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 2023 and Trading Updates from 1 October to 12 November 2023

Highlights

- The Group's turnover increased by 38.3% to HK$2,144.4 million
- Within this, offline sales in Hong Kong and Macau SARs increased by 64.9% to HK$1,623.7 million
- The Group turned around the business and recorded a profit for the period amounting to HK$102.4 million, compared to a loss of HK$133.2 million last year
- Basic earnings per share amounted to 3.3 HK cents (2022: Loss per share of 4.3 HK cents)
- Given the Group has just emerged from the challenges brought about by the pandemic in the core markets where the Group operates and is investing in future growth, the Board has resolved not to pay any 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 (2022: 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 2023. 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 **2023** **HK$'000**	2022 HK$'000
Turnover	3	**2,144,435**	1,550,493
Cost of sales	6	**(1,263,959)**	(977,189)
Gross profit		**880,476**	573,304
Other income	4	**17,897**	41,687
Selling and distribution costs	6	**(643,375)**	(614,052)
Administrative expenses	6	**(115,292)**	(124,495)
Other (losses)/gains – net	5	**(4,640)**	7,696
Operating profit/(loss)		**135,066**	(115,860)
Finance income		**3,220**	1,177
Finance costs	7	**(12,576)**	(8,605)
Profit/(loss) before income tax		**125,710**	(123,288)
Income tax expense	8	**(23,288)**	(9,895)
Profit/(loss) for the period attributable to owners of the Company		**102,422**	(133,183)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company for the period (expressed in HK cents per share)	9		
Basic		**3.3**	(4.3)
Diluted		**3.3**	(4.3)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Profit/(loss) for the period	**102,422**	(133,183)
Other comprehensive loss		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences of foreign subsidiaries recorded in translation reserve	**(8,439)**	(15,044)
Other comprehensive loss for the period, net of tax	**(8,439)**	(15,044)
Total comprehensive income/(loss) for the period attributable to owners of the Company	**93,983**	(148,227)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2023 HK$'000**	Audited 31 March 2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**202,455**	194,962
Right-of-use assets		**650,173**	519,679
Rental deposits and other assets		**95,019**	70,327
Deferred tax assets		**199,223**	219,692
		1,146,870	1,004,660
Current assets			
Inventories		**878,808**	669,464
Trade receivables	11	**74,159**	65,707
Other receivables, deposits and prepayments		**169,285**	160,690
Cash and cash equivalents		**196,204**	303,256
Income tax recoverable		**2,591**	9,550
		1,321,047	1,208,667
LIABILITIES			
Current liabilities			
Trade payables	12	**338,019**	329,718
Other payables and accruals		**218,967**	203,196
Borrowings	13	**32,000**	30,000
Lease liabilities		**266,410**	231,928
Income tax payable		**11,444**	8,954
		866,840	803,796
Net current assets		**454,207**	404,871
Total assets less current liabilities		**1,601,077**	1,409,531
Non-current liabilities			
Other payables		**29,507**	21,736
Lease liabilities		**423,497**	333,675
Retirement benefit obligations		**12,596**	12,660
Deferred tax liabilities		**259**	279
		465,859	368,350
Net assets		**1,135,218**	1,041,181
EQUITY			
Capital and reserves			
Share capital		**310,319**	310,319
Reserves		**824,899**	730,862
Total equity		**1,135,218**	1,041,181

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2023 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 2023 ("2023 Annual Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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 2023, 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.

2.1 Adoption of new accounting policy in the current interim period

(a) Amended standards adopted by the Group

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 April 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The above newly adopted amendments to existing standards did not have material impact on the results and financial position of the Group.

(b) Amended standards and interpretation have been issued but not yet adopted

The following amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 April 2023 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 April 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 April 2024
Hong Kong Interpretation 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 April 2024

The Group will adopt the above amendments to existing standards and interpretation when they become effective. The Group has already commenced an assessment of the related impact of adopting the above amendments to existing standards and interpretation, none of which is expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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. In the current period, executive directors revisited the Group's business model and considered there is a new trend in using online-merge-offline retail model. Executive directors decided to merge the online and offline business from geographic perspective and believes that the change in presentation will result a more appropriate presentation of the financial information of the Group and strategic and operating decision making. The business reportable segments identified are Hong Kong and Macau SARs, Mainland China, Southeast Asia and Others. The segment information in prior period has been restated for the change in presentation.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, deferred tax assets, inventories, receivables, deposits and prepayments, 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 2023				
	Hong Kong & Macau SARs HK$'000	**Mainland China HK$'000**	**Southeast Asia HK$'000**	**Others HK$'000**	**Total HK$'000**
Turnover	**1,719,591**	**244,535**	**175,068**	**5,241**	**2,144,435**
Segment results	**114,507**	**(11,951)**	**1,202**	**(1,336)**	**102,422**
Other information					
Capital expenditure	**29,751**	**477**	**9,390**	**-**	**39,618**
Finance income	**2,396**	**200**	**624**	**-**	**3,220**
Finance costs	**10,587**	**400**	**1,589**	**-**	**12,576**
Income tax expense	**21,671**	**182**	**1,428**	**7**	**23,288**
Depreciation on property, plant and equipment	**26,814**	**2,040**	**2,208**	**-**	**31,062**
Depreciation on right-of-use assets	**135,635**	**3,778**	**13,273**	**-**	**152,686**
(Reversal of provision)/provision for slow moving inventories and shrinkage	**1,486**	**(2,910)**	**688**	**-**	**(736)**

3. Segment information (continued)

	Six months ended 30 September 2022				
	Hong Kong & Macau SARs HK$'000 (Restated)	Mainland China HK$'000 (Restated)	Southeast Asia HK$'000 (Restated)	Others HK$'000 (Restated)	Total HK$'000
Turnover	1,088,918	277,739	182,799	1,037	1,550,493
Segment results	(80,114)	(62,950)	11,314	(1,433)	(133,183)
Other information Capital expenditure	32,161	872	6,049	-	39,082
Finance income	511	186	480	-	1,177
Finance costs	7,047	1,027	531	-	8,605
Income tax expense	5,829	12	4,054	-	9,895
Depreciation on property, plant and equipment	26,857	2,673	1,909	-	31,439
Depreciation on right-of-use assets	113,400	4,909	11,608	-	129,917
Provision/(reversal of provision) for slow moving inventories and shrinkage	1,074	15,315	(894)	-	15,495

	Hong Kong & Macau SARs HK$'000	**Mainland China HK$'000**	**Southeast Asia HK$'000**	**Others HK$'000**	**Total HK$'000**
At 30 September 2023					
Non-current assets	**1,029,193**	**16,362**	**101,315**	**-**	**1,146,870**
Current assets	**1,037,388**	**129,215**	**154,137**	**307**	**1,321,047**
Total assets as per condensed consolidated interim statement of financial position					**2,467,917**
At 31 March 2023	(Restated)	(Restated)	(Restated)	(Restated)	
Non-current assets	897,965	21,959	84,736	-	1,004,660
Current assets	918,062	131,556	155,040	4,009	1,208,667
Total assets as per consolidated statement of financial position					2,213,327

4. Other income

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Slide display rental income	**11,099**	8,828
Storage income	**6,798**	7,129
Government subsidies (Note)	**-**	25,730
	17,897	41,687

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.

5. Other (losses)/gains - net

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Net exchange losses	**(4,640)**	(7,722)
Gains on derecognition of lease liabilities in relation to previously impaired right-of-use assets (Note)	**-**	15,418
	(4,640)	7,696

Note:

During the six months ended 30 September 2022, the Group has closed a number of stores before the end of the leases. An impairment loss for the corresponding right-of-use assets has been made in the prior year. The remaining lease liabilities and right-of-use assets of these leases were derecognised upon early termination, which resulted in gains of HK$15,418,000.

6. Expenses by nature

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Cost of inventories sold	**1,264,695**	961,694
Employee benefit expenses (including directors' emoluments)	**345,968**	334,630
Depreciation expenses		
- right-of-use assets	**152,686**	129,917
- property, plant and equipment	**31,062**	31,439
Lease rentals in respect of land and buildings		
- lease rental for short-term leases	**23,934**	45,357
- contingent rent	**21,947**	12,142
- rent concession related to COVID-19 (Note)	**(665)**	(12,822)
Building management fees, government rent and rates	**32,892**	34,359
Advertising and promotion expenses	**29,688**	25,361
Transportation and delivery charges	**19,309**	24,723
Bank and credit card charges	**18,672**	14,570
Utilities and telecommunication	**17,371**	17,130
Outsource warehouse handling expenses and platform charges	**12,964**	17,062
Repair and maintenance	**11,613**	10,764
Packaging expenses	**6,588**	8,502
Postage, printing and stationery	**3,070**	3,217
Donations	**1,634**	694
Auditors' remuneration		
- audit services	**1,577**	1,624
- non-audit services	**31**	394
Write-off of property, plant and equipment	**47**	1,101
(Reversal of provision)/provision for slow moving inventories and shrinkage	**(736)**	15,495
Others	**28,279**	38,383
	2,022,626	1,715,736
Representing:		
Cost of sales	**1,263,959**	977,189
Selling and distribution costs	**643,375**	614,052
Administrative expenses	**115,292**	124,495
	2,022,626	1,715,736

Note:

During the six months ended 30 September 2023, rent concession related to COVID-19 amounted to HK$665,000 (2022: HK$12,822,000) was included in selling and distribution costs.

7. Finance costs

	Six months ended 30 September	
	2023	2022
	HK$'000	HK$'000
Interest expenses on lease liabilities	**11,722**	7,571
Interest expenses on bank borrowings	**854**	1,034
	12,576	8,605

8. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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	
	2023	2022
	HK$'000	HK$'000
Current tax		
- Hong Kong profits tax	**2,231**	1,046
- Overseas taxation	**909**	23
Deferred tax relating to origination and reversal of temporary differences	**20,148**	8,826
	23,288	9,895

9. Earnings/(loss) per share

(a) Basic earnings/(loss) per share is calculated by dividing the profit/(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	
	2023	2022
	HK$'000	HK$'000
Profit/(loss) attributable to owners of the Company	**102,422**	(133,183)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,102,065**	3,101,789

(b) For the six months ended 30 September 2023, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the Share Award Scheme during the period. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and future service cost. For shares held under the Share Award Scheme, awarded shares granted to the employees but not yet vested as at 30 September 2023 has been included in the number of shares.

9. Earnings/(loss) per share (continued)

	Six months ended 30 September 2023 HK$'000	2022 HK$'000
Profit/(loss) attributable to owners of the Company	**102,422**	(133,183)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the period (thousands)	**3,102,065**	3,101,789
Adjustment for share options and awarded shares (thousands)	**19**	253
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,102,084**	3,102,042

(c) For the six months ended 30 September 2022, 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 2023 (2022: Nil).

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 2023 HK$'000	31 March 2023 HK$'000
Within 1 month	**59,464**	51,893
1 to 3 months	**7,925**	4,669
Over 3 months	**6,770**	9,145
	74,159	65,707

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 2023 HK$'000	31 March 2023 HK$'000
Within 1 month	**264,012**	240,554
1 to 3 months	**57,530**	67,144
Over 3 months	**16,477**	22,020
	338,019	329,718

The carrying amounts of trade payables approximate their fair values.

13. Borrowings

	30 September 2023 HK$'000	31 March 2023 HK$'000
Secured:		
Bank borrowings	**32,000**	20,000
Total secured borrowings	**32,000**	20,000
Unsecured:		
Bank borrowings	**-**	10,000
Total unsecured borrowings	**-**	10,000
Total borrowings	**32,000**	30,000

As at 30 September 2023, the maturity of borrowings based on scheduled repayment dates is within one year and contain a repayment-on-demand clause (31 March 2023: within one year and contain a repayment-on-demand clause), it is classified as current liabilities.

As at 30 September 2023, the bank borrowings were at interest rate ranging from 4.74% to 6.75% per annum (31 March 2023: ranging from 4.04% to 4.65% per annum) and were denominated in HK$.

The carrying amounts of borrowings approximate their fair values.

As at 30 September 2023, land and buildings with carrying value amounted to HK$ 97,143,000 (31 March 2023: HK$100,567,000) was pledged for banking facilities made available to the Group.

MANAGEMENT DISCUSSION & ANALYSIS

MARKET OVERVIEW

GDP / Retail Sales / Medicines and Cosmetics Sales in 2023* (Year-on-Year Change)

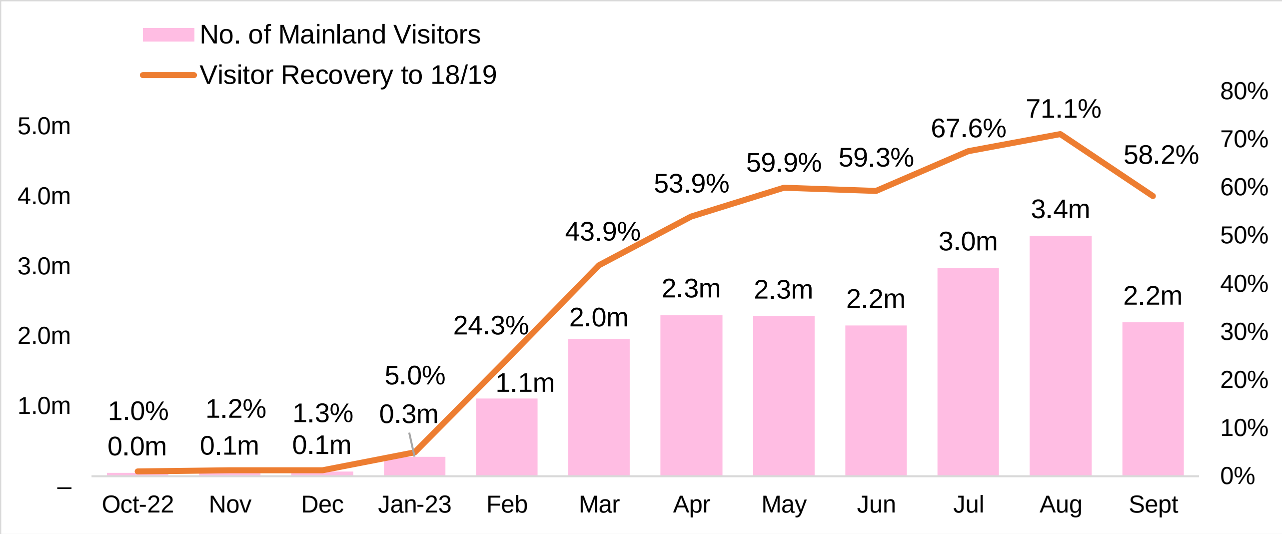
Market	GDP Growth Rate	Retail Sales Change	Medicines and Cosmetics Sales change
Hong Kong SAR	4.2% (Apr – Sept)	16.0% (Apr – Sept)	45.3% (Apr – Sept)
Macau SAR	119.4% (Apr – Jun)	64.3% (Apr – Jun)	28.0% (Apr – Jun)
Mainland China	4.7% (Apr – Sept)	7.3% (Apr – Sept)	9.2% (Apr – Sept)
Southeast Asia:			
Malaysia	13.1% (Apr – Sept)	7.0% (Apr – Aug)	*Note 1*
Singapore	0.8% (Apr – Jun)	2.9% (Apr – Jun)	*Note 3* 12.8% (Apr – Jun)
The Philippines	9.1% (Apr – Jun)	*Note 2* 11.7% (Apr – Jun)	*Note 1 & 2*

Note:

1. *There were no cosmetics retail sales statistics provided by the Malaysian and the Philippines Governments.*
2. *This is the figure of Retail Trade, except motor vehicles and moto cycles, provided by the Government of the Philippines.*
3. *"Cosmetics, toiletries and medical goods" as classified by the Government of Singapore.*

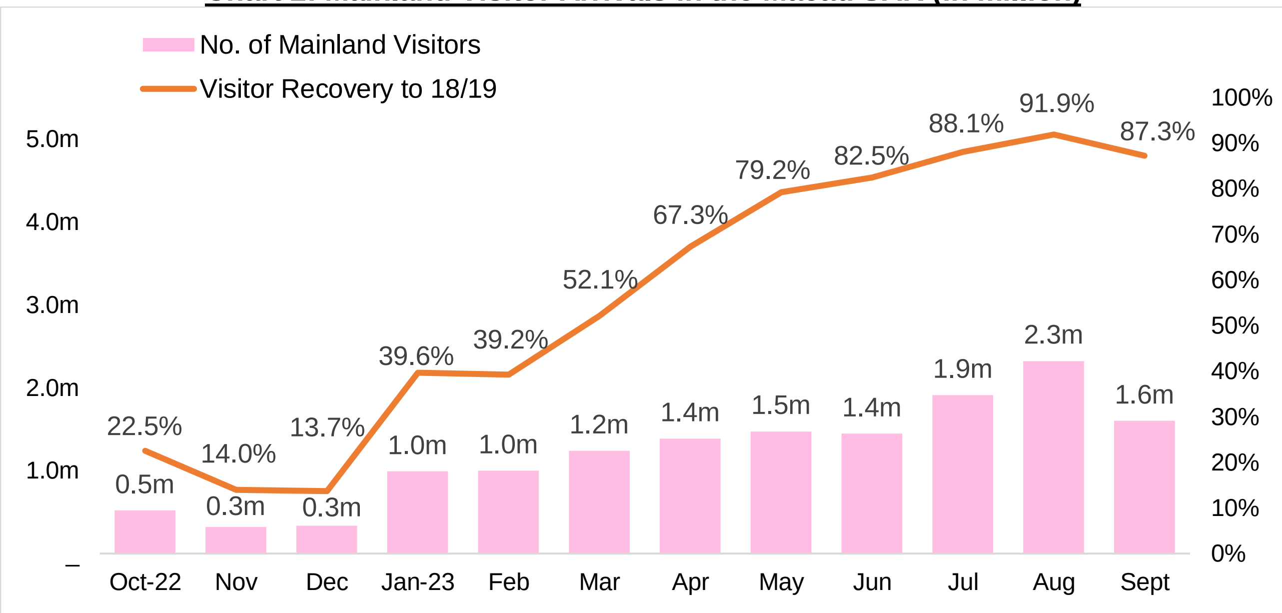
**All of the above data were sourced and extrapolated from statistics published by the corresponding governments' statistics bureaus. There are some inconsistencies in the definition of cosmetics retail sales in the methodologies adopted by different government statistics bureaus in conducting statistics on such sales.*

Chart 1: Mainland Visitor Arrivals in the Hong Kong SAR (in million)



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

Chart 2: Mainland Visitor Arrivals in the Macau SAR (in million)



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

During the six months ended 30 September 2023 ("the period"), the global economy continued to recover gradually from the pandemic and geopolitical tensions in Ukraine. With the Covid-19 health crisis officially over, supply-chain disruptions have lessened and the global economy has shown signs of a partial recovery. While global inflationary pressures are easing from their peak, they remain high, leading to a challenging economic environment.

In response to the inflationary pressure, advanced economies, in particular the United States of America ("US"), have tightened monetary policy and raised interest rates leading to a strong dollar. The high interest rates and tight liquidity have somewhat dampened consumer and business confidence in the economic outlook with perceived risk and uncertainty in the stability of the global financial markets. Furthermore, recent geopolitical tensions arising in the Middle East are adding another layer of market uncertainty.

HONG KONG & MACAU SARs

In the Hong Kong SAR, inbound tourism has driven economic recovery since the reopening of boundary from 8 January 2023. With major exhibitions and trade shows returning to the Hong Kong SAR, tourism is expected to continue to drive an improvement in economic conditions. During the period, a total of 18.9 million visitors entered the Hong Kong SAR of which 15.3 million were from Mainland China. This represents approximately a recovery of 62% for Mainland tourists as compared to the same period during 2018 (“Pre-Covid”). Businesses will need to manage the cost inflation pressures and the shortage of labour to tap into this growth potential profitably. The government of the Hong Kong SAR has been active in stimulating tourism and consumption, including the “Happy Hong Kong Shopping Festival”, National Day Fireworks display and “Night Vibes Hong Kong”, which have helped to improve consumer sentiment and create a spending occasion.

Post-Covid, we have noticed a change in the behaviour of Mainland tourists who are engaging experiential travel such as the West-Kowloon Cultural district and not only congregating in shopping areas and spending on luxury products. Given the high cost of overnight stays and weak Renminbi vs. the US dollar, we are also seeing a preference for same day return, particularly for those residents in the Greater Bay Area. Such changes in consumer behaviour have impacted the number of visitors spending in Sa Sa and the average sales value per transaction compared to Pre-Covid.

From March 2023, we started to see an emerging trend of the Hong Kong SAR residents embark upon leisure travel outbound to Mainland China at weekends driven by competitive prices and perceived better services particularly in food and beverage, automobile and certain other retails services. While we have not seen any evidence that beauty is one of the categories that has moved across the boundary into Mainland China, the outbound travel has impacted weekend domestic people traffic in the Hong Kong SAR. During the three-months ended 30 September 2023, a total of 20.3 million of the Hong Kong SAR residents visited Mainland China compared to 18.1 million the preceding quarter.

Sa Sa International Holdings Limited (“Sa Sa” or “the Company”) and its subsidiaries (“the Group”) recorded significant sales growth in the Hong Kong SAR on the back of tourism, exhibitions and consumption-boosting campaigns, as well as the loyalty of our customers and VIP members. In response, the Group opened three new stores during the period, two in core tourist areas, with a further two stores scheduled for opening in the second half of the financial year.

Similarly Macau SAR, enjoyed a return of tourism during the period with a total of 15.0 million visitors entering Macau SAR of which 10.1 million were from Mainland China. This represents approximately a recovery of 83% for Mainland tourists as compared to Pre-Covid. With the abundant theatre infrastructure in place, Macau SAR has been hosting a number of notable business exhibitions and entertainment events, which has been a major traffic driver. Despite the number of tourists, retail has not yet seen the same levels of recovery.

For the period, approximately 48.6% of the Group’s sales were from tourists compared to 74% Pre-Covid.

MAINLAND CHINA

During the pandemic, the Group scaled down its physical store network in Mainland China adapting to the circumstances and preserving financial strength while focusing on improving operational performance of the remaining stores. Based on the consumption patterns of the Mainland China market, the Group also concentrated on online channels.

Mainland China started to relax its Covid-19 related restrictions from 8 January 2023, leading to a degree of normalcy. However, the Mainland China's economy has been facing a number of increasing challenges as the year passed with GDP growth rate at 4.9% in quarter three calendar year vs. 6.3% in quarter two. Under geopolitical tensions, foreign direct investment and exports have fallen while there has been a move to diversify supply concentration risks from reliance on Mainland China. The property sector has also been hit hard with loan defaults and this has contributed to youth unemployment edging up.

On the back of the economic uncertainties, there has been a reluctance to spend and a rise in consumer household savings to record highs. With a weak Renminbi against the US dollar, the spending power of Mainland tourists overseas was also negatively impacted.

Mainland China's retail sales rose by 7.3% during the six-months ended 30 September 2023, and within that the beauty category grew 9.2%. Consumer sentiment had yet to recover during the period and as a result, the Group continued to focus on consolidating its position and returning operations to profit.

In October 2023, the Central Government announced a series of policy measures to support domestic consumption and this bodes well for a recovery in the second half of the year with consumer and business confidence rebuilding over time. For the October 2023 National Holiday Golden Week, initial estimates suggest 826 million domestic travel traffic marginally exceeding Pre-Covid levels.

SOUTHEAST ASIA

In Southeast Asia, economic growth is challenging amid subdued external demand and a challenging global environment with GDP forecasts in the low single digits. The Malaysian economy has been facing macro headwinds with the rising cost of living a major challenge with the World Bank adjusting downward its forecast of Malaysia's GDP growth rate in October 2023 to 3.9% due to a slowdown in external demand. The Group adjusted its product portfolio to meet the market's needs and achieved steady business performance during the period. The Group took the opportunity to upgrade seven stores during the period with improved visual merchandising to showcase our exclusive brands with our brand partners. While we are seeing improved performance post store re-opening, it did result in 240 lost operating days during the period.

Six out of 13 states in Malaysia satisfactorily held their general election in August 2023, and this bodes well for market stability in the second half of the year. On the other hand spillover protests from the Middle East conflict impacts customer sentiment but has yet to significantly impact spending.

The Group is progressing on track with its expansion into Southeast Asia and is delighted to share significant steps regarding re-entry into the Singapore market. The Group has entered into rental agreements with landlords in Singapore to open three retail stores in the second half of this financial year.

The three new stores will re-establish our offline presence and complement our existing online business setting the foundations for our continued growth in the Southeast Asia region. In March 2024, the first rental agreement signed will open its doors at Westgate, CapitaLand's premier lifestyle and family mall in the West of Singapore (3 Gateway Drive, #02-22 Westgate, Singapore 608532). A further two rental agreements have been confirmed for two stores to be located at Jurong Point (1 Jurong West Central 2, JP1 #01-07/08, Jurong Point Shopping Centre, Singapore 648886) and Tampines 1 (10 Tampines Central 1, #01-32 Tampines 1, Singapore 529536), respectively. While a potential further two stores are in the pipeline.

The Group continues to champion the online-merge-offline ("OMO") retail model, and with customers demanding a more convenient shopping experience, the offline footprint in Singapore coupled with the Group's unique team of Professional Beauty Consultants will enable a seamless OMO integration.

BUSINESS REVIEW

RETAIL NETWORK

Upgrading and expanding physical store network, capitalising on retail recovery and return of tourism

The Group is actively seeking to expand its store network in the Hong Kong SAR and across the region so long as the economics make sense including reasonable rentals that will support a reasonable profit margin. In the Hong Kong SAR, the Group is actively looking at gaps in non-tourist areas to better serve local consumers and also at prime tourist locations that supplement our existing coverage. In Southeast Asia, we are looking primarily at high traffic malls in Malaysia and Singapore. For the Macau SAR, the existing portfolio of nine stores in prime locations is sufficient for that market under current circumstances, while in Mainland China, the Group is consolidating its position before making further moves.

During the period, the Group opened three new stores in the Hong Kong SAR, with two in the core tourist district, Tsim Sha Tsui, and one at "The Wai", a new popular shopping mall in the local Tai Wai district, in order to capitalise on the recovery in the retail industry and the return of tourists.

With improved business environment, the Group recommenced its store upgrade project for existing stores during the period. A total of 15 stores were upgraded to the Group's latest design and while 402 store operating days were lost during the process, there has been noticeable improvement in sales performance post refurbishment.

The Group is also exploring the shop-in-shop concept to showcase our partner brands and their products. The Group launched an exclusive shop-in-shop for La Estephe in July 2023 at Sa Sa's upgraded flagship store in Causeway Bay, Hong Kong SAR, and also a shop-in-shop for Dr. G in Sunway Velocity Mall, Kuala Lumpur, Malaysia.

ONLINE CHANNELS

Accelerating of digitalisation of the retail sector following the pandemic pushing consumers online and accepting digital payment methods

One of the three key prongs to the Group's strategic framework is to embed a route-to-market in strategy the consumer journey. Accordingly, the Group continues to invest in and develop its online business in the Hong Kong SAR, Mainland China, Southeast Asia and other markets.

While the Group's total online sales were flat at HK$298.8 million during the period, online penetration is now at 13.9% of total Group sales (Pre-Covid: 4.8%).

PRODUCT CATEGORIES

Continuously updating and enriching exclusive product portfolio to meet the demand of savvy consumers looking for individuality and newness

In terms of sales by product category, during the peak of the pandemic, the Group seized the opportunity from growth of personal protective equipment ("PPE"), and more recently the demand for post Covid-19 recovery health food and supplements. Focus has now switched to make-up which has made a strong recovery post relaxation of pandemic measures including the requirement to wear a protective mask. The Group continues to strengthen product sourcing to enrich the product portfolio and aside from our core categories of skincare, make-up and fragrance, is beginning to grow additional categories including inner beauty, personal care and beauty equipment. We will continue to invest in category extension strategy, explore potential categories, meet market trends and customer needs, and strive to bring more product choices to consumers.

The Group's core product categories include skincare, make-up and fragrance, and has enhanced focus on new categories such as inner beauty, personal care and beauty equipment to cater to 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, where we differentiate ourselves from the market and offer uniqueness.

In line with this 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.

With the proliferation of the availability of data and social media, consumers are becoming more educated and astute in their consumption, dedicating more time to studying product ingredients, efficacy and user reviews. Assessing whether products align with their social values, considering whether ingredients and packaging adhere to environmental sustainability principles or whether the product is cruelty-free and free from toxic chemicals.

Sa Sa has established "Clean Beauty" counters to enable customers to conveniently access a range of zero-pollution personal care offerings. Sa Sa has obtained "Platinum Class Award Certificate and Microbead Phrase-out Award – Pioneer Award", while many of its exclusive brands were also awarded "Microbead-free Brand Certificate" from the Environmental Protection Department of Hong Kong, respectively, underscoring its unwavering support for the sustainable development of the green beauty industry. During the period, the Group's MSCI ESG rating was upgraded to A for its commitment to sustainable development.

The Group's dedicated Category Management and Product Development Department consistently introduces new brands to suit consumer preferences and keep pace with the current trends. The Group strategically brought in popular new brands from different countries to expand its portfolio of exclusive brands. This approach aims to cultivate customer loyalty by optimising and enhancing the diversity of the Group's exclusive brand offerings and positioning Sa Sa as the place to go to "make yourselves beautiful". New brands launched during the period include Rexaline and DermEden.

Consumers are increasingly reliant on KOLs whom they follow for product recommendations and are more willing to try out emerging and trendy brands that offer functional benefits. This development in consumer behaviour bodes well for the Group's product strategy.

FINANCIAL PERFORMANCE SUMMARY

Chart 3: Turnover by Market in the First Half of FY2023/24

	Turnover				
HK$ Million	**Offline**	**Online**	**Total**	**YoY change%**	**% of Group turnover**
Hong Kong & Macau SARs	1,623.7	95.9	1,719.6	+57.9%	80.2% *(LY: 70.2%)*
Mainland China	84.8	159.7	244.5	-12.0%	11.4% *(LY: 17.9%)*
Southeast Asia	137.1	38.0	175.1	-4.2%	8.2% *(LY: 11.8%)*
Others	-	5.2	5.2	+405.7%	0.2% *(LY: 0.1%)*
Total	1,845.6	298.8	2,144.4	+38.3%	100.0%

Chart 4: Breakdown of Turnover Mix by Market

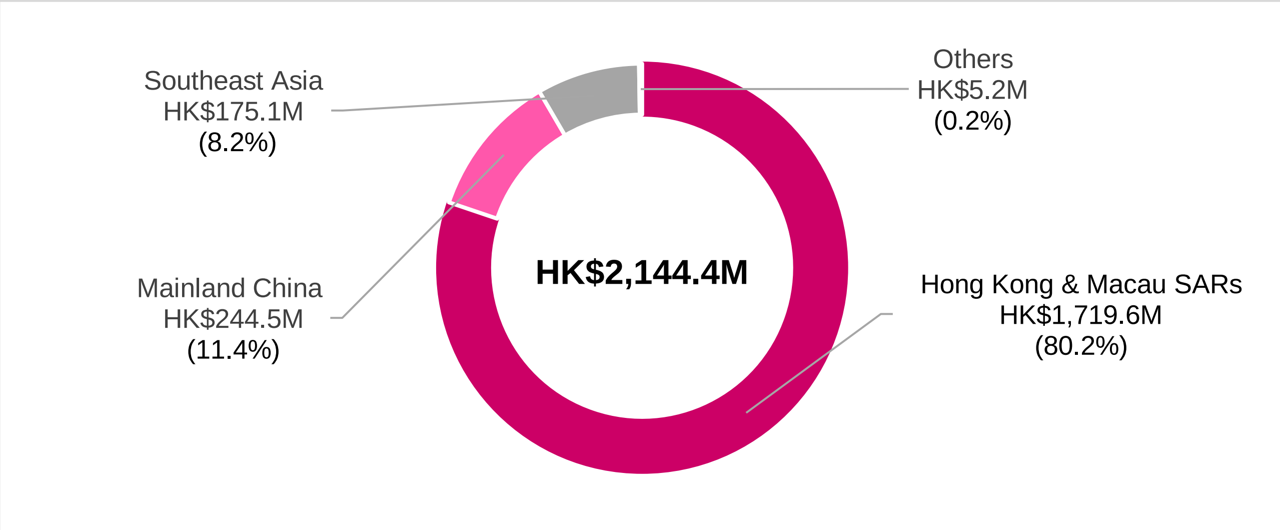


Chart 5: Breakdown of Offline Turnover (by Market)

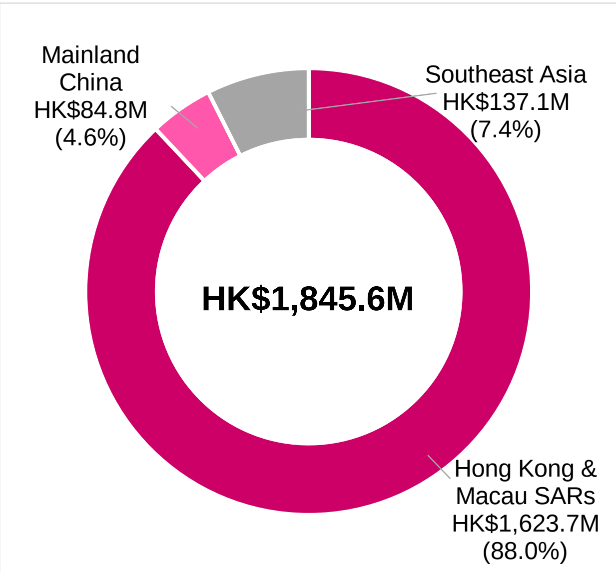
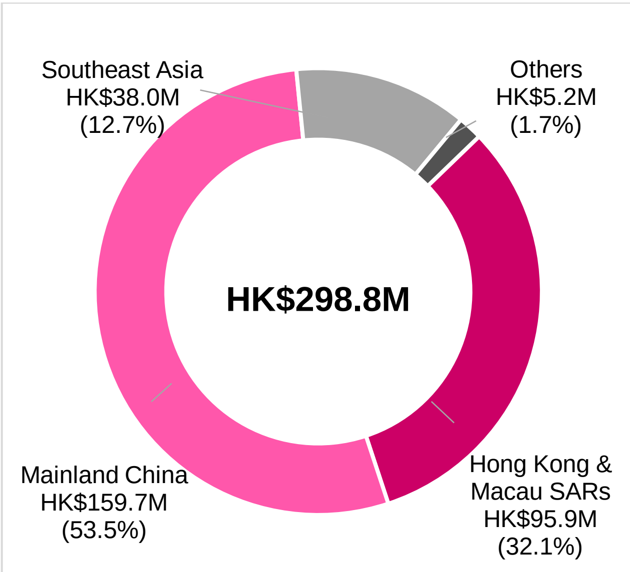


Chart 6: Breakdown of Online Turnover (by Market)



For the six months ended 30 September 2023, the Group's turnover amounted to HK$2,144.4 million, representing an increase of 38.3% over the six months ended 30 September 2022 ("the previous period") largely attributable to the return of tourism in our core markets of the Hong Kong and Macau SARs following the re-opening of boundaries offsetting the challenging economic conditions in Mainland China and Southeast Asia.

Offline retail sales and wholesales ("Offline Sales") in the Hong Kong and Macau SARs increased significantly by 64.9% to HK$1,623.7 million. Offline Sales in Southeast Asia decreased marginally by 3.2% (in local currency) to HK$137.1 million, while Offline Sales in Mainland China decreased by 25.2% (in local currency) to HK$84.8 million due to the seven fewer offline stores, from optimisation of operations, compared with the previous period. The Group operated 184 retail stores across all regions as 30 September 2023.

The Group's online business turnover was flat at HK$298.8 million for the period while contribution to the Group's total turnover decreased from 19.3% in the previous period to 13.9% for the period. This resulted from a shift back to offline post pandemic and the return of tourism after the opening of boundaries that has resulted in a significant increase in the Group's Offline Sales. The supply chain and logistics operations related to the Group's online business in Mainland China have returned to normal, and online penetration in Mainland China remains high at 65.3% accounting for 53.5% of the Group's total online sales. While Mainland China's online market is highly competitive, it remains a key focal point for the Group and we are cautiously optimistic over the future growth once the economy begins to improve further. Looking ahead, the Group will look to introduce exclusive brands via livestream platforms in Mainland China which will improve our gross margin profile.

The Group's gross profit for the period increased by 53.6% to HK$880.5 million at a gross profit margin of 41.1%. This represents a significant improvement of HK$307.2 million in gross profit and an increase of 4.1 percentage points in gross profit margin compared with the previous period, driven by an increase in sales and more importantly an increase in sales mix of exclusive brands as our strategies start to take effect. As a percentage of turnover, selling and distribution costs and administrative expenses decreased significantly from 39.6% to 30.0% and from 8.0% to 5.4%, respectively.

Accordingly, the Group's profit for the period improved to HK$102.4 million, a significant turnaround from the loss of HK$133.2 million for the previous period. This also compares favorably to the adjusted profit for the previous six-months period ended 31 March 2023 of HK$88.7 million after excluding deferred tax credit in relation to tax losses not previously recognised of HK$102.7 million. This is particularly pleasing as sales and margins are typically higher in the second half of the financial year which includes winter products.

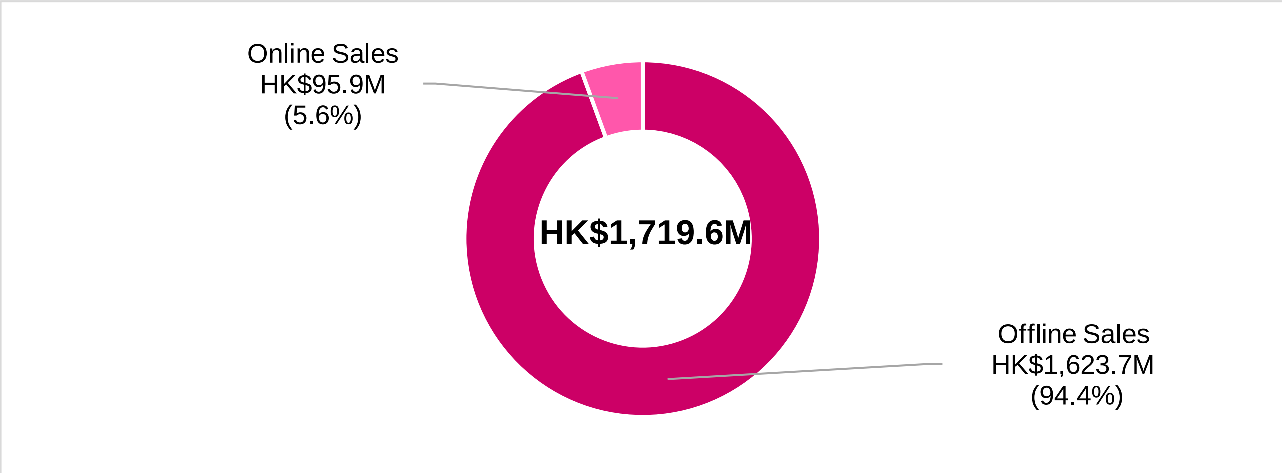
The Group's total net cash balance at 30 September 2023 was HK$164.2 million (2022: HK$123.2 million) and is adequate for the Group's needs. Net cash used in operating activities (less the payment of lease liabilities and interest) for the period was HK$72.0 million. To stock sufficient inventory to meet the needs of the customers influx from the return of tourism, and to cater for the seasonality impact of pre-stocking for upcoming winter peak season, more cash was invested in inventory as at the period end. We expect this to reduce to more normal levels by the end of the financial year. Capex was also invested in the opening of three new stores and upgrade of a further 15 stores across all our markets.

Basic earnings per share amounted to 3.3 HK cents (2022: basic loss per share of 4.3 HK cents). Given the Group has just emerged from the challenges brought about by the pandemic in the core markets where the Group operates and is investing in future growth, the Board resolved not to pay any 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 (2022: Nil).

HONG KONG AND MACAU SARs

Total Online and Offline Sales in the Hong Kong and Macau SARs amounted to HK$1,719.6 million accounting for 80.2% of total Group sales for the period, and growing at 57.9% year-on-year. Within this, sales in the Hong Kong and Macau SARs grew at 50.5% and 84.1%, respectively. The business in this region was turned around with a profit of HK$114.5 million for the period compared with a previous period loss of HK$80.1 million.

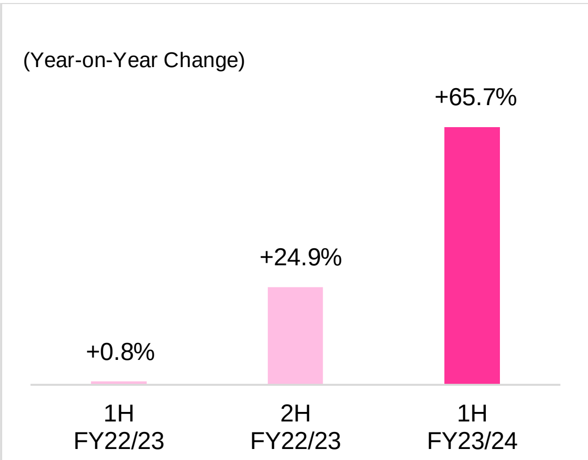
Chart 7: Turnover in the Hong Kong & Macau SARs (by Online and Offline Channels)



OFFLINE SALES – HONG KONG AND MACAU SARs

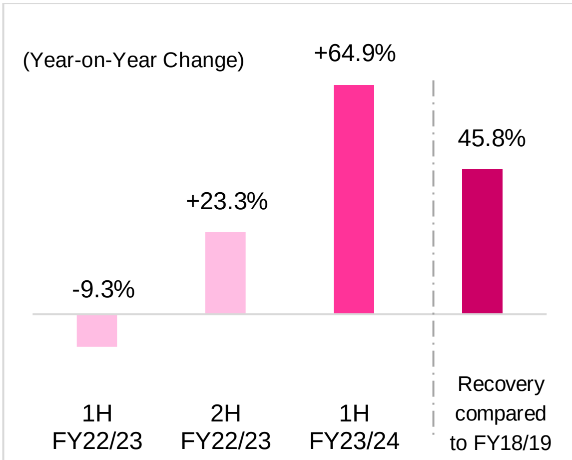
The Hong Kong and Macau SARs are the Group's largest region and Offline Sales during the period increased significantly by 64.9% with same store sales growth even higher at 65.7%, driven by the end of the pandemic and the return of tourism.

Chart 8: Same Store Sales Growth



Note: 1H:Apr – Sept; 2H: Oct - Mar

Chart 9: Offline Sales Performance



Number of stores

Market	**As at 31 Mar 2023**	Opened	Closed	**As at 30 Sept 2023**
Hong Kong & Macau SARs	79	3	1	81

The gradual resumption of flights and cross-border transportation facilitated travel to the Hong Kong and Macau SARs. As at the period end, the number of average monthly flights landing in the Hong Kong SAR was approximately 16,700 flights and the number of scheduled high-speed rail trains between the Hong Kong SAR and Mainland China was 2,700 trains, a recovery against Pre-Covid of approximately 56.8%. To stimulate the local economy and boost retail consumption, the governments of the Hong Kong and Macau SARs together with various industry associations launched campaigns, with privileges tailored for travellers, and themed activities to showcase the vibrancy and dynamism of the Hong Kong and Macau SARs.

While, the number of tourists has only recovered to 69.7% of pre-pandemic levels, the Group's Offline Sales in the Hong Kong and Macau SARs has recovered to 45.8% of Pre-Covid despite operating 37 or 31.4% fewer stores. This reflects a much higher operating effectiveness versus Pre-Covid. Tourist sales mix now stands at 48.6% in the Hong Kong and Macau SARs versus approximately 74% during the pre-pandemic period.

Due to adverse weather conditions, the Group lost 3.5 store operating days in the Hong Kong and Macau SARs during the second quarter, which had a negative impact on sales of approximately 1.5% for the period.

Hong Kong SAR

Chart 10: Same Store Sales Growth

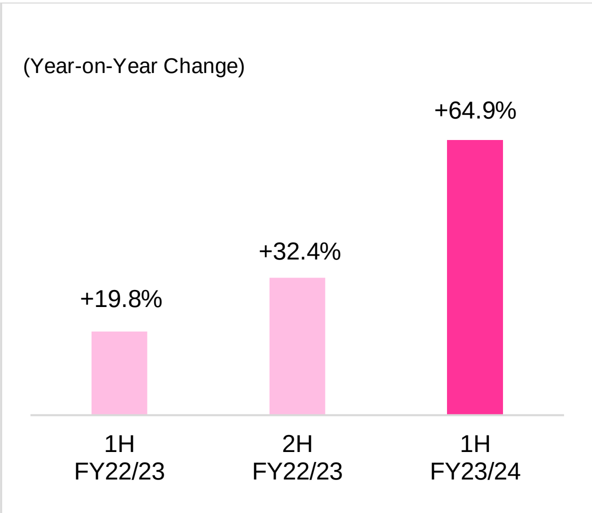
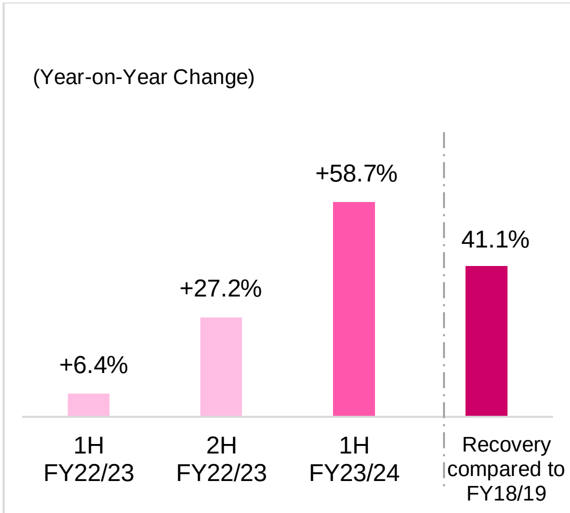


Chart 11: Offline Sales Performance



Note: 1H:Apr – Sept; 2H: Oct – Mar

The Group's Offline Sales in the Hong Kong SAR for the period experienced a spike in tourist sales growing 58.7% year-on-year and reaching 41.1% of pre-pandemic levels. Same-store sales increased by 64.9% during the period, with the number of transactions and the average transaction amount growing by 24.9% and 33.9%, respectively.

Macau SAR

Chart 12: Same Store Sales Growth

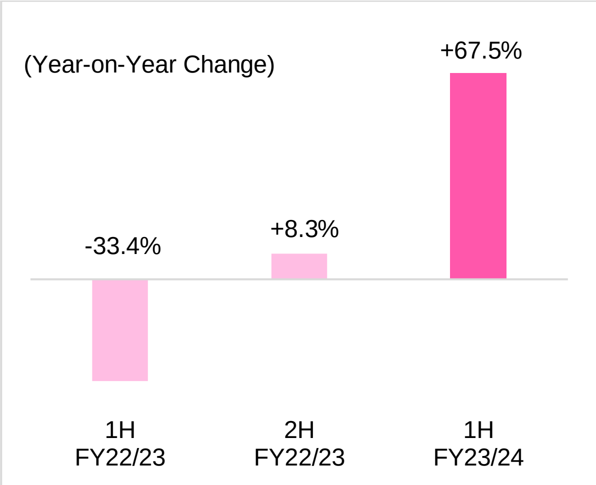
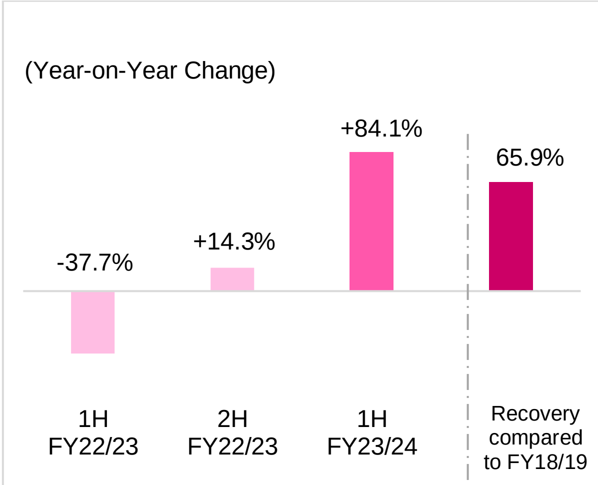


Chart 13: Offline Sales Performance



Note: 1H:Apr – Sept; 2H: Oct – Mar

During the period, the Group's Offline Sales in the Macau SAR recorded a significant year-on-year growth of 84.1%, recovering to 65.9% of pre-pandemic levels while same-store sales grew by 67.5% year-on-year.

ONLINE SALES – HONG KONG AND MACAU SARs

The Hong Kong and Macau SARs Online Sales account for 32.1% of the Group's total online sales. The Group manages its mobile e-shop and website at https://www.sasa.com.hk/ and is also present on major local third-party platforms such as HKTV Mall. The Sa Sa e-shop carries a wide range of brands and products, includes comprehensive product descriptions and user reviews, accepts all major forms of digital payment and offers a variety of delivery options. The Group continues to invest in improving customer experience and is exploring new retail models to expand penetration. Recently, the Group is making traction with "live-commerce" on its own channel, third-party platforms and through KOL collaborations.

Online sales in the Hong Kong and Macau SARs amounted to HK$95.9 million or approximately 5.6% of total sales which is in line with market norms.The year-on-year decrease of 8.1% in online sales reflects a marginal swing to Offline Sales following the removal of Covid-19 related social distancing measures.

Online sales in the Hong Kong and Macau SARs recorded a loss of HK$0.8 million for the period.

"Buy Online Pick-up In-Store" continues to be a popular consumer choice, creating a seamless OMO integrated experience

The pandemic undoubtedly accelerated digital transformation with e-commerce and digital payments some of the beneficiaries, and the emergence of the "gig economy" as B2C companies attempt to resolve the last mile. The Group's online penetration has improved since pre-pandemic period, while "Buy Online Pick-up In-Store" ("BOPIS") has proved to be a popular route-to-consumer where customers can also experience the comprehensive services provided by our professional beauty consultants when they pick-up the products in person, a seamless OMO experience. The Group's large portfolio of stores located in or near people hubs make it an extremely convenient location for pick-up and while they are not purely pick-up stations, consumers can also enjoy store exploration. The Group has innovated new packaging that significantly reduces both its carbon footprint and the size of packaging for pick-up in store. In doing so, it reduced the in-store space required to hold packages and thus increased the capacity to provide this service.

MAINLAND CHINA

Chart 14: Mainland China Turnover (by Online and Offline Channels)

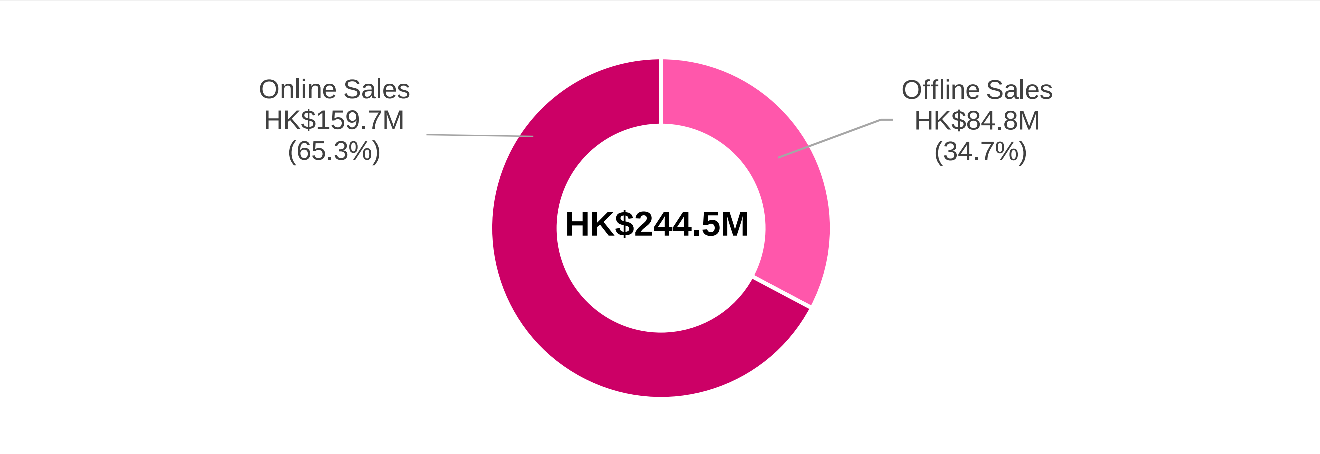


Chart 15: Same Store Sales Growth*

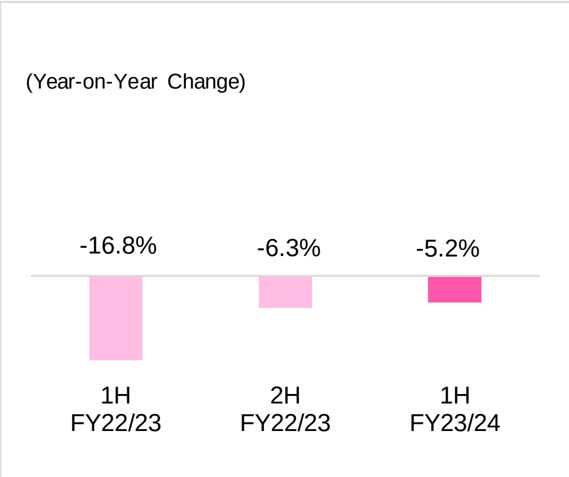
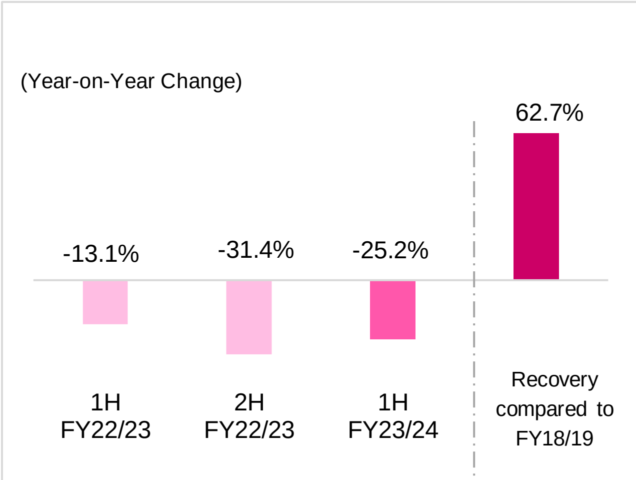


Chart 16: Offline Sales Performance*



**In local currency*
Note: 1H:Apr – Sept; 2H: Oct – Mar

During the period, the Group's turnover in Mainland China was HK$244.5 million, a 12.0% decrease compared with the previous period in which Online Sales played a prominent role and accounted for 65.3% of the total sales in this region. Our loss has narrowed significantly to HK$12.0 million for the period from HK$63.0 million in the previous period. Mainland China continues to be one of the Group's core focus markets.

OFFLINE SALES – MAINLAND CHINA

Number of stores

Market	**As at 31 Mar 2023**	Opened	Closed	**As at 30 Sept 2023**
Mainland China	37	-	2	35

Despite operating seven or 16.7% fewer offline stores compared to the previous period and Offline Sales decreasing 25.2% to HK$84.8 million, the Group raised the productivity of each store resulting a 12.1% increase in gross profit dollars. The Group is diligently managing its existing store portfolio, channelling efforts towards optimising operational effectiveness while economic conditions remain challenging.

ONLINE SALES – MAINLAND CHINA

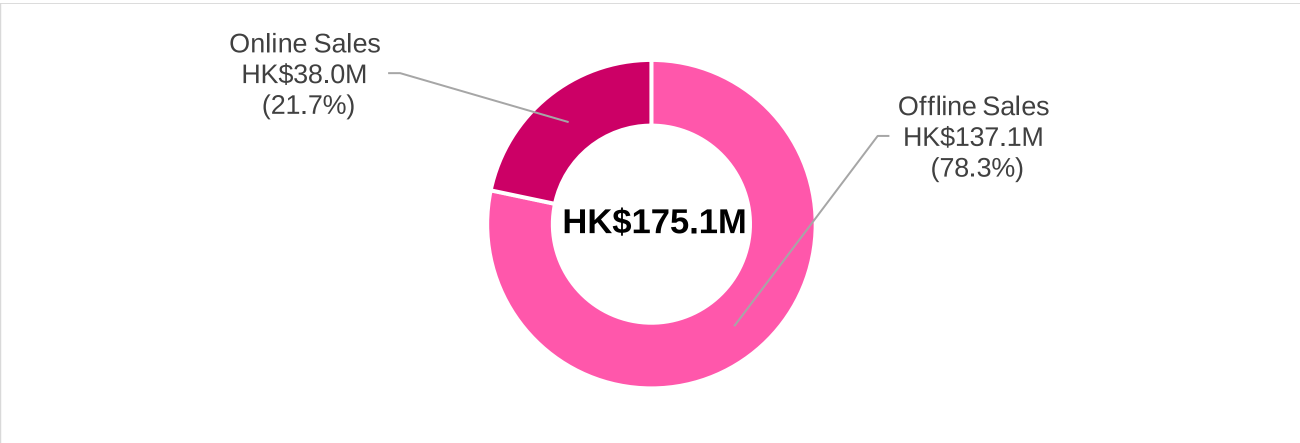
Mainland China Online Sales account for 53.5% of the Group's total online sales. The Group manages its own Wechat mini-store and is present on all major third-party platforms in Mainland China such as T-mall, JD.com and Douyin.

Online Sales in Mainland China amounted to HK$159.7 million or approximately 65.3% of total sales, a high online penetration rate is in line with the digital native, Mainland China. The marginal increase of 1.0% in the Group's online sales is reflective of the challenging local economy during the period.

Capitalising on the restoration of cross-border logistics into Mainland China during the period, the Group has proactively re-introduced product categories halted during the Covid-19, such as fragrance, and re-engaged with customers. However, it will take time to rebuild confidence in delivery lead times and service levels. As the Mainland China's economy recovers, and the Group is able to tap into Mainland tourists returning to Mainland China after visiting the Group's Hong Kong and Macau SARs offline stores, we anticipate future growth in this channel.

SOUTHEAST ASIA

Chart 17: Southeast Asia Turnover (by Online and Offline Channels)



During the period, the Group recorded total turnover of HK$175.1 million in the Southeast Asia market, marking a 4.2% marginal decrease against the previous period. Within this, Offline Sales contributed HK$137.1 million or 78.3% of the total sales for this region and this is expected to increase as our new stores in Singapore commence operations in the second half of the year. Profit for the period was HK$1.2 million (2022: HK$11.3 million).

OFFLINE SALES – SOUTHEAST ASIA

Chart 18: Same Store Sales Growth*

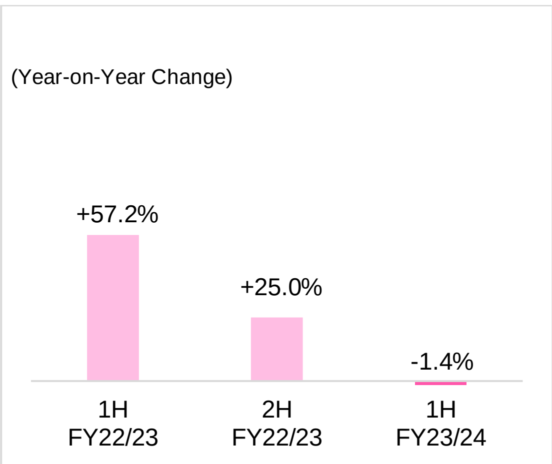
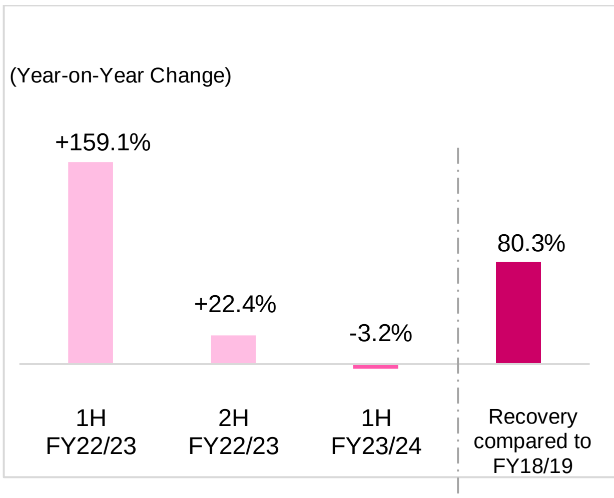


Chart 19: Offline Sales Performance*



**In local currency*

Note: 1H:Apr – Sept; 2H: Oct – Mar

Number of stores

Market	As at 31 Mar 2023	Opened	Closed	As at 30 Sept 2023
Malaysia	70	-	2	68

Affected by the cost-of-living crisis hitting Malaysia, the Group's Offline Sales in Southeast Asia for the period declined marginally by 3.2% year-on-year with same store sales decreasing by 1.4% (measured in local currency). Despite this, Offline Sales has reached 80.3% of pre-pandemic levels.

The Group has recommenced its store upgrade program halted during the Covid-19 and during the period, seven stores underwent upgrade resulting in 240 lost operating days and impacting sales by roughly 2.0%. The sales at the renovated stores experienced a reasonable increase post upgrade.

Meanwhile, the Group stepped up its effort to enhance the strength of its product portfolio and brand partnerships, with a particular focus on exclusive brands. During the period, The Group developed a shop-in-shop concept for its exclusive brand, Dr. G, and launched it in Sunway Velocity Mall. The Group has been particularly successful with its fragrance category in Malaysia and began to run a series of multi-brand fragrance themed roadshows in popular malls that have been well received.

Given the current economic climate, the Group introduced one of its lower price-point exclusive make-up brands "Color Combos" to the Malaysian market.

ONLINE SALES – SOUTHEAST ASIA

Our online presence in the region is mainly through two third-party platforms, Shopee and Lazada, reaching Singapore, Malaysia and the Philippines. The Group has been consistently ranked number one on both platforms in Singapore and Malaysia among cross-border merchants in the beauty and health category. During the period, the Group also launched in Thailand via Lazada and also added Zalora in Singapore. Total online sales in Southeast Asia amounted to HK$38.0 million during the period, an increase of 6.0%.

OTHER JURISDICTIONS

The Group's B2C sales in markets outside the Hong Kong and Macau SARs, Mainland China and Southeast Asia are conducted via its own international e-shop and third-party platforms. These operations are at a preliminary stage and although yet to make a significant contribution to the Group's revenue, they recorded satisfactory year-on-year growth during the period, indicating the potential for development. This in despite of the relative strength of the Hong Kong dollar against a basket of other countries impacting the competitiveness of the Group's pricing.

FUTURE OUTLOOK

SUSTAINED PROFITABILITY AND LONG-TERM GROWTH

The Group implemented a series of initiatives to improve the Group's operations including acceleration of digitalisation, optimising people structures, enhancing operational efficiency and adopting strict zero-based budgeting, which helped to significantly lower the breakeven point and raise the operating margin. This operating and financial discipline remains in place and enhances the Group's competitiveness and ability to be resilient and achieve profitable business growth as tourism continues to return and the global economy improves.

The Group also flexibly adjusted its inventory across different business units to tap into the growth driven by the return of tourism post Covid, and seize market opportunities. As at 30 September 2023, the Group's inventory was HK$878.8 million, representing an increase of HK$209.3 million as compared to 31 March 2023, while inventory turnover days were 134 days representing an increase of 18 days. Stock holding is subject to a degree of seasonality as the holding at 30 September 2023 includes pre-stocking for upcoming winter peak season.

As at 30 September 2023, the Group's net cash (after deducting utilised bank borrowings) was HK$164.2 million. With further unutilised banking facilities of approximately HK$232.3 million, the Group has adequate funding for its operating needs. In addition, Dr Kwok Siu Ming Simon and Dr Kwok Law Kwai Chun Eleanor, the executive directors and controlling shareholders of the Company, continue to make a revolving loan facility of up to HK$200.0 million available 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.

Despite the passing of the pandemic, many economies in the region are tackling a cost-of-living crisis, while the Mainland China's economy has been facing headwinds. These have led to low consumer purchasing power, particularly in our core markets. When these macroeconomic conditions ease, it is expected that the Group will benefit.

HONG KONG AND MACAU SARs

Tourist traffic is so far concentrated in our stores in core tourist areas of Tsim Sha Tsui, Causeway Bay and Mongkok. With the introduction of the high speed train service at West Kowloon station, it has become the major travel hub into and out of Mainland China benefitting the Group's store located there, which will re-open in December 2023 following upgrade. At the period end, the Group currently has 27 stores (pre-pandemic period: 45 stores) in core tourist areas in the Hong Kong and Macau SARs.

Our tourist sales mix in the period was 48.6% compared with, 43.3% during quarter four in the previous financial year after boundaries had just re-opened and 74% pre-pandemic. However, tourist sales mix for the period was as high as 59.9% in core tourist areas giving confidence in future growth.

The return of Mainland tourists in Macau SAR is on a similar trend to core tourist areas of the Hong Kong SAR with sales recovering to approximately 65.9% of pre-pandemic levels. This market is expected to recover eventually as the Mainland China's economy improves and consumer spending power increases. Inbound traffic flow has already reached 87% (see chart 2), with retail spending trailing behind.

The Group is actively seeking to expand its store network, looking at gaps in non-tourist areas to better serve local consumers and also prime tourist locations that supplement our existing coverage, contingent upon the availability of reasonable rental rates. Furthermore, the Group has signed rental agreements to add three new stores in the Hong Kong SAR, two during the second half year, one in a local area, Wong Chuk Hang, and the other in the Central district. The third store at Kai Tak will open in FY2024/25.

In a bid to invigorate the economy, the Hong Kong SAR government plans to attract several large-scale business exhibitions to bolster tourist arrivals in the coming months. Similarly, the Macau SAR government is committed to organising notable business exhibitions and collaborating with the entertainment and cultural sectors to host festive events. These endeavours aim to entice visitors and prolong their stay, enriching the overall experience. This will stimulate a heightened atmosphere of spending during the upcoming festive celebrations over Christmas and New Year and we anticipate a boost in consumption within the retail and tourism sectors.

The Group has been preparing for the return of tourism adopting agile management practices including, extending store opening hours, refreshing the product mix, and flexibly adjusting frontline staff deployment and inventory to cope with the increasing demand. Aside from tourists, the Group will continue to look to better serve local customers by optimising its product portfolio to address customer preferences and the latest market trends.

While there will be investment in frontline staff and new leases, the Group expects its operating margin to stabilise over the remainder of the financial year. Further improvement in operating margins would be possible if tourism continues to increase delivering further scale economies, or an increase in sales from exclusive brands is achieved.

The focus for the Group's online business going forward will be to (i) raise customer loyalty: significantly raising repeat purchase rate and active members; (ii) create an online community: promoting online user generated product reviews; (iii) promote exclusive brands: which can only be purchased from Sa Sa in the region; and (iv) accelerate OMO initiatives to leverage the offline store network and the customer base.

MAINLAND CHINA

Despite a tough few years from the Covid-19, Mainland China remains a core focus of the Group's long-term growth strategy. Although market uncertainty caused by the Covid-19 has now cleared, economic conditions have been challenging and have not yet fully recovered. With policy support from the government, the economy is expected to recover eventually and October 2023 National Week domestic travel and spending sow seeds of optimism. The Group is closely monitoring the market conditions to align its strategy before embarking on store portfolio changes.

In order to improve the Group's competitiveness in Mainland China, the Group will focus on exclusive brands and invest to increase the product assortment.

In sync with the offline business, the online business will also focus resources around the Group's exclusive brands where it has the right to win, is able to build brand loyalty and can avoid direct price competition. Online allows the Group to provide an "endless aisle", while the Group will explore how it manages Group inventory in the region to enhance efficiencies and reduce inventory holding costs.

The integration of online and offline in the retail industry is accelerating, which presents huge opportunities. The Group is focused on advancing its OMO strategy in the second half of the year integrating online platforms with the retail network to provide customers with an enhanced and seamless shopping experience. For example, increasing awareness of our online channels in store and allowing customers to browse product availability and order online.

One of the Group's unique advantages is its team of trained professional beauty consultants that provides industry-leading services. The Group will continue to leverage WeChat Mini-programme to connect Sa Sa's beauty consultants with customers in Mainland China. With the return of and gradual increase in Mainland tourists visiting the Hong Kong and Macau SARs, the Group is seeking to connect with these customers after they return to Mainland China to enable them to shop and purchase online.

The Group has established a project team to enhance its Customer Relationship Management ("CRM") programme by integrating member pools from online and offline channels in the Hong Kong and Macau SARs as well as Mainland China. This will allow the Group to track consumer preferences and shopping behaviour, where permission is granted and in accordance with the law, through data collected. It will also allow us to leverage digital marketing tools to provide personalised recommendations and targeted marketing campaigns. These initiatives will enhance customer loyalty and repurchase rate to achieve higher returns on marketing investments. Through the data collected over time, the Group will enhance labelling and provide personalised product recommendations to further enhance customer experience. While this is in its infancy, we are seeking to leverage our CRM and communicate with customers to increase member activity and raising customer lifetime value. This is expected to be fully in place by the end of the current financial year.

The Group will continue to optimise its website and mobile application designs to enhance the customer shopping experience, improve the user journey, and shorten the time and clicks required to locate desired products and complete purchase.

SOUTHEAST ASIA

The Group is delighted to announce its re-entry into the Singapore market. The Company has entered into rental agreements to open three Sa Sa retail stores in the second half of the financial year. The three new stores in Singapore will re-establish our offline presence and complement our existing online business setting the foundations for our continued growth in Southeast Asia.

Compared to Pre-Covid, the Group is operating 13 fewer stores at 68 stores while delivering 80.3% of Pre-Covid sales. As offline operations in Malaysia have stabilised over the past twelve months the Group is on the lookout for possible new store openings that will add to the Group's store portfolio and enable the Group to grow further. During the second half year, the Group will add two stores in Kuala Lumpur, Malaysia, at the new landmark mall, Pavilion Damansara Heights and The Exchange TRX.

The main challenge for the local economies in the region is the rising cost of living and a weak domestic currency against the US dollar. The Group will continue to stay relevant by launching products and promotions to adapt to changing market conditions and consumer preferences. Fragrance and make-up are two strong categories for Malaysia, and the Group will be stepping up its brand and product assortment this coming financial year, particularly to enhance its exclusive brand portfolio in this market.

During the second half of the year, the Group will continue to focus on Shopee and Lazada online marketplaces to grow its revenue. While the Group is market leading in Singapore and Malaysia among cross-border merchants in the beauty and health category, there is still room to grow in the Philippines and Thailand, and also on Zalora, on which the Group launched during the period. The key advantage of third-party platforms lies in their capability to drive traffic, leveraging their popularity and reputation to maximise market exposure and expand their customer base. While price competition in online is fierce, the Group will be looking to separate itself from the competition by improving service levels, providing tailored product offerings by leveraging CRM and strengthening brand relationships to build a portfolio of exclusive brands and unique product offerings.

OTHER JURISDICTIONS

The Group leverages existing infrastructure and collaboration mainly with third-party e-commerce platforms to reach ethnic Chinese community living abroad in Australia, New Zealand and North America, with whom Sa Sa brand carries brand awareness. Average order value for these jurisdictions tends to be much higher to cover the cost of delivery while customer loyalty is also proving to be sticky. Sales growth is expected to be steady yet marginally profitable.

FY2023/24 QUARTER THREE OPERATIONAL SALES DATA

For the third quarter from 1 October to 12 November 2023, the Group's total turnover increased by 27.0% compared to same period of last year. The decrease in growth rate is mainly because the boundary between Macau SAR and Mainland China was already open in the comparative period and Hong Kong and Macau SARs were affected by adverse weather conditions in October 2023 causing lost operating days for the Group's stores. Online and Offline Sales, as well as year-on-year changes of turnover of different regions are shown in the table below:

HK$ million	Turnover			Year-on-year change	% of the Group Turnover
	Offline	Online	Total		
Hong Kong & Macau SARs	379.4	25.2	404.6	+33.3%	77.0%
Mainland China	21.3	58.8	80.1	+15.8%	15.2%
Southeast Asia	31.2	8.7	39.9	-1.6%	7.6%
Others	-	1.2	1.2	+78.7%	0.2%
Total	**431.9**	**93.9**	**525.8**	**+27.0%**	**100.0%**

HUMAN RESOURCES

As at 30 September 2023, the Group had close to 2,640 employees. The Group's staff costs for the six months ended 30 September 2023 were HK$346.0 million.

FINANCIAL REVIEW

CAPITAL RESOURCES AND LIQUIDITY

As at 30 September 2023, the Group's total equity amounted to HK$1,135.2 million including reserves of HK$824.9 million. The Group continued to maintain a strong financial position with working capital of HK$454.2 million that included net cash and bank balances of HK$164.2 million, while unutilised banking facilities were approximately HK$232.3 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, 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 inflow from 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, Renminbi, Malaysian Ringgit, US dollar, Singapore dollar and Macau Pataca, 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 2023 were HK$1,135.2 million, representing a 9.0% increase over the funds employed of HK$1,041.2 million as at 31 March 2023.

The gearing ratio, defined as the ratio of total borrowings to total equity, was 2.8% as at 30 September 2023 (31 March 2023: 2.9%).

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 2023, land and buildings with carrying value amounting to HK$97.1 million (31 March 2023: HK$100.6 million) were pledged for banking facilities made available to the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liability as at 30 September 2023.

CAPITAL COMMITMENTS

As at 30 September 2023, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$9.8 million.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 30 September 2023 (2022: Nil).

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2023, 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 2023 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 C.2.1

The roles of chairman and chief executive should be separate and should not be performed by the same individual under code provision C.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 2022/23 published in July 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 2023 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 2023.

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 2023

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*