a positive trajectory. Sa Sa's commitment to authentic, high-quality products, continuous expansion of product categories, and development of online services, further strengthened by our robust product sourcing, position us for continued success in a competitive market. Furthermore, our dedication to corporate social responsibility and collaboration with stakeholders ensures alignment with the sustainable development goals integral to our overall business strategy.”

FY2024/25 THIRD QUARTER 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**			**Year-on-year Change (%)**	**% of Group Turnover**
	Offline	**Online**	**Total**		
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 at 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.

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