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making life beautiful

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 2022 and Trading Updates from 1 October to 10 November 2022

Highlights

- The Group's turnover amounted to HK$1,550.5 million
- Retail and wholesale turnover in Hong Kong and Macau SARs decreased by 9.3% to HK$984.6 million
- Loss for the period narrowed by 26.7% to HK$133.2 million
- Basic loss per share amounted to 4.3 HK cents (2021/ 22: 5.9 HK cents)
- In view of the challenging and uncertain operational environment in the markets where we operate, the Board has resolved not to pay any interim dividend for the reporting period (2021/ 22: 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 2022. The unaudited condensed consolidated interim financial information has been reviewed by the audit committee of the Company.

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

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 September **2022** **HK$'000**	2021 HK$'000
Turnover	3	**1,550,493**	1,597,234
Cost of sales	6	**(977,189)**	(1,010,716)
Gross profit		**573,304**	586,518
Other income	4	**41,687**	21,903
Selling and distribution costs	6	**(614,052)**	(653,669)
Administrative expenses	6	**(124,495)**	(121,600)
Impairment of right-of-use assets and property, plant and equipment	11	**-**	(10,195)
Other gains - net	5	**7,696**	936
Operating loss		**(115,860)**	(176,107)
Finance income		**1,177**	1,567
Finance costs	7	**(8,605)**	(5,853)
Loss before income tax		**(123,288)**	(180,393)
Income tax expense	8	**(9,895)**	(1,208)
Loss for the period attributable to owners of the Company		**(133,183)**	(181,601)
Loss per share for loss attributable to owners of the Company for the period (expressed in HK cents per share)	9		
Basic		**(4.3)**	(5.9)
Diluted		**(4.3)**	(5.9)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
Loss for the period	**(133,183)**	(181,601)
Other comprehensive (loss)/income		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences of foreign subsidiaries recorded in translation reserve	**(15,044)**	19
Other comprehensive (loss)/income for the period, net of tax	**(15,044)**	19
Total comprehensive loss for the period attributable to owners of the Company	**(148,227)**	(181,582)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2022 HK$'000**	Audited 31 March 2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**207,442**	202,138
Right-of-use assets		**517,729**	344,752
Rental deposits and other assets		**66,625**	86,380
Deferred tax assets		**135,525**	145,145
		927,321	778,415
Current assets			
Inventories		**664,593**	747,946
Trade receivables	12	**57,866**	73,214
Other receivables, deposits and prepayments		**178,206**	180,129
Time deposits		**-**	241
Cash and cash equivalents		**203,212**	296,478
Income tax recoverable		**9,405**	10,400
		1,113,282	1,308,408
LIABILITIES			
Current liabilities			
Trade payables	13	**278,726**	279,179
Other payables and accruals		**236,332**	212,466
Borrowings	14	**80,000**	102,484
Lease liabilities		**243,943**	251,561
Income tax payable		**10,096**	9,021
		849,097	854,711
Net current assets		**264,185**	453,697
Total assets less current liabilities		**1,191,506**	1,232,112
Non-current liabilities			
Other payables		**17,630**	19,522
Lease liabilities		**329,356**	219,949
Retirement benefit obligations		**9,532**	9,532
Deferred tax liabilities		**240**	201
		356,758	249,204
Net assets		**834,748**	982,908
EQUITY			
Capital and reserves			
Share capital		**310,319**	310,319
Reserves		**524,429**	672,589
Total equity		**834,748**	982,908

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2022 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 2022 (“2022 Annual Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The Group had a loss of HK$133,183,000 (2021: HK$181,601,000) for the six months ended 30 September 2022. The Group had an operating cash inflow of HK$153,657,000 (2021: cash outflow of HK$16,598,000), and if including the payment of lease liabilities (including interest) of HK$186,733,000 (2021: HK$213,343,000), the cash outflow amounted to HK$33,076,000 (2021: HK$229,941,000) during the six months ended 30 September 2022.

The Group’s cash and bank balances was HK$203,212,000 (31 March 2022: HK$296,719,000) as at 30 September 2022. The Group’s readily undrawn available banking facilities amounted to approximately HK$195,600,000 (31 March 2022: HK$176,600,000). A revolving loan facility of up to HK$200,000,000 was also made available to the Group by Dr KWOK Siu Ming Simon and Dr KWOK LAW Kwai Chun Eleanor, the executive directors and controlling shareholders of the Company.

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 2022. 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. In addition, the liquidity of the Group is further supported by the controlling shareholders’ revolving loan facility of HK$200,000,000. 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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2022, 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.

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 2022				
	Hong Kong & Macau SARs HK$'000	**Online business HK$'000**	**Mainland China HK$'000**	**Malaysia HK$'000**	**Total HK$'000**
Turnover	**984,603**	**299,386**	**119,538**	**146,966**	**1,550,493**
Segment results	**(82,262)**	**(19,612)**	**(43,561)**	**12,252**	**(133,183)**
Other information					
Capital expenditure	**32,075**	**313**	**645**	**6,049**	**39,082**
Finance income	**506**	**8**	**183**	**480**	**1,177**
Finance costs	**7,047**	**65**	**962**	**531**	**8,605**
Income tax expense	**5,823**	**21**	**-**	**4,051**	**9,895**
Depreciation on property, plant and equipment	**26,825**	**204**	**2,501**	**1,909**	**31,439**
Depreciation on right-of-use assets	**113,400**	**355**	**4,554**	**11,608**	**129,917**
Provision/(reversal of provision) for slow moving inventories and shrinkage	**(932)**	**2,006**	**15,315**	**(894)**	**15,495**

3. Segment information (continued)

	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

	Hong Kong & Macau SARs HK$'000	**Online business HK$'000**	**Mainland China HK$'000**	**Malaysia HK$'000**	**Total HK$'000**
At 30 September 2022					
Non-current assets	**849,653**	**6,825**	**19,411**	**51,432**	**927,321**
Current assets	**660,031**	**207,175**	**103,320**	**142,756**	**1,113,282**
Total assets as per condensed consolidated interim statement of financial position					**2,040,603**
At 31 March 2022					
Non-current assets	703,097	7,512	33,639	34,167	778,415
Current assets	744,546	223,771	162,566	177,525	1,308,408
Total assets as per consolidated statement of financial position					2,086,823

4. Other income

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
Slide display rental income	**8,828**	9,788
Short-term sub-lease income	**-**	9,048
Storage income	**7,129**	-
Government subsidies (Note)	**25,730**	3,067
	41,687	21,903

Note:

During the six months ended 30 September 2022, wage subsidies of HK$25,416,000 were granted from the Hong Kong SAR government's Employment Support Scheme for the use of paying wages of employees and HK$240,000 were granted from the Beauty Parlours, Massage Establishments and Party Rooms Subsidy Scheme under Anti-Epidemic Fund. Remaining subsidies of HK$74,000 were granted from other subsidy schemes launched by government of Malaysia.

During the six months ended 30 September 2021, wage subsidies of HK$2,934,000 were granted from the Wage Subsidy Programme 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.

The Group has complied all attached conditions before 30 September 2022 and 2021 and recognised in the condensed consolidated interim income statement.

5. Other gains - net

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
Net exchange (losses)/gains	**(7,722)**	936
Gains on derecognition of lease liabilities in relation to previously impaired right-of-use assets (Note)	**15,418**	-
	7,696	936

Note:

In prior years, an impairment loss of right-of-use assets has been made for certain stores. During the period, the Group has closed some of these stores before the end of the leases. Accordingly, the lease liabilities and right-of-use assets of these leases in relation to early termination were derecognised, resulted in gains of HK$15,418,000.

6. Expenses by nature

	Six months ended 30 September 2022 HK$'000	2021 HK$'000
Cost of inventories sold	**961,694**	1,014,011
Employee benefit expenses (including directors' emoluments)	**334,630**	329,655
Depreciation expenses		
- right-of-use assets	**129,917**	145,687
- property, plant and equipment	**31,439**	41,398
Lease rentals in respect of land and buildings		
- lease rental for short-term leases	**45,357**	57,965
- contingent rent	**12,142**	15,399
- rent concession related to COVID-19 (Note)	**(12,822)**	(17,004)
Building management fees, government rent and rates	**34,359**	38,821
Advertising and promotion expenses	**25,361**	29,387
Transportation and delivery charges	**24,723**	22,992
Outsource warehouse handling expenses and platform charges	**17,062**	19,031
Utilities and telecommunication	**17,130**	17,770
Provision/(reversal of provision) for slow moving inventories and shrinkage	**15,495**	(3,295)
Bank and credit card charges	**14,570**	13,499
Repair and maintenance	**10,764**	11,645
Packaging expenses	**8,502**	5,511
Postage, printing and stationery	**3,217**	4,568
Auditors' remuneration		
- audit services	**1,624**	1,550
- non-audit services	**394**	295
Write-off of property, plant and equipment	**1,101**	577
Donations	**694**	839
Others	**38,383**	35,684
	1,715,736	1,785,985
Representing:		
Cost of sales	**977,189**	1,010,716
Selling and distribution costs	**614,052**	653,669
Administrative expenses	**124,495**	121,600
	1,715,736	1,785,985

Note:

During the six months ended 30 September 2022, rent concession related to COVID-19 amounted to HK$12,822,000 (2021: HK$17,004,000) was included in selling and distribution costs.

7. Finance costs

	Six months ended 30 September	
	2022	2021
	HK$'000	HK$'000
Interest expenses on lease liabilities	**7,571**	5,853
Interest expenses on bank borrowings	**1,034**	-
	8,605	5,853

8. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 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	
	2022	2021
	HK$'000	HK$'000
Current tax		
- Hong Kong profits tax	**1,046**	1,527
- Overseas taxation	**23**	1,498
Deferred tax relating to origination and reversal of temporary differences	**8,826**	(1,817)
	9,895	1,208

9. Loss per share

(a) Basic loss per share is calculated by dividing the loss 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	
	2022	2021
	HK$'000	HK$'000
Loss attributable to owners of the Company	**(133,183)**	(181,601)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,101,789**	3,101,533

(b) For the six months ended 30 September 2022 and 2021, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

10. Dividend

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2022 (2021: Nil).

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

As at 30 September 2022, net book amount of retail store assets represented property, plant and equipment and right-of-use assets amounting to HK$48,512,000 (2021: HK$61,500,000) and HK$360,778,000 (2021: HK$314,982,000) 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 respectively were recognised in selling and distribution costs for the six months ended 30 September 2021.

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 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

12. 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 2022 HK$'000	31 March 2022 HK$'000
Within 1 month	**40,247**	46,955
1 to 3 months	**7,396**	18,607
Over 3 months	**10,223**	7,652
	57,866	73,214

The carrying amounts of trade receivables approximate their fair values.

13. Trade payables

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

	30 September 2022 HK$'000	31 March 2022 HK$'000
Within 1 month	**181,781**	163,757
1 to 3 months	**70,463**	79,956
Over 3 months	**26,482**	35,466
	278,726	279,179

The carrying amounts of trade payables approximate their fair values.

14. Borrowings

	30 September 2022 HK$'000	31 March 2022 HK$'000
Secured:		
Bank borrowings	**80,000**	80,000
Total secured borrowings	**80,000**	80,000
Unsecured:		
Bank borrowings	**-**	20,000
Trust receipt loans	**-**	2,484
Total unsecured borrowings	**-**	22,484
Total borrowings	**80,000**	102,484

As at 30 September 2022, the maturity of borrowings based on scheduled repayment dates is within one to two years and contain a repayment-on-demand clause. It is classified as current liabilities.

As at 30 September 2022, no trust receipt loans was outstanding (31 March 2022: interest rate for trust receipt loans was 1.58% per annum). The bank borrowings were at interest rate ranging from 3.00% to 3.96% (31 March 2022: ranging from 1.29% to 1.64%) and were denominated in HK$.

The carrying amounts of borrowings approximate their fair values.

As at 30 September 2022, land and buildings with carrying value amounted to HK$103,338,000 (31 March 2022: HK$106,110,000) was pledged for banking facilities made available to the Group.

MANAGEMENT DISCUSSION & ANALYSIS

EXECUTIVE SUMMARY

Moving towards the end of 2022, the Covid-19 pandemic continues its disruptive impact in our home base Hong Kong and across the world with the focus increasingly turning towards what measures governments are taking to tackle the challenges brought about by the pandemic. February 2022 saw an escalation in geopolitical tensions further disrupt global supply chains while the sudden slump in pound-sterling in late September 2022 added to further market uncertainty with global inflation already high and global interest rates rising in response.

There has been little change in Covid-19 pandemic measures in Hong Kong SAR during the six-months ended 30 September 2022 (the "period" or the "interim period"), with movement across borders with both Mainland China and overseas countries still subject to quarantine. The Hong Kong SAR Government continued with the Consumption Voucher Scheme in April and August 2022 to bolster local consumer spending, however, we are seeing the positive impact of such scheme to local retail spending diminishing. We are also seeing landlords seeking to raise rentals in spite of the challenging environment, however, our policy on lease rentals is steadfast and we will only renew where the lease rental makes economic sense and we can earn a positive contribution.

Our business in the Macau SAR was severely hit by a sharp spike in Covid-19 infection cases since late June 2022. Its first citywide lockdown in July 2022 led to a significant decline in tourist visitors. As the Macau SAR relies on tourism, the lockdown has had a far-reaching impact.

Following the Malaysian government's change in strategy for fighting the pandemic and a relaxation of its pandemic measures since 1 April 2022, our business has continued to rebound strongly recovering to 84% of pre-pandemic levels.

The Covid-19 pandemic has had a major impact on the Group's operations in Mainland China since the second quarter of FY2021/2022, causing our underperformance in that market in terms of both sales and profit. The pandemic outbreaks in various parts of Mainland China have prompted lockdowns in affected cities and towns, lowering foot traffic in our retail stores and forcing a suspension of operations in the worst cases. This has contributed to consumer sentiment hitting record lows during the interim period with same-store sales growth in Mainland China suffering a double-digit decrease compared with the same period last financial year.

Coming up to three years of sustained social distancing measures, consumers globally have learnt to live under a new norm. Behavioural changes are embedded in our daily lives and have accelerated retail digitalisation. This now forms a critical part of the Group's commercial strategies as we adapt our product and service offering, and invest in infrastructure, to better cater for these shifting consumption patterns.

However, our online sales in Mainland China were also significantly impacted by the quarantine of our main warehouse in Mainland China while deliveries into our warehouses and direct cross-border deliveries to customers were subject to uncertain delays during the period. This resulted in order cancellations and affected our ability to plan and conduct business in this market.

Conversely, our online business in Hong Kong SAR enjoyed high double-digit growth during the period. We continue to enhance our product and service offering while we continue to adapt and leverage our offline store network and unique team of Sa Sa Professional Beauty Consultants to truly deliver online-merge-offline ("OMO") addressing the needs of modern consumers who are looking for a seamless experience wherever they appear.

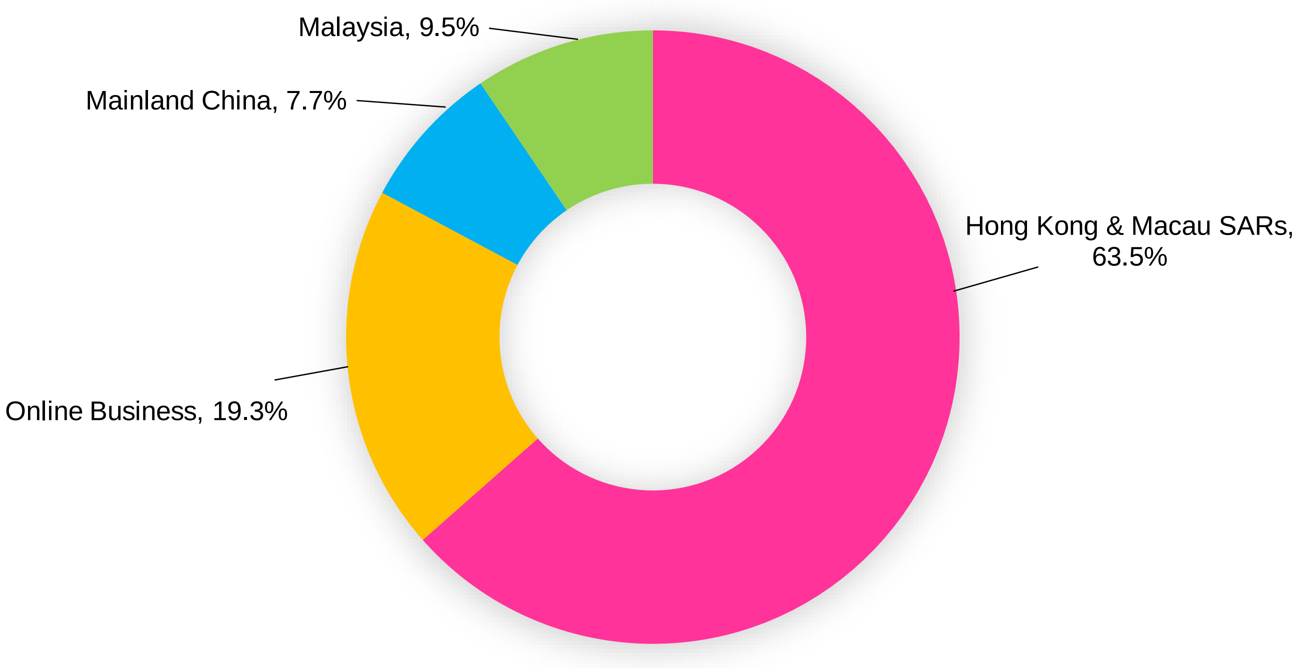
We continue to invest behind the development of our online business both in our home markets and further afar, and while our online business in South-East Asia has enjoyed growth, we have only just started to explore markets further afield. While we have much room to improve, we are confident we are strategically aligned and have the necessary talent to progress on the right footing.

Looking ahead, the retail sector is expected to continue to remain under immense pressure amid an arduous operating environment and in the face of prevalent external uncertainties. The Group will continue to enhance its internal structures and risk management mechanisms to build resilience and be better able to manage external risks and leverage opportunities. Where the opportunity arises, we would consider expanding our store network so long as the economics make sense.

Sa Sa remains focused on delivering long term value for stakeholders. Over the past six-months, Sa Sa has taken proactive measures to significantly adjust its cost structures and management practices with a view to enabling the Group to reach sustainable profitability despite current Covid-19 pandemic measures in our key markets. On the revenue side we are expanding our revenue earning potential by, prioritising brand management, reinvigorating our product categories, enhancing OMO and leveraging our customer relationship management ("CRM"), while on the cost side, managing inventory turn and lease rentals, raising the productivity of our employees and leveraging Centres of Excellence. Barring any further escalation in Covid-19 pandemic measures in our core markets, we anticipate these measures to take effect by the end of the current financial year and will ensure our success in navigating this challenging market. Any relaxation of Covid-19 pandemic measures will be considered an upside to our plan and we anticipate to be better positioned to take advantage when this happens.

FINANCIAL PERFORMANCE SUMMARY

1st Half FY2022/23 Turnover Mix by Market



For the six months ended 30 September 2022, the Group's turnover amounted to HK$1,550.5 million, representing a decrease of 2.9% over the six months ended 30 September 2021 ("previous period") largely attributable to Covid-19 outbreaks in Mainland China and a spike in cases in Macau SAR prompting lockdowns in affected cities and towns disrupting our business operations. As a result, retail and wholesale turnover in Hong Kong and Macau SARs decreased by 9.3% to HK$984.6 million, retail sales in Mainland China decreased by 13.1% to HK$119.5 million and online sales in Mainland China decreased by 26.0% to HK$159.4 million. The Group was operating 193 retail outlets as at 30 September 2022.

Loss for the period narrowed significantly to HK$133.2 million from HK$181.6 million (or 26.7%) in 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 Covid-19 pandemic by local governments and temporary rental concessions, the Group's loss during the period narrowed to HK$171.7 million (or 10.3%) compared to the previous period. In addition, cash outflow from operating activities (including the payment of lease liabilities and interest) was reduced significantly to HK$33.1 million largely through management of inventory on hand.

Basic loss per share amounted to 4.3 HK cents (2021/22: 5.9 HK cents). In view of the challenging and uncertain operational environment in the markets where we operate, the Board does not recommend the payment of an interim dividend for the period in accordance with the Group's policy to pay dividends out of profits and for the reason of responsible risk management (2021/22: Nil).

MARKET OVERVIEW

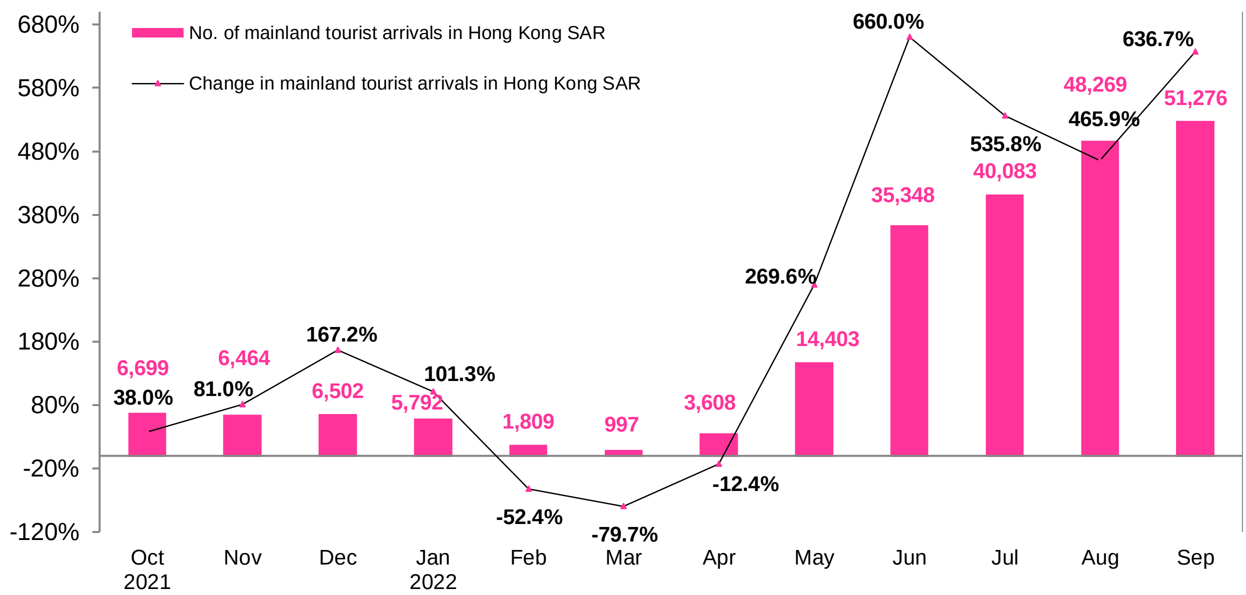
GDP / Retail Sales / Medicines and Cosmetics Sales in 2022 (year-on-year change)

Market	GDP Change Rate	Retail Sales Change	Medicines and Cosmetics Sales change
Hong Kong SAR	-2.9% (Apr – Sep)	2.0% (Apr – Sep)	3.0% (Apr – Sep)
Macau SAR	-39.3% (Apr – Jun)	-36.6% (Apr – Jun)	-31.6% (Apr – Jun)
Mainland China	2.2% (Apr – Sep)	-0.6% (Apr – Sep)	-1.8% (Apr – Sep)
Malaysia	11.6% (Apr – Sep)	31.6% (Apr – Sep)	*Note 1*

Note:

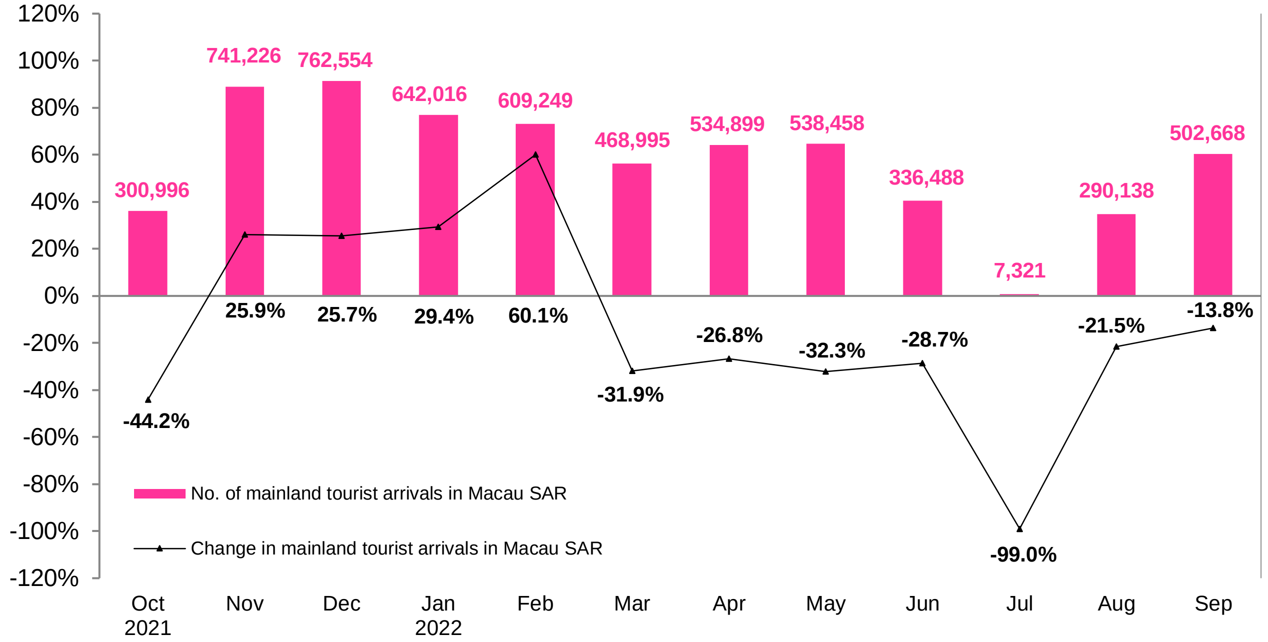
1. *There were no cosmetics retail sales statistics provided by the Malaysian Government.*
2. *All of the above data were sourced and estimated from statistics published by corresponding governments' statistics bureaus.*
3. *There are some inconsistencies in definition and survey methodology for cosmetics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

Mainland Tourist Arrivals in Hong Kong SAR (year-on-year change)



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

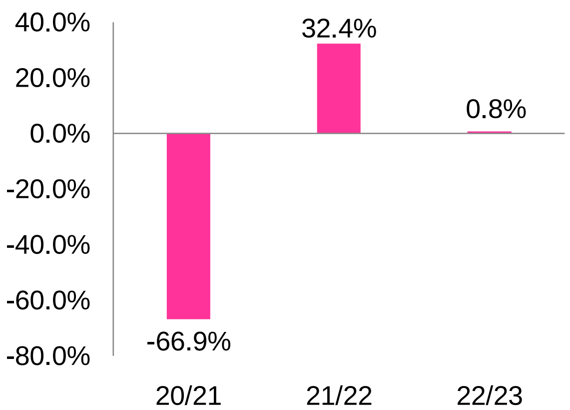
Mainland Tourist Arrivals in Macau SAR
(year-on-year change)



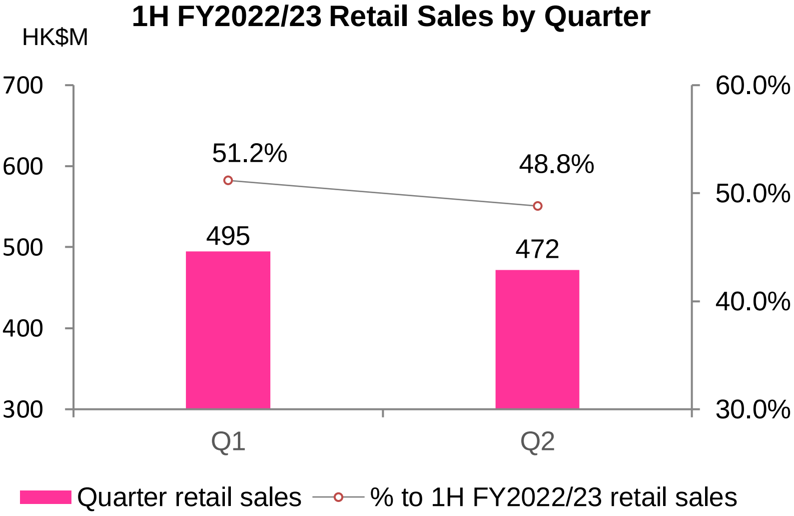
Source: Government of Macao Special Administrative Region Statistics and Census Service

HONG KONG AND MACAU SARS

1H Same Store Sales Change



1H FY2022/23 Retail Sales by Quarter



Note: The above data includes the impact of deferred income adjustment on customer loyalty programme

During the period, the Hong Kong SAR government continued to enforce strict border control measures to contain the Covid-19 pandemic which saw tourist arrivals, and visitor arrivals from Mainland China in particular, to remain low and insignificant. Accordingly, only approximately 2.8% of sales in Hong Kong SAR was with Mainland tourists.

While Covid-19 cases during the period grew compared to the previous period, there has been a gradual partial easing of social distancing measures while local consumer sentiment towards Covid-19 has somewhat relaxed. Meanwhile, the Hong Kong SAR Government continued with the Consumption Voucher Scheme in April and August 2022 to bolster local consumer spending, however, we are seeing the positive impact of such scheme to local retail spending diminishing. Sa Sa took advantage of the improving consumer sentiment by refreshing its product mix and launching effective theme-based promotions that has led to Hong Kong SAR same store sales improving by 19.8% compared to the previous period and, with 8.0% overall retail sales growth despite the net reduction in the number of stores by five to 71. Sales momentum is continuing with second quarter same store sales growth remaining in solid double-digits.

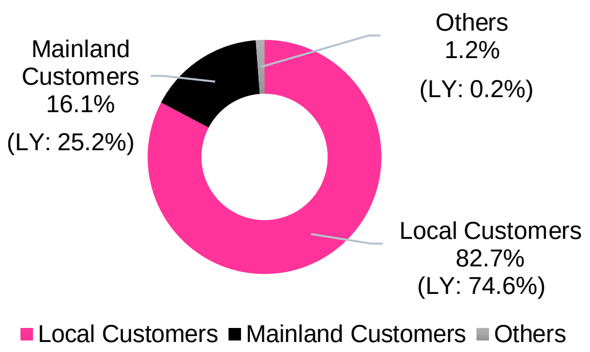
To protect the health and safety of our staff and customers, Sa Sa continues to commit resources to ensure our stores, warehouses and offices, are disinfected and staff are supplied with rapid antigen test ("RAT") kits. Ever since the Severe Acute Respiratory Syndrome ("SARS") outbreak in 2003, Sa Sa has always been ahead of the curve in sourcing and providing protective products, including RAT kits, protective face masks and medicines, to fight the pandemic alongside our customers, which as a responsible corporate citizen, we offer at reasonable prices. The Group also donated HK$0.4 million through government agencies and charitable organisations to serve the public.

Following a gradual re-opening of the border with Mainland China in late August 2020, the number of Mainland Chinese visitors to Macau SAR began to pick up becoming the key source of the Group's sales in the city. This trend continued up to June 2021, however, Macau SAR then saw sporadic Covid-19 cases which led to tightening of quarantine measures for inbound travelers. A sharp spike in Covid-19 infection cases in late June 2022 led to Macau's first citywide lockdown in July 2022. According to Macau SAR government statistics, the overall number of Mainland Chinese visitors between April and September 2022 decreased by 39.9% against the comparative period in the previous year and was approximately 18.1% of the pre-pandemic (referring to 2018) levels. This significantly impacted sales in Macau SAR during the period, which decreased by 37.7% while same-store sales decreased by 33.4% compared to the previous period, of which 56.1% was accounted for by Mainland China tourists.

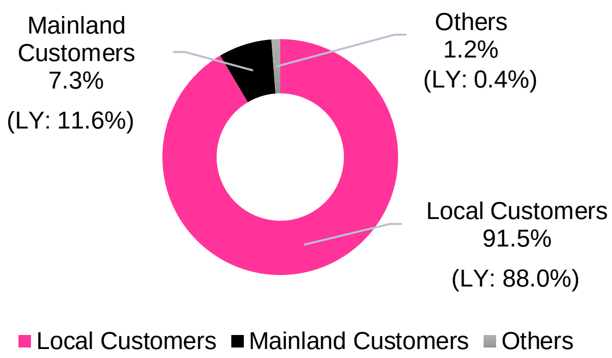
On a combined basis, retail sales in Hong Kong and Macau SARs decreased by 8.7% to HK$966.8 million against the previous period, while same store sales went up 0.8%.

Sales Mix (1st Half FY2022/23 Retail Sales)

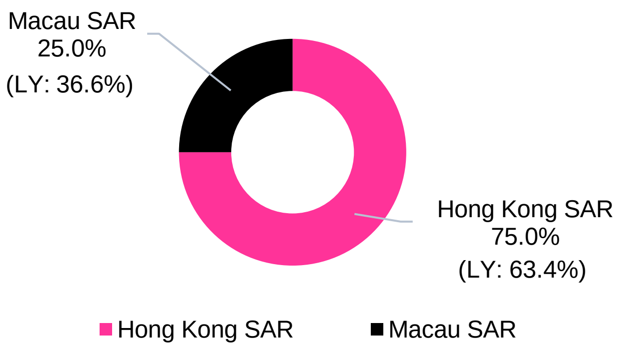
Customer Mix - By Sales Value



Customer Mix - By No. of Transactions



Geographical Mix



Steered by the Group's persistence in adopting zero-based budgeting practices, streamlining its physical store network in tourist districts in Hong Kong SAR and negotiating fair rent on lease renewals, there has been a significant reduction of operating costs during the period. Accordingly, the combined Hong Kong and Macau SARs markets recorded a loss for the period of HK$82.3 million, a significant reduction of HK$40.5 million (or 33.0%) as compared to the previous period. The Group is dedicated to managing costs and optimising cost structure continuously to expedite a profit turnaround and enhance its long-term profitability.

Excluding the provision for impairment made in accordance with HKAS 36 that applies 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 financial performance saw a marked improvement with its loss for the period in the Hong Kong and Macau SARs markets narrowing by HK$7.5 million (or 5.9%), as compared to the previous year, despite the extensive lockdown and social distancing measures in Macau SAR.

Positioning Store Network for Market Recovery

Store Network by Market

Market	**As of 31 Mar 2022**	Opened*	Closed*	**As of 30 Sept 2022**
Hong Kong & Macau SARs	85	2^	7^	80
Mainland China	77	-	35	42
Malaysia	72	3	4	71
Total	234	5	46	**193**

Note:
** The number of stores opened and closed within 6 months between 1 April 2022 and 30 September 2022.*
^ One store in non-tourist area was relocated in Hong Kong SAR.

The Group has continued to streamline its store network based on store economics, balancing lease rentals with our ability to retain and service customers in regional clusters. The Group continues to negotiate temporary rental concessions for certain retail stores to alleviate the Group's rental costs where tourist footfall is yet to return. As at 30 September 2022, there was a net reduction in the total number of Sa Sa's retail stores in Hong Kong and Macau SARs of five to 80 during the period, with all five net closures in the Hong Kong SAR. Despite the net reduction in stores in the Hong Kong SAR during the period, our retail sales growth in that market was 8.0% while same store sales growth was 19.8%.

We are seeing landlords seeking rental adjustments in spite of the challenging environment, however, our policy on lease rentals is steadfast and we will only renew where the lease rental makes economic sense and we can earn a positive contribution.

In accordance with our network strategy, eight expiring leases in prime tourist districts with heavy foot traffic were renewed at a reasonable new rent, while three were closed (including one shop in Macau SAR). These renewals will lower the initial capex spending and related depreciation in the future associated with new openings. In addition, the Group relocated one store in a residential area during the period. The Group is on the lookout for stores of the right-size located in local areas that complement our existing store network and which make economic sense. Collectively, these initiatives further optimise our retail network and position Sa Sa to benefit quicker as the market recovers.

Accelerating OMO Development

Consumer adoption of new retail formats and growth of online sales in Hong Kong SAR continues to accelerate at pace. Online sales in Hong Kong SAR increased remarkably by 88.9% during the period to HK$110.3 million. Apart from our own managed channels, we have also increased our presence on third-party platforms, such as Neigbuy.com ("NGB") as we continue to explore new retail models. The solid same store sales growth in our Hong Kong SAR offline stores during the period allays any fears of cannibalisation. Online sales mix as a percentage of total sales in Hong Kong and Macau SARs for the period increased to 10.1% from 5.1% in the previous period.

Although still in its infancy, the Group's OMO strategies are contributing towards our online sales growth. Buy online pick-up in store ("BOPUS") is proving to be a popular route-to-consumer accounting for 17% of our online sales in Hong Kong SAR during the period. This model allows our customers to see our physical stores and for our beauty consultants to serve them when in-store. We are actively seeking to further explore this channel to better serve our customers by enhancing our product and service offerings and continue to adapt and leverage our offline store network and unique team of Sa Sa Professional Beauty Consultants to truly deliver OMO addressing the needs of modern consumers who are looking for a seamless experience wherever they appear. We believe that the contribution of OMO-driven brick-and-mortar sales will continue to increase gradually.

The engagement between our beauty consultants and customers has been extended to online channels and we are looking to enhance our CRM program and our CRM infrastructure going forward to be able to provide a more personalised omni-channel shopping experience. We will continue to invest behind OMO initiatives and explore various OMO campaigns.

While we have much room to improve, we are confident that we are strategically aligned and have the necessary talent to progress on the right footing.

Category Management and Product Development Addressing Customer Needs

Over the past three-months, the Group has been laser-focused on managing our product offerings by reviewing our core product categories and ensuring that we are carrying trending products. We have also been actively seeking partnerships with brands and enhancing our portfolio of sole agent brands and to develop these brands with the brand owners. Our standards of excellence in retail management and unique team of professional beauty consultants make us an ideal partner for brands looking for a presence in this part of the world.

The Group is also looking to introduce new categories and raise their sales mix such as health & fitness products, personal care products and beauty equipment to cater for the needs of local customers. Positioning ourselves as a one-stop beauty specialty platform and the go-to place for professional, quality and trending personal care products, we differentiate ourselves from the market and offer uniqueness.

In line with this new focus, we have also been renewing how we display and promote our products both in-store and online so that consumers are aware of what we carry and are educated regarding the brands and the functionalities of our products. Accordingly, we are increasingly adopting theme-based promotion campaigns aligned to the seasons and other external factors.

While gross profit margin for the period in Hong Kong and Macau SARs increased to 39.3%, demonstrating a notable improvement of 0.5 percentage points from the previous period, this is only the beginning and we anticipate these initiatives to bear further fruit in the near future.

MAINLAND CHINA

During the period, in accordance with our right-sizing strategy for Mainland China driven by the Covid-19 pandemic and related social distancing measures, the total number of stores in Mainland China was rationalised and reduced by 35 to 42 as at 30 September 2022. Turnover of the Mainland China business decreased by 13.1% in local currency terms to HK$119.5 million, while same store sales decreased by 16.8%. Despite closing loss making stores and extensive efforts to curtail operating costs, our losses in Mainland China increased by 5.1% to HK$43.6 million this period compared to the previous period largely due to Covid-19. These efforts are expected to significantly reduce our operating losses in Mainland China in the second half of the financial year.

The Covid-19 pandemic had a major impact on the Group's operations in Mainland China and is the root cause of our decrease in sales and loss from operations in that market. Pandemic outbreaks in various parts of Mainland China have continued during the period lowering foot traffic in our retail stores and prompting lockdowns in affected cities and towns in more severe cases.

Online sales in Mainland China, including cross-border sales, decreased by 28.3% to HK$152.2 million for the period but continues to contribute the highest to the Group's total online sales at 50.9%. However, this mix has decreased from 69.1% in the previous period as Hong Kong SAR online sales grew significantly during the period. The first quarter of 2022/23 saw Covid-19 outbreak severely disrupting cross-border logistics arrangements into Mainland China, including restocking of our e-commerce warehouses, depressing sales performance and increasing sales returns. While the "618 Shopping Festival" took place during the period, related sales declined by approximately 27.0% against the previous period for the same reasons noted above. The Group's decision to avoid excessive price competition, particularly during shopping festivals has further challenged topline growth. Logistics challenges eased to a degree of normality towards the end of the second quarter of 2022/23, but are still subject to interruptions while Covid-19 lingers.

MALAYSIA

Turnover in Malaysia increased significantly by 159.1% compared to the previous period in local currency terms to HK$147.0 million, while same store sales increased by 57.2%. As of 30 September 2022, the Group operated 71 stores, as compared to 72 as at 31 March 2022.

In response to the Covid-19 outbreak, the Malaysian government implemented strict movement control measures during the prior period dealing a heavy blow to our business. From October 2021, the Malaysian government adopted a "co-existence with virus" strategy gradually relaxing social-distancing measures leading to a recovery of the local economy and retail sector. Sa Sa had aggressively trimmed its operating costs and raised its productivity last year during the worst of the Covid-19 outbreak in Malaysia and was well placed to act with agility and take advantage once the government relaxed policy. While sales continued to recover strongly during the period, Sa Sa also kept operating costs low, and as a result, in spite of the weakening Malaysian Ringgit, recorded a profit of HK$12.3 million in Malaysia during the period.

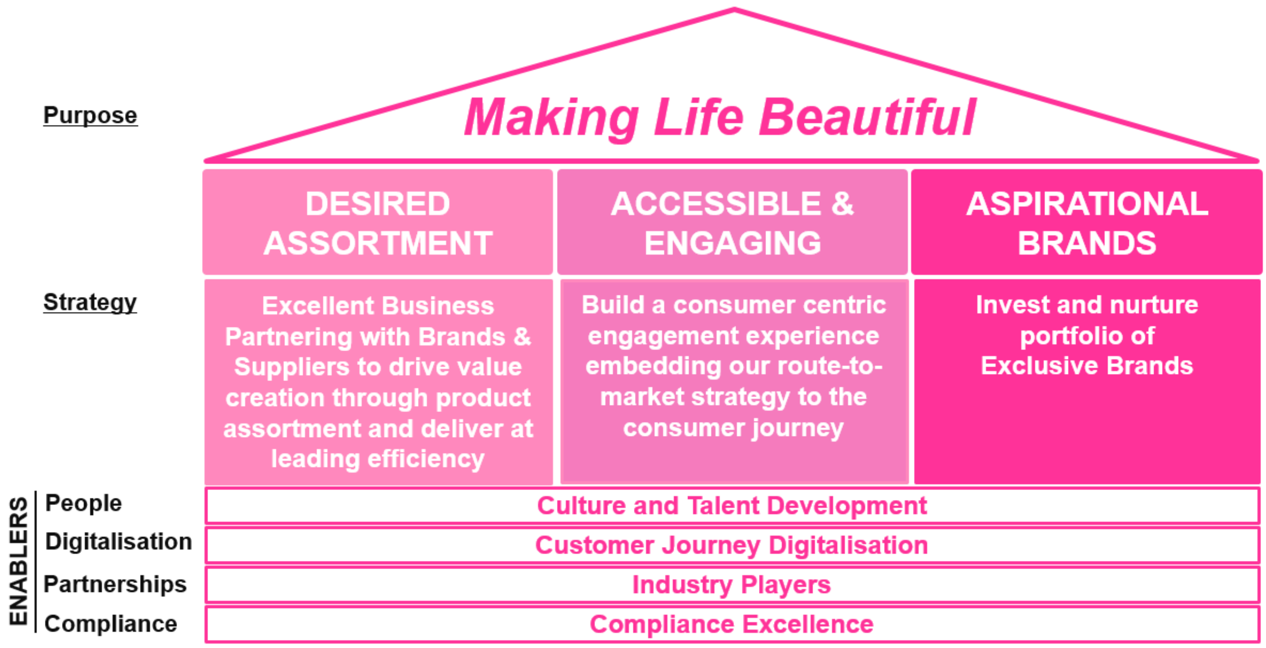
ONLINE BUSINESS – OTHER JURISDICTIONS

Consistent with prior periods, the performance of the Group's local online business in Mainland China and Malaysia were reflected in their respective local segment results, while the Group's online business in other jurisdictions, including cross-border originating from Hong Kong and Macau SARs is disclosed in the online business segment.

Turnover of the Group's online business reached HK$299.4 million for the period, representing a decrease of 2.6% year-on-year. Its contribution to the Group's total turnover maintained steady at 19.3% (previous period: 19.2%). The Group's online sales in markets outside Hong Kong SAR, Macau SAR and Mainland China rose by 0.7% year-on-year, with its contribution to total online business sales increasing to 12.3%. This performance was mainly powered by sales via Shopee and Lazada, third-party platforms that target consumers in Southeast Asia.

The online business recorded a loss of HK$19.6 million for the period as compared to a profit of HK$1.2 million for the previous period largely as a result of Covid-19 pandemic disruptions and poor consumer sentiment in Mainland China, while the strength of the Hong Kong dollar against a basket of currencies including the Renminbi has challenged our pricing and impacted gross margins.

STRATEGIC FOCUS



"Making Life Beautiful" remains our core purpose, and we will look to deliver this through our strategy comprising three focus areas.

Firstly, we will partner more closely with Brand owners and suppliers to drive value from a product assortment that excites our consumers. We are looking to enhance our product assortment and introduce innovative products via enticing promotions to excite our consumers. By strengthening our overall category management, looking closely at how we manage inventory, it will enable us to react faster to changing consumer trends and maintain healthy gross margins.

Secondly, we will look to embed our route-to-consumer strategy around the changing consumer journey to ensure we meet the consumer where they appear and provide them with the choices they need, be it online or offline or a hybrid of both (OMO). We continue to explore and embrace what online makes possible that offline cannot, and a good example of this is our in-house livestreaming team that has been active on Douyin since November 2021 replicating the value of our beauty consultants in an online environment. Consumer centricity has always been part of Sa Sa's DNA and we aim to provide a seamless consumer experience as they increasingly adopt different journeys to explore and purchase. This requires that we manage offline and online channels as one, adopt 'agile' management approach in reacting faster in our execution while responding to changing consumer habits; and further digitalise the consumer journey. "Everyone sells or helps sell".

Thirdly, we will be looking to increase our portfolio of managed and exclusive brands, investing in and nurturing these brands to truly showcase their brand value and hero products. Sa Sa has a high degree of discretion and autonomy in its exclusive products in all respects including strategy, positioning, pricing and sales channels. Management believes that building brand equity for our exclusive products will enable us to have more strategic control over our product portfolio, improve our product competitiveness and gross profit margin, and attract future brand partnerships. To this end, we will invest in our marketing capability, including greater pulse on consumer trends, consumer interaction via membership platform, engaging the Sa Sa community and enhancing our social media presence.

To enable us to succeed across all three pillars, we will continue to invest sustainably in talent to execute the ambition; digitalisation projects that will enhance consumer experience and allow Sa Sa to better serve our consumers; partnerships with brands; and compliance, such that consumers can trust in the authenticity of our products.

Advantaged Route-To-Consumer

Following almost three-years of Covid-19 driven acceleration of online shopping, we believe the importance of online business will continue to increase even when pandemic related social-distancing measures are further relaxed in the future. Online allows Sa Sa to diversify and potentially reach a wider consumer demographic.

A key competitive advantage of the Group, is a network of brick-and-mortar offline stores and the embedded experience of managing them effectively with a team of professional beauty consultants. In the new retail era, it provides us with an added strategic tool through the integration of our physical stores and online business, including running cross-channel promotional campaigns. This model enhances our ability to analyse customer preferences and shopping habits, which in turn informs our product category development and direct-to-consumer marketing, to provide a personalised omni-channel shopping experience. We are the perfect partner for any brand looking to enter the market.

In line with our strategy to focus our product categories and nurture brands and showcase their brand values, we will be enhancing our in-store displays to provide a richer in-store experience in doing so attracting new customers, extending customers' browsing duration in our stores, and increasing the frequency of customer visits. Our online touchpoints extend our reach and provide a round-the-clock shopping experience to consumers.

As we continue to invest in online platforms and strengthen our management of them, Sa Sa is much better positioned to embed an OMO operating model and offer a better customer experience. This will differentiate Sa Sa from our peers, underpinning our leadership in the vigorously competitive beauty market and improving the Group's long-term profitability.

FUTURE OUTLOOK

Route to Profitability

During the period, the Group has adopted a mindset of achieving sustainable profit in spite of the current operating environment and to this end took measures to lower the breakeven point significantly. These measures included adoption of zero-based budgeting practices and tighter working capital management policies to navigate through the headwinds. These initiatives will enhance the Group's competitiveness and enable the Group to become more resilient, and achieve sustainable business growth when the pandemic eases.

The Group continued to streamline its physical store network in tourist districts in Hong Kong SAR and negotiate fair rent on lease renewals during the year. The Group also minimised unnecessary and non-productive expenses to reduce fixed costs of our offices and shops. The Group implemented a series of initiatives to optimise its operations including acceleration of digitalisation, with the aim to reduce operating costs, optimise people structures and enhance operational efficiency. One such initiative is the creation of Centres of Excellence to centralise some administration and management functions while expediting the progress of automation.

The Group proactively manages its inventory striking a balance between holding sufficient inventory taking into account Covid-19 impacted delivery lead times to ensure adequate stock during peak periods e.g. Double-eleven ("D11"), and the cost of investing in inventory. The Group is increasingly laser-focused on managing product categories, to ensure we introduce trending products and grow category share reinforcing our positioning as a one-stop beauty specialty platform.

The Group also flexibly adjusted its inventory across different business units to seize market opportunities. As at 30 September 2022, the Group's inventory was HK$664.6 million, representing a decrease of HK$83.3 million as compared to 31 March 2022, while inventory turnover days were 114 days representing a decrease of 13 days. Stock holding is subject to a degree of seasonality as the holding at 30 September 2022 includes pre-stocking for D11.

During the period, the Group received subsidies from the governments of Hong Kong SAR, Macau SAR and Malaysia in relation to the pandemic and obtained temporary rental concessions from landlords, which to some extent, alleviated the burden of operating costs.

As at 30 September 2022, the Group's net cash (after deducting utilised bank borrowings) was HK$123.2 million. With further unutilised banking facilities of approximately HK$195.6 million, the Group has adequate funding for its operating needs. On 31 March 2022, Dr Kwok Siu Ming Simon and Dr Kwok Law Kwai Chun Eleanor, the executive directors and controlling shareholders of the Company, made available a revolving loan facility of up to HK$200 million to the Group thereby strengthening the Group's financial position, as well as demonstrating the support from the controlling shareholders and their confidence in the long-term prospects of the Group's business.

Hong Kong and Macau SARs

After enduring months of tough measures to fight the pandemic, social distancing policy in Hong Kong SAR has been gradually relaxed, while consumers are also familiarising with the new norm. However, the pandemic and geopolitical uncertainties remain, hence the operating environment for the retail sector is expected to remain challenging and uncertain as an escalation in Covid-19 cases and introduction of new variants could lead to a tightening of policy.

Without a return to quarantine-free open borders between Hong Kong SAR and Mainland China, local customers are the main source of customers in Hong Kong SAR. The Group will look to better serve this market segment by optimising its product portfolio to address customer preferences and the latest market trends. To grow Sa Sa's sales and increase local market penetration, the Group will also examine opportunities to expand its retail network and open new stores in local residential areas, contingent upon the availability of reasonable rental rates.

Amidst the ongoing market uncertainty and fine line between profit or loss at store level, the Group will not hesitate to relocate loss-making stores and those that are bearing exorbitant rents. Such efforts aim to reduce the ratio of rent to revenue, control the cost effectiveness continuously, enhance the operation efficiency of our stores and raise the ability of the Group to earn profits for our shareholders. When the border with Mainland China reopens and higher sales demand results from the return of tourists, the Group will resume opening new stores in prime locations in tourist areas at reasonable rents to allow the Group to be among the first to benefit.

As a primary tourist location, our business in Macau SAR is dependent on tourists, and mainly from Mainland China. Since Macau SAR re-opened its border with Mainland China in August 2022, we have seen a gradual recovery of our business and barring any relapse, this recovery should continue at a gradual pace.

Fostering the development of OMO is embedded within our strategy. We will continue to promote and leverage the popularity of BOPUS, engage consumers with OMO-related promotions, and align online and offline promotional activities and advertising efforts to run complementary marketing campaigns and build a holistic shopping experience. The Group will continue to provide industry-leading training to frontline beauty consultants, refine commission and reward mechanisms to encourage employees to serve our customers comprehensively through online and offline touchpoints, strengthening our competitive edge.

Mainland China

In Mainland China, sporadic Covid-19 outbreaks in various cities and to varying degrees of severity have severely affected our ability to conduct business under normal plannable operating conditions. Disruptions to supply chains have lengthened the time taken for inventory to reach our warehouses in Mainland China and for packages to reach our cross-border customers. Lockdown measures have resulted in lost operating days for certain of our offline stores while the impact on consumer sentiment is impacting both our online and offline business units.

Although our mid- to long-term market objectives remain unchanged, with no end in sight to the immediate short-term uncertainties, we believe the optimal strategy is to continue to rationalise our store network and focus our resources on optimising the operating performance of profitable stores, and increase the attractiveness of our product range to excite our customers, so that we can retain strength to continue to develop the Mainland China market in the long run.

We will continue to progress our online operations, further integrate our online and offline operations and lower overall operating expenses of our business units in Mainland China. In line with our product strategy, we are actively seeking to enhance our online product categories and introduce trending products, which is conducive to attracting new consumers to Sa Sa. Going forward, we will be looking to diversify risk in Mainland China with our own managed channels and be less reliant on third-party platforms. To cater to the booming trend of livestreaming in Mainland China, the Group has maintained its own livestreaming team on third-party platform, Douyin, to attract a younger generation of customers, a direction we will continue to explore.

The Group continues to explore OMO strategies in Mainland China to improve Sa Sa's overall competitiveness and reach, including leveraging WeChat mini-programme to connect Sa Sa's beauty consultants with customers in Mainland China. While this is in its infancy, we are seeking to leverage our CRM and communicate with customers with a view to acquiring new customers, increase active customers and raise lifetime value.

Malaysia

The Malaysian government eased quarantine measures to enable unrestricted inbound tourist visits since 1 April 2022. While government policy is consistent and favoring open borders, our business in Malaysia has been on a gradual recovery trend ever since and it is anticipated that consumption will return to the pre-pandemic level gradually.

Notwithstanding, local operations may continue to be exposed to some risk factors, the national minimum wage was raised by 25% to RM1,500 per month from 1 May 2022, which impacts directly Sa Sa's labour cost which will in turn fuel increases in other costs, while the Malaysia Ringgit has been weakening. The Group is committed to further improving store efficiency to limit the impact of such cost increase.

The Group is on the lookout for possible new store openings and experiment with a new format to address a different demographic.

Online Business

Our online business is one of the key prongs of our OMO strategy. The Group will continue to increase its online investment, actively expanding online sales channels in different regions and strive to build our portfolio of exclusive brands. The key advantage of third-party platforms lies in their capability to drive traffic, which enables us to expand our new customer base. Leveraging the popularity and reputation of e-commerce platforms, the Group will continue to explore collaboration with new e-commerce platforms to maximise market exposure and expand our customer base.

While price competition in online is fierce, we will be looking to separate ourselves from the competition by improving our service levels to be industry leading, providing tailored product offerings by leveraging our CRM and leveraging our brand relationships to provide unique product offerings.

CRM is very much an integral part in the new retail era. The Group has commenced the design and planning of a CRM system, the formulation of plans to establish customer data platform to centralise the management of our online and offline customer databases from Hong Kong and Macau SARs as well as Mainland China, including membership data of the WeChat mini-programme. With data analytics and digital marketing tools, we would be in position to better understand customers' shopping habits, carry out refined customer relationship management and more targeted marketing campaigns. These initiatives will help enhance customer loyalty and repurchase rate to achieve a higher return on investment.

FY2022/23 Q3 Operational Sales Data

For the third quarter from 1 October to 10 November 2022, the Group's retail and wholesale turnover decreased by 1.5% 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
HK & Macau SARs	5.6%	8.7%
• Hong Kong SAR	2.7%	9.1%
• Macau SAR	14.6%	7.5%
Mainland China	-26.9%	-14.1%
Malaysia	30.6%	31.2%
Online business	-11.2%	
Group Turnover	-1.5%	

Human Resources

As at 30 September 2022, the Group had close to 2,700 employees. The Group's staff costs for the six months ended 30 September 2022 were HK$334.6 million.

Financial Review

Capital Resources and Liquidity

As at 30 September 2022, the Group's total equity amounted to HK$834.7 million including reserves of HK$524.4 million. The Group continued to maintain a strong financial position with working capital of HK$264.2 million that included cash and bank balances of HK$203.2 million, while unutilised banking facilities were approximately HK$195.6 million. In addition, a revolving loan facility of up to HK$200 million was also made available to the Group on 31 March 2022 by Dr Kwok Siu Ming Simon and Dr Kwok Law Kwai Chun Eleanor, the executive directors and controlling shareholders of the Company. The facility has further strengthened the Group's financial position with additional working capital, demonstrating the support from the controlling shareholders and their confidence in the long-term prospects of the Group's business. After taking into account the anticipated cash flows used in the Group's operations and the continued availability of the Group's banking and shareholder loan facilities, the Group has adequate liquidity and financial resources to meet its working capital requirements and operating needs in the next twelve months from the balance sheet date.

During the period, the majority of the Group's cash and bank balances were in Hong Kong dollar, Malaysian Ringgit, Macau Pataca, Renminbi and US dollar, 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 2022 were HK$834.7 million, representing a 15.1% decrease over the funds employed of HK$982.9 million as at 31 March 2022.

The gearing ratio, defined as the ratio of total borrowings to total equity, was 9.6% as at 30 September 2022 (31 March 2022: 10.4%).

Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong dollar, US dollar, Euro, Renminbi or Malaysian Ringgit. Based on purchase orders placed, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge against foreign exchange exposure arising from non-Hong Kong dollar or non-US dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 30 September 2022, land and buildings with carrying value amounted to HK$103.3 million (31 March 2022: HK$106.1 million) was pledged for banking facilities made available to the Group.

Contingent Liabilities

The Group had no significant contingent liability as at 30 September 2022.

Capital Commitments

As at 30 September 2022, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$6.4 million.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2022 (2021: Nil).

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2022, 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 2022 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 2021/22 published in July 2022.

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

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

The interim report of the Company for the six months ended 30 September 2022 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 2022.

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, 17 November 2022

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*
Mr HO Danny Wing Fi (Chief Financial Officer)
Ms KWOK Sea Nga Kitty

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*