



Sa Sa Announces Unaudited Sales Updates for the Third Quarter (October to December 2019) of FY2019/20

Highlights

Group - Retail and Wholesale (Continuing operations)

	3 months ended 31 December 2019	9 months ended 31 December 2019
Turnover (HK\$ million)	1,584.1	5,078.3
YoY% change	-27.3%	-19.7%

HK and Macau SARs - Retail and Wholesale

Turnover (HK\$ million)	1,191.3	4,081.8
YoY% change	-35.2%	-23.9%
Same store sales YoY % change	-34.7%	-26.2%
Average sales per transaction (HK\$)	331	333
YoY% change	-7.5%	-6.0%
Total no. of transactions (million)	3.4	11.9
YoY% change	-32.3%	-20.8%

(15 January 2020 - HONG KONG) - **Sa Sa International Holdings Limited** (“Sa Sa” or the “Group”, stock code: 0178) announced today the unaudited sales update of the Group for the third quarter from 1 October to 31 December 2019.

For the third quarter from 1 October to 31 December 2019, the Group’s retail and wholesale turnover decreased by 27.3% on a year-on-year basis.

In the Hong Kong and Macau SARs, the retail and wholesale turnover decreased by 35.2%, while same store sales dropped by 34.7%. The decline was mainly attributable to the decrease of 32.3% in total transaction volume, of which the number of transactions of mainland tourists decreased by 50.8% and that of local customers dropped by 9.1%. The average sales per transaction of local customers and mainland tourists increased by 3.0% and 3.5% respectively, however the change in the proportion of customer mix led to a 7.5% decline in the overall average sales per transaction.

In the Hong Kong SAR, the rapid decline of mainland tourist arrivals, which fell more than 50% in November precipitated in a drop of 71.7% in the transaction volume of mainland tourists in the third quarter. Local customers’ transaction volume also decreased by 9.5%, leading to a fall of 47.5% in sales in the Hong Kong SAR for the third quarter. Sales decline in December slightly narrowed to 45.8%, as pent up demand of the local customers drove positive sales growth. However, no significant recovery was recorded for mainland tourists in that month.

Better sales performance was reported in the Macau SAR with a double digit year-on-year sales growth for the period from August to December. It was mainly attributed to the shift of consumption

power from the Hong Kong SAR to the Macau SAR among mainland tourists, resulting in a 18.6% increase in sales in the third quarter for Macau SAR.

In view of the unabated difficult operating environment in the Hong Kong SAR, the Group will continuously adopt various cost control measures in order to maintain competitiveness and to return to profitability. As store rental is one of the largest operating expenses, the Group has begun to downsize its store network according to store performance, business circumstances in each district and the extent of rental reduction. Around 20% to 25% of the stores are tentatively planned for closure in the coming 18 months, with most of them located in the tourist areas which are the most severely affected. Six stores have been closed in the third quarter, resulting in three net closures in the Hong Kong SAR. In addition, the Group will continue to review the market condition and proactively negotiate with the landlords on rental reduction in order to restore store profitability as early as possible.

Dr Simon Kwok, SBS, JP, Chairman and Chief Executive Officer of the Group, said, “The Group will continue to optimise product and inventory by eliminating low-productivity products and reducing excess inventory to create room for the introduction of best-selling products and trendy products which could attract foot traffic. This enables the Group to increase cash on hand and lower business risk, as well as boost sales. Based on current progress, the Group is confident of further reducing the current inventory level by the end of this financial year. The current cash position of the Group is healthy and is more than adequate to fulfil operation needs. Apart from focusing the efforts on the core markets of Hong Kong and Macau SARs, the Group will also expedite the retail network expansion in Mainland China and optimise the operation model of its e-commerce business, aiming at enhancing the Group’s competitiveness and overall performance.”

The Group announced the closure of loss-making business in Singapore on 2 December 2019. The closure of all its stores there will allow the regional management team, which currently manages both Singapore and Malaysia markets, to concentrate resources on the Group’s profitable Malaysia market.

The Group’s retail and wholesale turnover in other markets outside of Hong Kong and Macau SARs (including Mainland China, Singapore, Malaysia and e-commerce) increased by 15.1% in the third quarter. Nonetheless, sales in e-commerce decreased by 10.7% year-on-year due to the shift of development focus in this business segment.

Number of Retail Outlets by Market (Continuing operations)

	As at 31 December 2019	As at 30 September 2019	As at 31 December 2018
Hong Kong and Macau SARs	115	118	119
Mainland China	48	46	54
Singapore	22	21	21
Malaysia	80	80	78
Total	265	265	272

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.

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