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 2021 and Trading Updates from 1 October to 14 November 2021

Highlights

- The Group's turnover for continuing operations amounted to HK$1,597.2 million
- Retail and wholesale turnover in Hong Kong and Macau SARs increased by 26.9% to HK$1,086.1 million
- Loss for the period narrowed by HK$60.4 million (or 25.0%) to HK$181.6 million
- Basic loss per share amounted to 5.9 HK cents (2020: 7.8 HK cents).
- In view of the challenging and uncertain business and operating environment, the Board has resolved not to pay any interim dividend for the reporting period (2020: Nil).

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 2021. The unaudited condensed consolidated interim financial information has been reviewed by the audit committee of the Company and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information will be included in the interim report for distribution to shareholders.

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 2021 HK$'000	2020 HK$'000
Continuing operations			
Turnover	3	**1,597,234**	1,286,128
Cost of sales	5	**(1,010,716)**	(867,212)
Gross profit		**586,518**	418,916
Other income	4	**21,903**	93,896
Selling and distribution costs	5	**(653,669)**	(643,535)
Administrative expenses	5	**(121,600)**	(112,309)
Impairment of right-of-use assets and property, plant and equipment	10	**(10,195)**	(46,130)
Other gains - net		**936**	3,118
Operating loss		**(176,107)**	(286,044)
Finance income		**1,567**	4,083
Finance costs	6	**(5,853)**	(8,957)
Loss before income tax		**(180,393)**	(290,918)
Income tax (expense)/credit	7	**(1,208)**	43,033
Loss for the period from continuing operations		**(181,601)**	(247,885)
Profit for the period from discontinued operation		**-**	5,884
Loss for the period attributable to owners of the Company		**(181,601)**	(242,001)
Loss per share for loss from continuing operations attributable to owners of the Company for the period (expressed in HK cents per share)	8		
Basic		**(5.9)**	(8.0)
Diluted		**(5.9)**	(8.0)
Loss per share for loss attributable to owners of the Company for the period (expressed in HK cents per share)	8		
Basic		**(5.9)**	(7.8)
Diluted		**(5.9)**	(7.8)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
Loss for the period	**(181,601)**	(242,001)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges, net of tax	**-**	20
Currency translation differences of foreign subsidiaries recorded in translation reserve	**19**	9,320
Other comprehensive income for the period, net of tax	**19**	9,340
Total comprehensive loss for the period attributable to owners of the Company	**(181,582)**	(232,661)
Total comprehensive (loss)/income for the period attributable to owners of the Company arises from:		
Continuing operations	**(181,582)**	(238,328)
Discontinued operation	**-**	5,667
	(181,582)	(232,661)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2021 HK$'000**	Audited 31 March 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**231,127**	246,714
Right-of-use assets		**408,583**	457,242
Rental deposits and other assets		**64,296**	74,899
Deferred tax assets		**151,623**	149,822
		855,629	928,677
Current assets			
Inventories		**828,511**	766,107
Trade receivables	11	**62,300**	76,972
Other receivables, deposits and prepayments		**205,581**	202,095
Time deposits		**11,973**	21,012
Cash and cash equivalents		**274,449**	505,392
Income tax recoverable		**9,066**	10,627
		1,391,880	1,582,205
LIABILITIES			
Current liabilities			
Trade payables	12	**264,888**	290,230
Other payables and accruals		**236,851**	201,352
Borrowings	13	**18,920**	-
Lease liabilities		**310,933**	349,603
Income tax payable		**10,448**	9,469
		842,040	850,654
Net current assets		**549,840**	731,551
Total assets less current liabilities		**1,405,469**	1,660,228
Non-current liabilities			
Other payables		**18,973**	28,584
Lease liabilities		**235,764**	299,513
Retirement benefit obligations		**1,864**	1,864
Deferred tax liabilities		**161**	124
		256,762	330,085
Net assets		**1,148,707**	1,330,143
EQUITY			
Capital and reserves			
Share capital		**310,319**	310,319
Reserves		**838,388**	1,019,824
Total equity		**1,148,707**	1,330,143

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". 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 2021 ("2021 Annual Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The Group had a loss from continuing operations of HK$181,601,000 (2020: HK$247,885,000) for the six months ended 30 September 2021. The Group had an operating cash outflow of HK$16,598,000 (2020: cash inflow of HK$296,242,000), and if including the payment of lease liabilities (including interest) of HK$213,343,000 (2020: HK$336,619,000), the cash outflow amounted to HK$229,941,000 (2020: HK$40,377,000) during the six months ended 30 September 2021.

The Group's cash and bank balances was HK$286,422,000 (31 March 2021: HK$526,404,000) as at 30 September 2021. The Group's readily undrawn available banking facilities amounted to approximately HK$210,700,000 (31 March 2021: HK$171,000,000). The Group is also in the progress of negotiation with a financial institution for an additional banking facility.

The directors of the Company have considered the above circumstances and reviewed the Group's cash flow projections, which covered a period of 12 months from 30 September 2021. The directors are of the opinion that, taking into account the anticipated cash flows used in the Group's operations, the potential impact of the COVID-19 pandemic on the Group's operation, the pace of recovery from the COVID-19 pandemic and the continued availability of the Group's banking facilities, the Group has adequate liquidity and financial resources to meet in full its financial obligations and the working capital requirements in the next twelve months from the balance sheet date. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

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 2021, 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.

a) Amendments to standards mandatory for the first time for the financial year beginning 1 April 2021 and were early adopted in prior years

- HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendment), "Interest Rate Benchmark (IBOR) Reform – Phase 2"

- HKFRS 16 (Amendment), "Covid-19-Related Rent Concessions beyond 30 June 2021"

2. Accounting policies (continued)

b) Early adoption of new standard and amendments to standards issued but not yet effective for the financial year beginning 1 April 2021 where early adoption is permitted

- HKFRS 17, “Insurance Contracts” (effective for annual periods beginning on or after 1 April 2023). The new standard applies to insurance contracts issued, to reinsurance contracts issued and held, and to investment contracts with discretionary participation features an entity that also issues insurance contracts. Entities have an accounting policy choice to account for some fixed-fee service contracts in accordance with either HKFRS 17 or HKFRS 15.The June 2020 amendment additionally introduced scope exclusions for some credit card (or similar) contracts, and some loan contracts. The early adoption of HKAS 17 does not have any impact to the Group as the Group does not have insurance contracts as at 30 September 2021.

- HKAS 12 (Amendment), “Income Taxes” (effective for annual periods beginning on or after 1 April 2023). The amendment requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendment is applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The early adoption of HKAS 12 (Amendment) does not have any impact to the Group as the Group has accounted for such transactions consistent with the new requirements.

- HKFRS 10 and HKAS 28 (Amendment), “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (effective for annual periods to be determined by the HKICPA). The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in HKFRS 3, “Business Combinations”). The early adoption of HKFRS 10 and HKAS 28 (Amendment) does not have any impact to the Group as the Group does not have any associates or joint ventures as at 30 September 2021.

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 SARs, Online business, Mainland China and Malaysia.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, deferred tax assets, inventories, receivables, deposits and prepayments, time deposits, 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 2021				
	Hong Kong & Macau SARs HK$'000	**Online business HK$'000**	**Mainland China HK$'000**	**Malaysia HK$'000**	**Total HK$'000**
Turnover	**1,086,090**	**307,361**	**143,575**	**60,208**	**1,597,234**
Segment results	**(122,805)**	**1,203**	**(41,452)**	**(18,547)**	**(181,601)**
Other information					
Capital expenditure	**9,364**	**161**	**16,621**	**564**	**26,710**
Finance income	**890**	**5**	**149**	**523**	**1,567**
Finance costs	**4,471**	**-**	**859**	**523**	**5,853**
Income tax expense/(credit)	**6,151**	**238**	**-**	**(5,181)**	**1,208**
Depreciation on property, plant and equipment	**33,085**	**137**	**4,858**	**3,318**	**41,398**
Depreciation on right-of-use assets	**121,347**	**-**	**10,295**	**14,045**	**145,687**
(Reversal of provision)/provision for slow moving inventories and shrinkage	**(13,758)**	**(2)**	**3,901**	**6,564**	**(3,295)**
Impairment of property, plant and equipment	**-**	**-**	**418**	**129**	**547**
Impairment of right-of-use assets	**7,996**	**-**	**583**	**1,069**	**9,648**

3. Segment information (continued)

	Six months ended 30 September 2020				
	Hong Kong & Macau SARs HK$'000	Online business HK$'000	Mainland China HK$'000	Malaysia HK$'000	Total HK$'000
Turnover	856,051	186,095	117,252	126,730	1,286,128
Segment results	(238,580)	(2,637)	(4,763)	(1,905)	(247,885)
Other information					
Capital expenditure	12,815	5	5,749	2,267	20,836
Finance income	3,173	8	99	803	4,083
Finance costs	7,874	-	249	834	8,957
Income tax (credit)/expense	(41,987)	(1,187)	-	141	(43,033)
Depreciation on property, plant and equipment	37,485	260	1,606	5,916	45,267
Depreciation on right-of-use assets	209,282	-	4,831	17,728	231,841
Provision/(reversal of provision) for slow moving inventories and shrinkage	20,573	2,324	(1,900)	(126)	20,871
Impairment of property, plant and equipment	2,982	-	-	-	2,982
Impairment of right-of-use assets	43,148	-	-	-	43,148

At 30 September 2021	**Hong Kong & Macau SARs HK$'000**	**Online business HK$'000**	**Mainland China HK$'000**	**Malaysia HK$'000**	**Total HK$'000**
Non-current assets	**718,823**	**3,479**	**86,295**	**47,032**	**855,629**
Current assets	**808,400**	**267,220**	**150,551**	**165,709**	**1,391,880**
Total assets as per condensed consolidated interim statement of financial position					**2,247,509**
At 31 March 2021					
Non-current assets	822,663	3,235	49,633	53,146	928,677
Current assets	1,080,588	166,947	149,461	185,209	1,582,205
Total assets as per consolidated statement of financial position					2,510,882

4. Other income

	Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
Slide display rental income	**9,788**	13,833
Short-term sub-lease income	**9,048**	-
Government subsidies (Note)	**3,067**	80,063
	21,903	93,896

Note:
During the six months ended 30 September 2021, wage subsidies of HK$2,934,000 were granted from the Wage Subsidy Program launched by government of Malaysia.

Remaining wage subsidies of HK$133,000 were granted from the Hong Kong SAR government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees.

During the six months ended 30 September 2020, wage subsidies of HK$75,254,000 were granted or to be granted from the Hong Kong SAR government's Employment Support Scheme for the use of paying wages of employees and HK$3,160,000 were granted from the one-off Retail Sector Subsidy Scheme, and Beauty Parlours, Massage Establishments and Party Rooms Subsidy Scheme under Anti-Epidemic Fund. Remaining subsidies of HK$1,649,000 were granted from other subsidy schemes launched by government of Macau SAR and Malaysia.

The Group has complied all attached conditions before 30 September 2021 and 2020 and recognised in the condensed consolidated interim income statement.

5. Expenses by nature

	Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
Cost of inventories sold	**1,014,011**	846,341
Employee benefit expenses (including directors' emoluments)	**329,655**	321,609
Depreciation expenses		
- right-of-use assets	**145,687**	231,841
- property, plant and equipment	**41,398**	45,267
Lease rentals in respect of land and buildings		
- lease rental for short-term leases	**57,965**	38,594
- contingent rent	**15,399**	11,168
- rent concession related to COVID-19 (Note)	**(17,004)**	(61,970)
Building management fees, government rent and rates	**38,821**	44,456
Advertising and promotion expenses	**29,387**	19,218
Transportation, storage and delivery charges	**22,992**	16,677
Outsource warehouse handling expenses and platform charges	**19,031**	11,655
Utilities and telecommunication	**17,770**	12,874
Bank and credit card charges	**13,499**	11,440
Repair and maintenance	**11,645**	12,367
Packaging expenses	**5,511**	3,290
Short-term sub-lease expenses	**4,800**	-
Postage, printing and stationery	**4,568**	4,313
Auditors' remuneration		
- audit services	**1,550**	1,745
- non-audit services	**295**	449
Donations	**839**	1,046
Write-off of property, plant and equipment	**577**	341
(Reversal of provision)/provision for slow moving inventories and shrinkage	**(3,295)**	20,871
Others	**30,884**	29,464
	1,785,985	1,623,056
Representing:		
Cost of sales	**1,010,716**	867,212
Selling and distribution costs	**653,669**	643,535
Administrative expenses	**121,600**	112,309
	1,785,985	1,623,056

Note:
During the six months ended 30 September 2021, rent concession related to COVID-19 amounted to HK$17,004,000 (2020: HK$61,945,000) was included in selling and distribution costs and none (2020: HK$25,000) was included in administrative expenses.

6. Finance costs

	Six months ended 30 September 2021 HK$'000	2020 HK$'000
Interest expenses on lease liabilities	**5,853**	8,957

7. Income tax expenses/(credit)

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 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 2021 HK$'000	2020 HK$'000
Current tax		
- Hong Kong profits tax	**1,527**	3,242
- Overseas taxation	**1,498**	93
Deferred tax relating to origination and reversal of temporary differences	**(1,817)**	(46,368)
	1,208	(43,033)

8. Loss per share

From continuing operations

(a) Basic loss per share from continuing operations is calculated by dividing the loss from continuing operations 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 2021 HK$'000	2020 HK$'000
Loss from continuing operations attributable to owners of the Company	**(181,601)**	(247,885)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,101,533**	3,101,043

(b) For the six months ended 30 September 2021 and 2020, diluted loss per share from continuing operations equals to basic loss per share from continuing operations as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

8. **Loss per share (continued)**

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
Loss from continuing operations attributable to owners of the Company	**(181,601)**	(247,885)
Profit from discontinued operation attributable to owners of the Company	**-**	5,884
Loss for the purpose of basic and diluted loss per share from continuing and discontinued operations	**(181,601)**	(242,001)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,101,533**	3,101,043

9. **Dividend**

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2021 (2020: Nil).

10. **Impairment of right-of-use assets and property, plant and equipment**

As at 30 September 2021, net book amount of retail store assets represented property, plant and equipment and right-of-use assets amounting to HK$61,500,000 (2020: HK$58,293,000) and HK$314,982,000 (2020: HK$429,321,000) respectively. The Group regards each individual retail store as a separately identifiable cash-generating unit. Management carried out an impairment assessment for the retail store assets, including property, plant and equipment and right-of-use assets, which have an impairment indicator.

The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rate, percentage change of running costs and gross profit margin. As a result, an impairment loss of property, plant and equipment and right-of use assets of HK$547,000 and HK$9,648,000 (2020: HK$2,982,000 and HK$43,148,000) respectively were recognised in selling and distribution costs.

Key assumptions used in the value-in-use calculations for the recoverable amount of retail store assets in Hong Kong and Macau SARs market are as follows:

Revenue growth rate:	based on the estimated timing of easing quarantine restrictions at the borders and the recovery of Mainland tourist arrivals and the consequential effect on the foot traffic of the Group's retail stores
Percentage change of running costs:	based on the estimated change related to the Group's cost saving plan and measures
Gross profit margin:	based on the historical data and change in product mix

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 2021 HK$'000	31 March 2021 HK$'000
Within 1 month	**40,279**	53,418
1 to 3 months	**13,678**	13,887
Over 3 months	**8,343**	9,667
	62,300	76,972

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 2021 HK$'000	31 March 2021 HK$'000
Within 1 month	**148,572**	175,997
1 to 3 months	**89,230**	76,668
Over 3 months	**27,086**	37,565
	264,888	290,230

The carrying amounts of trade payables approximate their fair values.

13. Borrowings

As at 30 September 2021, the Group has trust receipt loans of HK$18,920,000 (31 March 2021: Nil). The maturity of borrowings based on scheduled repayment dates is within one year and classified as current liabilities.

The effective interest rate at the balance sheet date on borrowings was of 1.4% per annum (31 March 2021: Nil).

The carrying amounts of borrowings approximate their fair values.

As at 30 September 2021, land and buildings with carrying value amounted to HK$85,820,000 (31 March 2021: Nil) was pledged for banking facilities made available to the Group.

MANAGEMENT DISCUSSION & ANALYSIS

For the six months ended 30 September 2021 (“period”), the Group’s turnover for continuing operations amounted to HK$1,597.2 million, representing an increase of 24.2% over the six months ended 30 September 2020 (“previous period”). Retail and wholesale turnover in Hong Kong and Macau SARs increased by 26.9% to HK$1,086.1 million. The Group was operating 233 retail outlets as at 30 September 2021.

Loss for the period narrowed by HK$60.4 million (or 25.0%) to HK$181.6 million compared to the previous period. Excluding the provision for impairment made in accordance with HKAS 36 that applied to retail store assets (including right-of-use assets and property, plant and equipment), the subsidies for Novel Coronavirus pandemic (“COVID-19 pandemic” or “pandemic”) by local governments, temporary rental concessions as well as the results from discontinued business, the Group’s loss during the period narrowed by HK$152.3 million (or 44.3%) as compared to the same period last year.

Basic loss per share amounted to 5.9 HK cents (2020: 7.8 HK cents). In view of the challenging and uncertain business and operating environment we are facing, the Board has resolved not to pay any interim dividend for the reporting period in accordance with the Group’s policy to pay dividends out of profits and for the reason of responsible risk management (2020: Nil).

Fiscal Prudence for Rejuvenation of Internal Strength

In response to the unprecedented impact of the pandemic, the Group implemented stringent inventory and cost management to conserve working capital so as to navigate through adversity, while strategically invested in online and Mainland China retail businesses, both of which possess promising growth potential. These initiatives will enable the Group to become more resilient and achieve sustainable business growth after the pandemic.

Cost control measures taken includes streamlining physical store network in tourist districts in Hong Kong SAR and acceleration of digitalisation and automation to optimise our operations, with a view to reducing costs and enhancing operational efficiency. In our core market of Hong Kong and Macau SARs, the fixed costs for office and shops further decreased by approximately 18.3% as compared to the previous period as a result of the elimination of unnecessary and non-productive expenses.

The Group received a total amount of approximately HK$80.1 million of pandemic-related subsidies from the governments of Hong Kong SAR, Macau SAR and Malaysia in the previous period as compared to HK$3.1 million in the reporting period, which alleviated the burden of operating costs.

While we implemented strict inventory management by discontinuing and clearance of low productivity products, we have also introduced new and popular products to add to customer appeal. The Group flexibly adjusted its inventory strategies across various business units and allocated more inventory to the growing Macau SAR and online businesses, with a view to align closely with the market and capture business opportunities. Such move would prepare us for the peak of online business in November and December. As at 30 September 2021, the Group’s inventory for the continuing operations increased by HK$2.8 million to HK$828.5 million from the previous period, and increased by HK$62.4 million from HK$766.1 million as at 31 March 2021.

As at 30 September 2021, the cash and bank balances of the Group amounted to HK$286.4 million, as compared to HK$593.6 million in the previous period. While this is adequate for current operating needs, the Group has made arrangements to increase its banking facilities to support its working capital in light of market uncertainties.

Market Overview

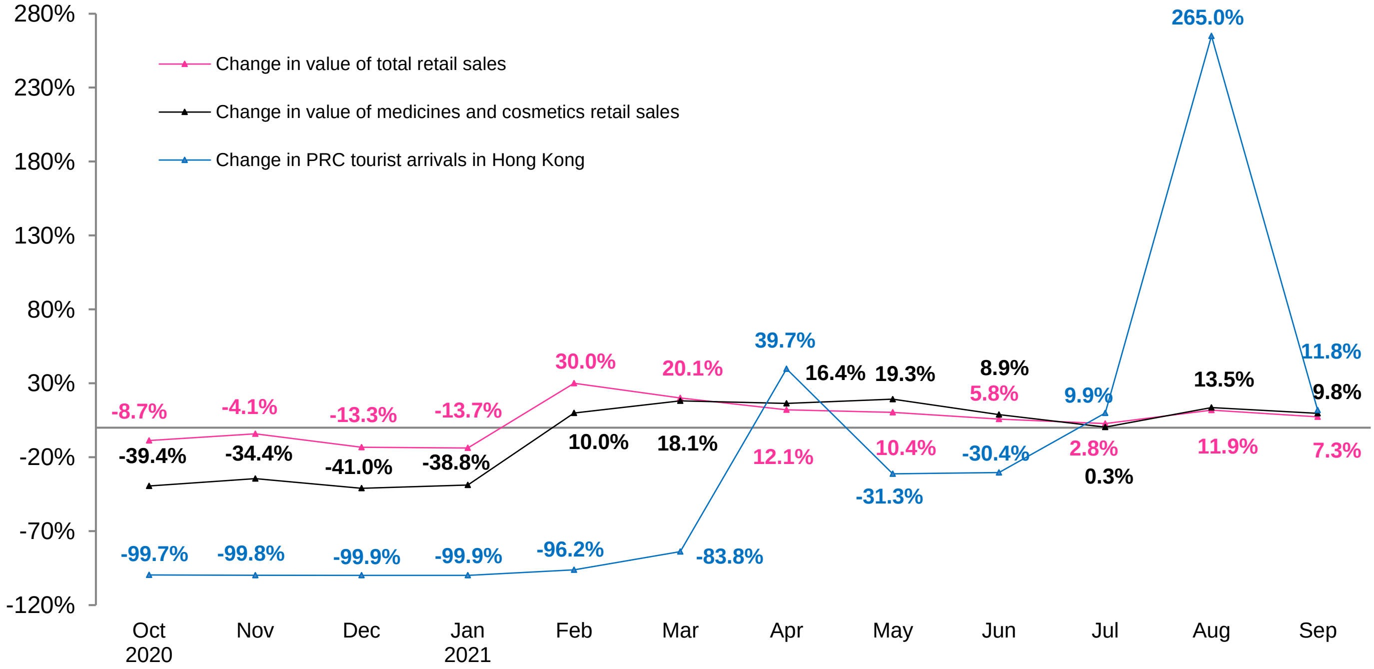
Retail Sales / Medicines and Cosmetics Sales in 2021 (year-on-year change)

Market	Retail Sales Change	Medicines and Cosmetics Sales Change
Hong Kong SAR	8.3% (Apr – Sep)	11.3% (Apr – Sep)
Mainland China *(Note 1)*	9.3% (Apr – Sep)	11.7% (Apr – Sep)
Malaysia	-5.5% (Apr –Sep)	*Note 2*

Note:

1) *Only cosmetics sales statistics were included in the Mainland China market.*
2) *There were no medicines and cosmetics sales statistics provided by the Malaysian Government.*
3) *All of the above data were sourced and estimated from statistics published by corresponding governments' statistics bureaus.*
4) *There are some inconsistencies in definition and survey methodology for cosmetics retail sales by different government statistics bureaus.*

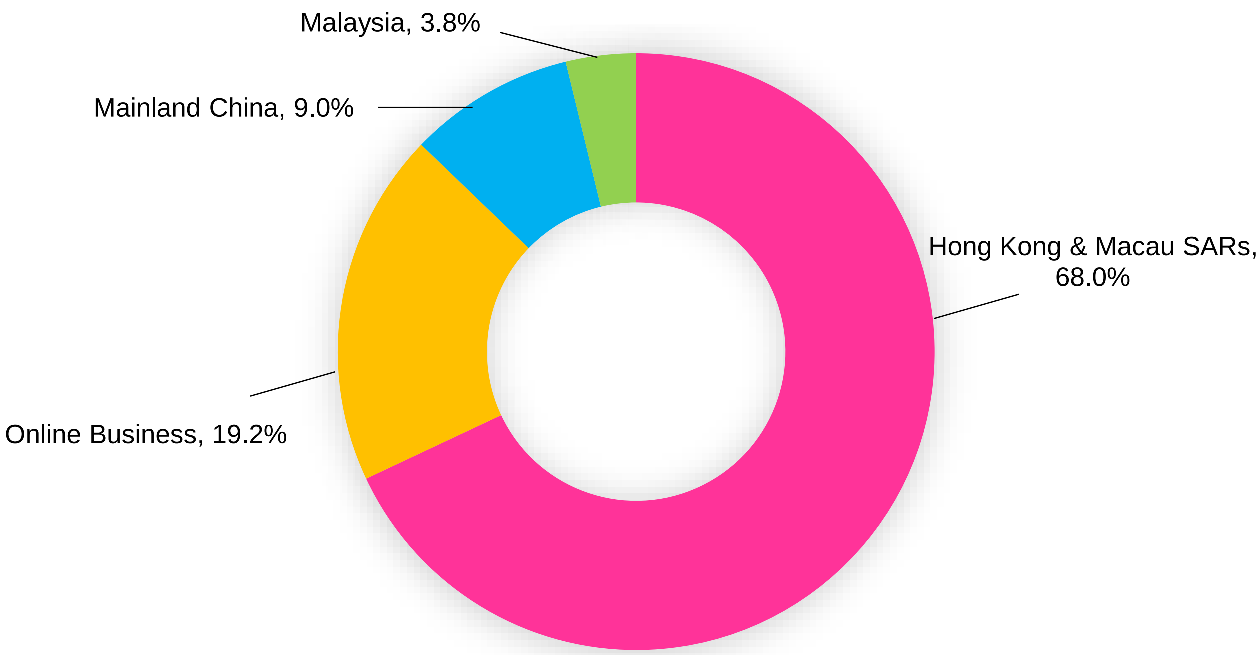
Retail Sales Performance in Hong Kong SAR and PRC Tourist Arrivals in Hong Kong (year-on-year change)



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

Retail and Wholesale Business

1st Half FY2021/22 Turnover Mix by Market



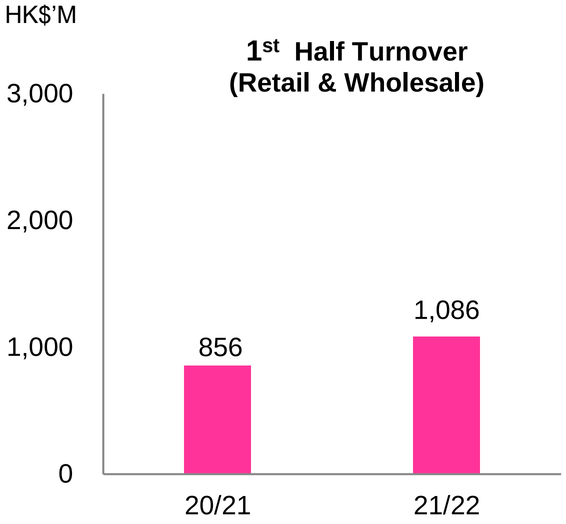
Store Network by Market

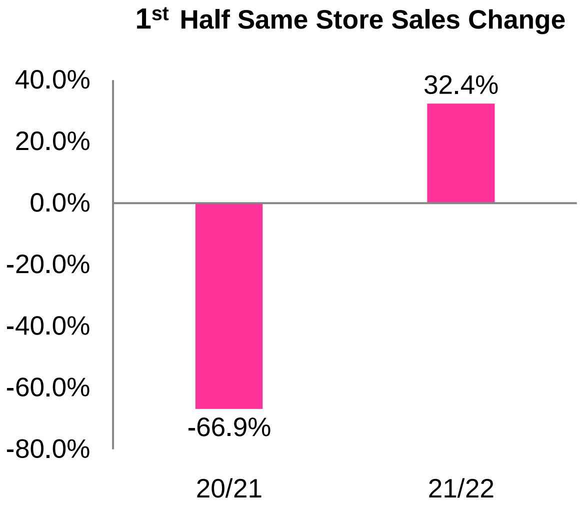
Market (Continuing operations)	As of 30 Sep 2020	As of 31 Mar 2021	Opened*	Closed*	As of 30 Sep 2021
Hong Kong & Macau SARs	106	100	1	10	91
Mainland China	48	57	14	2	69
Malaysia	77	75	-	2	73
Total	231	232	15	14	**233**

**Note:*

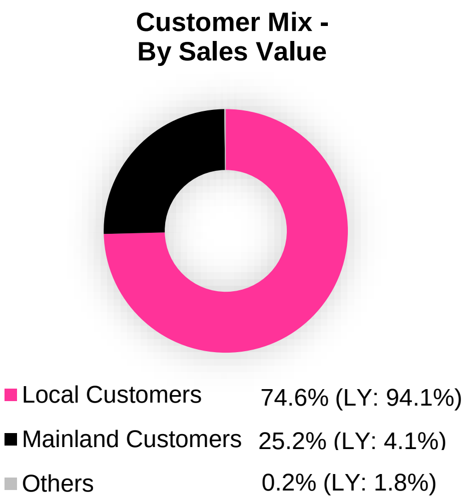
- *The number of stores opened and closed within six months between 1 April 2021 and 30 September 2021.*

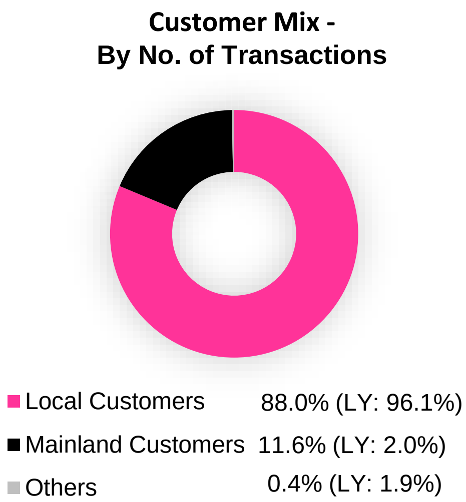
Hong Kong and Macau SARs

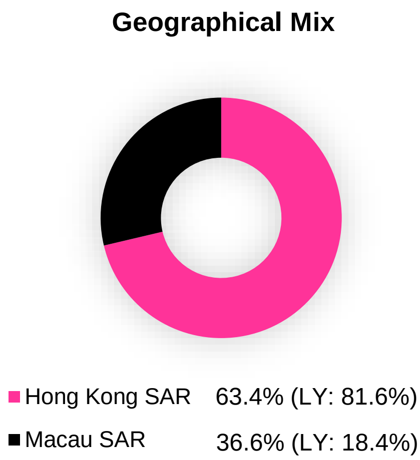




Sales Mix (1st Half FY2021/22 Retail Sales)







During the period, the Hong Kong SAR government continued to enforce preventive measures as well as stringent border controls to contain the COVID-19 pandemic, this has brought the number of visitors from Mainland China to a virtual standstill, leading to a continued underwhelming performance of the Group's sales contributed by Mainland Chinese visitors. The Group took measures to boost sales to local customers and also capitalised on the opportunities brought about by the government's Consumption Voucher Scheme launched in August. By collaborating with electronic payment solution providers along with the launch of various appealing promotions, we managed to drive additional local spending benefitting from the scheme.

In Macau SAR, the Group enjoyed healthy sales growth in the first half of the year mainly driven by the return of Mainland Chinese visitors. According to the government statistics, the overall number of Mainland Chinese visitors between April and September saw a gradual pick-up to approximately 30% of the pre-pandemic (referring to 2018) level. Sales at Sa Sa contributed by Mainland customers witnessed a faster pace of recovery in the first half of the year and returned to approximately 45% of the pre-pandemic level (referring to FY2018/19). Following the re-opening of the border with Mainland China in September last year, a number of new confirmed COVID-19 cases were recorded in Guangdong Province and Macau SAR during the period. As the outbreaks in August and late September were more serious than before, the Macau SAR government tightened its border control, resulting in a drastic decline in the number of Mainland Chinese visitors as well as the Group's sales. Consequently, sales to Mainland Chinese visitors in the second quarter was less than that in the first. The Group expects that the sales performance in Macau SAR will continue to fluctuate according to the pandemic situation.

While the second round of consumption subsidy scheme introduced by the Macau SAR government this year has brought some benefits to the Group's sales to the locals in the second quarter, it was still lower than that in the same period of the previous year which benefitted from a similar scheme. Yet, it was noticeably higher than that of the pre-pandemic level.

Overall, same-store sales in Hong Kong and Macau SARs rose by 32.4% year on year during the period, while retail sales witnessed a year-on-year increase of 28.8%. Comparing to the same period in FY2018/19, retail sales dropped by 69.6% in the reporting period, similar magnitude to the 68.8% decline in the second half of the FY2020/21. Benefitting from the re-opening of border between Macau SAR and Mainland China, the Group's sales contributed by Mainland Chinese visitors surged by around seven times year-on-year in the first half of the year, but represents a decrease of 89.4% when compared to the pre-pandemic period. Sales to local customers slightly increased by 2.0% year on year but decreased by 11.4% as compared to the pre-pandemic period. Macau SAR's sales contribution total sales in Hong Kong and Macau SARs significantly increased from 17.7% in the previous period to 35.7%.

Despite that the Group's business in Macau SAR recorded profits in the first half of the year, Hong Kong SAR operation remained loss-making. As a result, the Group incurred a loss for the period of HK$122.8 million for the combined Hong Kong and Macau SARs markets, while a loss of HK$238.6 million was incurred in the previous period. Excluding the provision for impairment made in accordance with the HKAS 36 that applied to retail store assets (including right-of-use assets and property, plant and equipment), temporary rental concessions as well as pandemic-related subsidies received from the governments, the Group's loss for the period in the Hong Kong and Macau SARs markets narrowed by HK$198.7 million (or 61.1%) as compared to the previous period. We will continue to scrupulously manage costs and optimise our cost structure with an aim to expedite a profit turnaround and enhance our long-term profitability.

Streamlining Store Network to Expedite a Profit Turnaround

The substantial decline in tourist arrivals brought a drastic impact to the retail stores in tourist districts, hence the Group continued to streamline its store network. As at 30 September 2021, there was a net decrease of 15 in the total number of retail stores compared to the same period last year, out of which 10 closures in the first half of the year are located in Hong Kong SAR with the majority located in tourist districts. Our frontline beauty consultants from the closed stores have been deployed in other stores nearby, enabling the stores in the same district to continue serving our customers originally patronising the closed stores in a systematic manner while driving sales growth. In addition, the sales of online business in Hong Kong SAR increased by 41.1% year-on-year to HK$58.4 million, mainly attributable to the shift of purchase behaviour towards online shopping by some consumers of physical stores. As a result, the closure of stores had no noticeable loss of sales.

To bring down rental costs in accordance with the respective stores' sales performance and business demand in the districts, the Group negotiated for temporary rental concessions for running leases before their expiry. And in cases where the Group chose to continue running the stores upon their lease expiry, and the Group negotiated for substantial rental reduction upon renewal. As quality stores would be difficult to pursue when the market recovers, a certain number of existing stores in prime tourist districts with heavy foot traffic will be retained. This will also save our decoration expenses and related depreciation associated with new openings in the future.

In the first half, rental savings from shop closures and renewals amounted to HK$77.2 million (43.5%), while other fixed overheads in retail stores (including fixed salary for frontline staff as well as utilities expenses, etc.) decreased by HK$16.7 million (10.2%).

Triggered by a plunge in tourist arrivals attributed to the outbreak of social incident in Hong Kong SAR, the Group has started to adjust its store strategies from mid-September 2019 onwards by way of reducing store network, particularly the stores with expensive retail rents in tourist districts of the city; while at the same time opening new stores or relocating stores to prime locations when the rents were reasonable. The total number of Sa Sa's retail stores in Hong Kong and Macau SARs reduced from the peak of 118 in September 2019 to 91 as at 30 September 2021. Monthly rental expense (excluding temporary rental relief offered by landlords) decreased from approximately HK$68.1 million two years ago to approximately HK$39.2 million in September 2021, representing a drop of 42.4%. On top of that, shop expenses related to frontline staff and other costs also recorded a decline. Thanks to the reduced costs as a result of the Group's continuous and effective shop rationalisation efforts, our business operation was close to breakeven position in one month in the first half although we continued to incur losses during the period.

Most shop leases in Hong Kong and Macau SARs are for a term of three years. As at 30 September 2021, leases of 20 retail stores will expire within this financial year. Five to eight retail stores are expected to be closed in the second half of the year as we continue to close down stores with excessively high rental costs or with less contributions. Based on the current execution plan, the Group expects a net decrease of 15-18 in the total number of stores year-on-year by March 2022.

Optimising its Product Offering to Address Customer Needs

As the supply of protective products continued to increase over the past year, consumers accumulated a stockpile of these products at home while the pandemic was gradually brought under control. As a result, the pressing local demand for this type of products especially face masks diminished as compared with the previous period during the onset of the pandemic. Nevertheless, the demand for product categories such as health & fitness and personal care products as well as beauty gadgets continued to grow and have the potential to attract new customer segments and bolster customer loyalty and generate new revenue stream. During the period, we strategically introduced more health & fitness products and beauty gadgets. This includes exclusive distribution rights for multiple renowned Korean and Japanese health & fitness brands in Hong Kong and Macau SARs, enriching our exclusive product portfolio and boosting gross margin performance. Monthly sales of the above-mentioned products surged by close to 50% from April to September. The Group targets to further increase its monthly sales by at least another 50% within this financial year.

During the period, the Group actively introduced new and popular products, and rationalised its product portfolio, managing its inventory to return to a relatively reasonable level. Gross profit margin also saw a recovery to 38.8% in Hong Kong and Macau SARs, demonstrating a notable improvement from the 29.6% recorded during the large-scale clearance sales conducted in the previous period.

Online Business

During the period, turnover of the Group's online business reached HK$307.4 million, registering an increase of 65.2% year on year or 65.9% as compared to the same period in FY2018/19. Its contribution to the Group's total turnover for the continuing operations increased from 14.4% in the previous period to 19.2%. During the period, the Group achieved a turnaround with a profit of HK$1.2 million, an improvement over the reported loss of HK$2.6 million in the previous period.

The Group's online business continued to improve in the first quarter as it witnessed a faster year-on-year growth of 108.8%, it also increased by 64.0% as compared to the pre-pandemic period. Such growth was primarily empowered by the "618 Shopping Festival" this year, driving an outperformance in Sa Sa's third-party platforms and WeChat mini-programme in Mainland China. Stepping into the second quarter with a high base from the previous period and with no major shopping festivals in the Mainland China, the year-on-year sales growth narrowed to 33.7%. An increase of 68.1% in sales was however recorded as compared to pre-pandemic period, higher than the growth in the first quarter.

For many years, our online business team has focused on driving business expansion in the Mainland China market. Having sensed the growth potential in our home market of Hong Kong SAR and Southeast Asia at the outbreak of the pandemic, the Group was determined to step up its efforts in exploring these business opportunities. This strategic initiative paid off and sales contributed by Hong Kong SAR increased by 41.1%, while other markets of Sa Sa experienced the fastest growth of 292.9% in their sales.

The Group proactively enhanced its new retail operating model with integration of online and offline operations ("O2O") during the period by expanding the "click-and-collect" service to more stores in Hong Kong and Macau SARs. The shopping website in Hong Kong SAR was revamped early this year, and incorporated enhanced O2O capabilities including e-coupons that are usable both online and in our offline stores to provide customers with a more pleasant shopping experience. This function also enables us to cross-refer our customers across both online and offline platforms, which would in turn increase customers' loyalty and repurchase rate. The Group's adoption of O2O operating model could also reduce our reliance on physical stores and lower fixed overheads and overall operating costs, arriving at a more flexible cost structure. The breakeven point of Hong Kong and Macau SARs' businesses will be also lowered, enabling a quicker return to profitability for Sa Sa.

The new shopping website in Hong Kong SAR unleashes the advantages of O2O by supporting the engagement and sales transactions between our beauty consultants and customers via social media. This sales channel has, for this reason, been redefined as O2O business starting from this reporting period. As the turnover of other self-owned sales channels only accounted for less than 3% of the overall online business, O2O business and the Group's own channel will be combined as "own channels" for reporting purpose going forward.

Mainland China

During the period, turnover of the Group's Mainland China business increased by 12.7% in local currency terms to HK$143.6 million, while same store sales dipped by 5.0% in local currency terms. The total number of stores operated by the Group in Mainland China as at 30 September 2021 was 69, representing a net increase of 21 over the last 12 months.

The pandemic was largely under control in Mainland China although there were stores inevitably affected by sporadic outbreaks in different provinces or cities in their vicinities. Such outbreaks were more serious in the second quarter given that more than half of the provinces in Mainland China were affected. As a result, same store sales of the Group decreased by 16.4% in local currency terms year on year in the second quarter while an increase of 7.2% was recorded in the first quarter in local currency terms.

The Group believes that stronger brand names are in position to command more favourable positions in the rental market. The Group continued with its plan to expand its store network and increased the number of stores by more than 40% year on year as of the end of September 2021. The Group's strategically focused Southern and Northern China regions accounted for 6 and 5 new stores respectively, with other new stores located in first-tier cities including Chengdu and Chongqing, making 14 new stores in total in the first half of the year. These new stores are expected to improve the overall competitiveness of the Group and support its further sales growth, but they are still at early stage of investment. Coupled with the impact of the pandemic and slowdown in overall consumption, the Group's loss in Mainland China market in the first half of the year increased to HK$41.5 million. We believe that progressive improvement will be seen in the operations of the new stores in respect of their contribution to our online and offline business in Mainland China, our O2O integration, cooperation with brand suppliers, as well as profitability.

Malaysia

The Malaysian government implemented strict movement control orders in response to the COVID-19 pandemic outbreak during the period. Being classified as non-essential business, all of the Group's stores were required to close temporarily in June during the most difficult period. This dealt a heavy blow to Sa Sa's local business as the situation only noticeably improved towards the end of September.

In local currency terms, turnover of the Group’s business in the Malaysian market plummeted by 53.7% year-on-year to HK$60.2 million, while same store sales declined by 42.1%. Consequently, the Group’s loss aggrevated to HK$18.5 million as compared to HK$1.9 million in the previous period. As at 30 September 2021, the Group operated 73 stores, as compared to 77 stores in the previous period.

The Group continued to carry out a series of cost reduction measures, including seeking rental reduction, adjusting manpower and unpaid leave arrangements. Total retail store and office expenses reduced by 28.0% as compared to the previous period. We also received a subsidy of approximately RM1.6 million (approximately HK$2.9 million) from the Malaysian government, which only slightly alleviated the burden of our operating costs. To avoid over-stocking, clearance sales were conducted and we lowered the inventory level by 9.3% over the same date last year.

Outlook and Strategies

Under our future development blueprint, Sa Sa would adhere to and build on the “customer-centric” principle that has been the foundation of our success. Our physical stores would strengthen their function of providing customers with richer in-store experience of our products and services, in doing so, attract new customers, extend staying time of customers at stores and increase frequency of customer visits. Our online touchpoints would interact with customers and provide around-the-clock shopping experience for consumers who have already shifted to online shopping, as well as serving as additional touch points for our existing physical store customers. The Group will further integrate its online and offline operations so that our online and physical stores complement one another to provide comprehensive seamless customer experience.

One of the advantages of online business is that its fixed costs are relatively lower, and we can also save on rental expenses (among our top three expenses) that brick-and-mortar retailers have to bear. The O2O business model enables the Group to move towards a leaner cost structure and lower the breakeven point of its traditional retail business. The adoption of O2O would accelerate the time it takes for the Group to return to profitability, reinforcing our overall competitiveness and profitability in the long run.

The aforementioned development also helps the Group to attain business diversification and sustainable development. We will continue to pursue our long-term goal to increase the sales mix of businesses beyond brick-and-mortar stores in Hong Kong and Macau SARs to above 50% of the Group’s turnover.

Hong Kong and Macau SARs

The border restriction between Macau SAR and Mainland China has been lifted for more than a year, but with certain degree of instability. Border control measures were strengthened immediately every time there were outbreaks in Macau SAR or in Southern China with varying degree of detrimental effect on visitation and sales. If the pandemic in Macau SAR and cities nearby across Mainland China are brought under control, the Group’s sales in Macau SAR are expected to grow steadily. Given that it is less likely for Hong Kong SAR to re-open its border with Mainland China this year, sales generated from mainland tourists in Macau SAR will more likely become an important element of the Hong Kong and Macau SARs, and would also be one of the important pillars to the Group’s journey to achieve breakeven in these markets.

In Hong Kong SAR, the Half-yearly Economic Report 2021 issued by the government for the second quarter (April to June) pointed out that with signs of global economy pulling out of its slump and local pandemic receding, the city is on the right track to economic recovery. Unless the global economy and pandemic situation deteriorate, the economy of Hong Kong SAR is expected to pick up as the real GDP growth forecast for 2021 is revised upwards to 5.5%-6.5%. Although the stimulus effects brought about by the first and second instalment of consumption vouchers disbursed in August and October could only last for about one to two weeks, the Hong Kong Retail Management Association (HKRMA) stated that the retail market has bottomed out and the worst is already behind us given that the pandemic is under control.

As local customers will remain our major customer base in Hong Kong SAR in the coming months, we will adopt a multi-pronged approach involving both products and stores to better serve them. We will adjust our product portfolio in a timely manner in response to the changes in their preferences and the latest market trends, broadening the personal care, health & fitness product and beauty gadget offerings, launch attractive promotions and enhance in-store product display to stimulate sales. Meanwhile, we also consider business opportunities to open new stores in residential areas to improve sales and gain local market share.

In addition to the ongoing store rationalisation plan in tourist districts in Hong Kong SAR, we plan to centralise some administration and management functions at stores while expediting the progress of automation to further reduce the cost of non-selling staff in stores and enhance operating efficiency of retail operations, with a view to speeding up our profit and loss turnaround.

We will invest more time and other internal resources to accelerate the integration of O2O business at the operating front. More training will be provided to our frontline beauty consultants to enhance their skills on social media livestreaming and online interaction with customers, aiming at cultivating a large group of Sa Sa online key opinion leaders (“KOLs”). Commission and reward system will also be improved to encourage frontline staffs to actively drive O2O development.

Online Business

As the Group’s current and future strategic focus, online business also registered the strongest sales growth during the period. We will continuously invest in our online business and actively develop each sales channel, and shifting towards a more comprehensive online and offline operating model through O2O operation integration.

Third-party platforms have commanded the highest sales contribution amongst all online sales channels of the Group. These platforms possess abundant resources to attract traffic and have developed into different high-growth ecosystems. Sa Sa will continue to collaborate with existing and new third-party platforms to expand our new customer base and boost sales. At the same time, we will build our own livestreaming team in the second half of year, as we aim to significantly strengthen our capability in livestreaming and video production and to expand our target consumer group of young generations in Mainland China, so that Sa Sa can better build reputation for its brands and products, as well as support the development of our online and offline businesses.

Developing a centralised customer reward system that can connect across our online and offline businesses is one of the keys to achieve seamless O2O integration. In Hong Kong SAR, the Group implemented a pilot launch of e-voucher programme in May 2021 subsequent to the launch of “click-and-collect” service, encouraging online customers to visit Sa Sa physical stores for repurchase. In view of the satisfactory results at the pilot launch, we plan to roll out e-vouchers which could be used at both online and offline businesses with an aim to boost customer loyalty and repurchase rate.

With the O2O trend on the rise globally, it also possesses promising growth potential in markets outside Hong Kong and Macau SARs. We are currently seeking to expand our O2O services in Mainland China where the adoption of O2O grows faster than in Hong Kong SAR, and to Malaysia in the longer run, to capture the opportunities brought about by the fast-growing online shopping trend, and to provide our customers with seamless and dedicated O2O services.

Due to the limitations of national product registration and related health quarantine policies, many popular beauty products of renowned international brands cannot be sold in Sa Sa’s physical stores in Mainland China. Our private label products do not face such limitations, but it still takes a long time for products to be registered before they can be sold in our physical stores. Product offerings at Sa Sa’s retail stores in Mainland China have to date not been as rich as our stores in Hong Kong SAR. Products sold at cross border e-commerce are subject to a different set of product registration policies which are less onerous and speedier to process. Sa Sa launched a pilot programme in mid-October adopting cross-border shopping capability on WeChat mini-programme, allowing its frontline beauty consultants in Mainland China to leverage on the easier product registration process for cross border fulfilment to offer products not available in Sa Sa stores in Mainland China to our Mainland China customers, meaning that they can sell selected popular products in the Hong

Kong and Macau SARs markets to their customers or new customers. This will increase the attractiveness of the retail stores in Mainland China, while expediting the timeline of the launch of Sa Sa's private label products in Mainland China and broadening our customer base for online and offline business. This service was launched before the peak "Double 11" shopping festival.

Mainland China

There are recent weaknesses in the consumption sentiment in Mainland China, but it is expected to return to healthy growth in the long run. Sa Sa will slightly adjust the pace of retail store expansion for the remaining part of this year, resulting in a change of target store number at the end of the financial year from 100 to 80. Our resources will be focused on expanding the Group's core city clusters (especially in the Greater Bay Area) and other strategic regions, with a view to manifesting the effectiveness and efficiency of focused local management.

In parallel with our store expansion plan, we have upgraded the in-store decoration and visual display for eight stores in the first half of the year. We aim to further enhance our overall brand image in the future. Our product procurement team will continue to introduce strong domestic and overseas brands as well as top trending domestic products in Mainland China. We will also streamline our Stock Keeping Units (SKU), so as to increase the competitiveness of our product portfolio and overall operational efficiency.

Meanwhile, the Group will accelerate its O2O integration in Mainland China by leveraging on the cross-border e-commerce (Haitao) feature of WeChat mini-programme. This will quickly enrich the product portfolio of our retail business in Mainland China and provide quality and seamless O2O services for our customers. The O2O integration will help attract new customers to Sa Sa's customer base in Mainland China, enhance the repurchase rate and loyalty of existing customers, and boost the commission income of local beauty consultants, thereby strengthening the overall competitiveness of the Group (For details, please refer to "Online Business" section under "Outlook and Strategies").

Malaysia

Following the easing of the strict lockdown measures under the movement control orders since October, the Malaysian government is moving towards the "living with COVID-19" strategy. As such, the Group believes that this will support the recovery of local economy and retail industry, while steady improvements in Sa Sa's business are also anticipated.

The Group remains prudent towards store opening in near term and continuously optimises existing store network. In addition to enhancing our local online shopping platforms, we will introduce new and popular items and adjust product mix in a timely manner, while also attracting customer traffic and boost sales with appealing promotions.

FY2021/22 Q3 Operational Sales Data (Continuing Operations)

For the third quarter from 1 October to 14 November 2021, the Group's retail and wholesale turnover increased by 1.4% as compared to the previous period. The year-on-year changes of retail sales and same store sales are shown in the table below.

In local currencies	YoY Change (%)	
	Retail Sales	Same Store Sales
Hong Kong & Macau SARs	-2.6%	0.5%
• Hong Kong SAR	15.9%	23.4%
• Macau SAR	-33.5%	-37.7%
Mainland China	-9.4%	-24.5%
Malaysia	9.2%	5.5%
Online Business	20.4%	
Group Turnover	1.4%	

Human Resources

As at 30 September 2021, the Group had close to 3,100 employees. The Group's staff costs for the six months ended 30 September 2021 were HK$329.7 million.

Financial Review

Capital Resources and Liquidity

As at 30 September 2021, the Group's total equity funds amounted to HK$1,148.7 million including reserves of HK$838.4 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$286.4 million supplemented by bank lines. The Group's working capital amounted to HK$549.8 million. After taking into account the anticipated cash flows used in the Group's operations, the pace of recovery from the COVID-19 pandemic and the continued availability of the Group's banking facilities, the Group has adequate liquidity and financial resources to meet its working capital requirements 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, Malaysian Ringgit, Macau Pataca, Renminbi, US dollar and Swiss Franc 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 2021 were HK$1,148.7 million, representing a 13.6% decrease over the funds employed of HK$1,330.1 million as at 31 March 2021.

The gearing ratio, defined as the ratio of total borrowings to total equity, was 1.6% as at 30 September 2021. The Group had no borrowings as at 31 March 2021.

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 with no siginificant borrowings during the period. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong dollar, US dollar, Euro or Renminbi. 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-US dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 30 September 2021, land and buildings with carrying value amounted to HK$85.8 million (31 March 2021: Nil) was pledged for banking facilities made available to the Group.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2021.

Capital Commitments

As at 30 September 2021, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$5.4 million.

Conclusion

The COVID-19 pandemic has undoubtedly taken the world by storm, while upending all business ecologies, bringing both risks and opportunities. Sa Sa has adopted a host of diversified reform measures by continuously implementing stringent cost control measures, expanding the revenue base of our businesses and optimising our cost structure. All these measures will facilitate us to survive in this changing and challenging market and to pave way for restoring profitability in the future.

Nearly two years of sustained social distancing measures have led to behavioural changes in our daily lives and acceleration of digitalised shopping habits. The Group strives to demonstrate its adaptability during this transformation to cater for the changing consumption habits. The initiatives include actively investing in the development of online business, especially social commerce which gives full play to the strength of Sa Sa's professional beauty consultant team, accelerating the integration of online and offline operations, thereby creating seamless O2O shopping experience for our customers and effectively improving our overall operational efficiency.

Looking ahead, we expect that retail sector will continue to operate in an arduous environment in the face of more and more prevalent external uncertainties, the Group will ceaselessly bolster its foundation through various measures with the aim to build stronger resilience to adversity and mitigate overall negative consequences induced from the instability of a single market on the Group. Sa Sa will adhere to its pragmatic and flexible approach when striding into new retail model, thereby laying a solid foundation in its development for long term value creation for stakeholders.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2021 (2020: Nil).

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2021, 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 2021 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 A.2.1

The roles of chairman and chief executive should be separate and should not be performed by the same individual under code provision A.2.1 of the CG Code. 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 of 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 2020/21 published in July 2021.

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

The Company has adopted its own written policy regarding securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (Model Code). The Model Code is extended to certain "relevant employees" who, because of their office or employment, is likely to possess inside information in relation to the Company or its securities. The Company has received confirmation from all directors and relevant employees that they have complied with the policy throughout the period under review.

The interim report of the Company for the six months ended 30 September 2021 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 2021.

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, 18 November 2021

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

Executive Directors
Dr KWOK Siu Ming Simon, *SBS, JP* (Chairman and Chief Executive Officer)
Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP* (Vice-chairman)
Dr LOOK Guy (Chief Financial Officer)
Ms KWOK Sze Wai Melody, *MH*

Non-executive Director
Ms LEE Yun Chun Marie-Christine

Independent non-executive Directors
Ms KI Man Fung Leonie, *GBS, SBS, JP*
Mr TAN Wee Seng
Mr CHAN Hiu Fung Nicholas, *MH, JP*