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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)

Unaudited Sales Update for the Second Quarter ended 30 September 2024

The board of directors of **Sa Sa International Holdings Limited** (the "Company") announces the unaudited sales update of the Company and its subsidiaries (the "Group") for the second quarter from 1 July to 30 September 2024 (the "second quarter", the "quarter" or the "period").

HK\$ Million	Turnover			YoY change%	% of Group turnover	Same-store sales YoY change %*
	Offline	Online	Total			
Hong Kong & Macau	670.0	48.3	718.3	-16.4%	73.6%	-20.7%
Mainland China	25.3	122.3	147.6	+0.9%	15.1%	-22.8%
Southeast Asia	85.6	21.3	106.9	+21.1%	11.0%	+4.0%^
Others	-	3.1	3.1	+8.5%	0.3%	-
Total	780.9	195.0	975.9	-11.0%	100.0%	-

* % calculated in local currency ^ Refers to Malaysia only

For the second quarter from 1 July to 30 September 2024, the Group's turnover was HK\$975.9 million declining 11.0% year-on-year. Offline sales decreased by 14.7% to HK\$780.9 million, while the Group's online sales increased by 7.5% to HK\$195.0 million now representing 20.0% of the Group's total turnover.

The Group's operations have been challenged by headwinds since the first quarter of this financial year due to: (i) a sluggish macroenvironment; (ii) continued northbound travel of local residents in the core markets of Hong Kong and Macau to neighboring 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) tempered consumption by Mainland Chinese tourist entering Hong Kong and Macau. This has been partially offset by sustained strong performance in online sales in Mainland China and the opening of five physical stores in Singapore since April 2024.

Note: "Hong Kong" refers to "The Hong Kong Special Administrative Region of China" and "Macau" refers to "The Macau Special Administrative Region of China".

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 who are seeking value-for-money, and optimised its strategies to enhance operational efficiency. We saw further improvement during the first week of the third quarter, which encompassed October National Week holidays, that was flat year-on-year compared to a 16.4% drop in the second quarter.

Hong Kong & Macau

Offline Sales	
Three months ended 30 September 2024	YoY% change
Total Offline Sales	-17.2%
Same-store sales	-20.7%
Average sales per transaction	-10.4%
Total no. of transactions	-8.6%

The Group's total sales in the core market of Hong Kong and Macau during the period decreased 16.4% year-on-year to HK\$718.3 million. The Group has responded to evolving consumer trends by introducing a range of high-quality products that offer exceptional value-for-money and this has contributed to reducing the year-on-year decline in the second quarter as compared to the first quarter.

During the period, northbound travel numbers of local residents appear to have settled down at current levels and has become part of the norm significantly diminishing local consumption. The second quarter also encompassed the summer holidays, the peak of overseas travel by local residents. The long weekend holiday on the 1 July anniversary of the establishment of the Hong Kong Special Administrative Region saw a year-on-year high double-digit increase in the number of Hong Kong residents travelling abroad.

During the second quarter, tourist sales mix in Hong Kong and Macau was 48.0%. While there has been a marginal increase in visitor numbers to Hong Kong and Macau, the trend continues to be of a younger demographic opting for experiential travel rather than shopping-centric trips. The tendency of tourists is to opt for same-day round trips with approximately 50% of tourists entering Hong Kong opting not to stay overnight presumably due to high hotel costs. This has resulted in a reduction in the Group's turnover from tourism. Though it was a positive step to see the tax-free allowance for Mainland China visitors to Hong Kong and Macau raised from RMB5,000 to RMB12,000 with effect from 1 July 2024, we have yet to see any meaningful impact on tourist sales.

The number of outbound Hong Kong residents during the second quarter significantly exceeded the number of inbound Mainland Chinese travellers by 2.9 times.

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.

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Mainland China

The Group's sales in Mainland China recorded a marginal increase of 0.9% to HK\$147.6 million despite the continued sluggish economy during the period. Online sales recorded a 13.4% year-on-year growth to HK\$122.3 million, offsetting the negative impact brought by the 34.2% decline in offline sales. Online sales now accounts for 82.8% of the total sales of this region and is expected to be the key growth driver in this region.

As at the end of the period, the Group operated 12 fewer stores as compared to the end of the comparative period last year, accordingly, offline sales decreased by 34.2% year-on-year to HK\$25.3 million.

In order to improve the Group's competitiveness in Mainland China, the Group will focus on exclusive brands to build brand loyalty and avoid direct price competition. The Group will 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

The Group's total offline sales in Southeast Asia recorded a year-on-year growth of 26.7% due to: (i) steady sales growth of 15.9% during the period in Malaysia despite the continued cost of living challenges. Same-store sales in Malaysia grew by 4.0% (measured in local currency); and (ii) the Group's re-entry to Singapore and opening of five offline stores in that market. Offline sales in Southeast Asia contributed HK\$85.6 million or 80.1% of the total sales while Online sales increased marginally by 3.0% during the period and accounted for 19.9% of total sales in this market.

Number of Retail Stores by Market

	As at 30 September 2024	As at 30 June 2024	As at 30 September 2023
Hong Kong and Macau	82	82	81
Mainland China	23	31	35
Southeast Asia	73	73	68
Total	178	186	184

The Group's store portfolio changes from time-to-time as leases are due for renewal and re-located in accordance with the Groups overall expansion plans.

The board of directors wishes to remind shareholders and potential investors that the above information is based on the unaudited management accounts of the Group which have not been reviewed nor audited by the auditors of the Company. Sales performance during the period is affected by a series of factors; therefore, the operational information for the period may not be able to reflect the Group's overall performance in a complete reporting period.

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Shareholders and potential investors of the Company are cautioned not to unduly rely on such information and are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 18 October 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*