



Sa Sa Announces Unaudited Sales Updates for the Second Quarter (July to September 2019) of FY2019/20

Highlights

Group - Retail and Wholesale (Continuing operations)

	<i>Three months ended 30 September 2019</i>
Turnover (HK\$ million)	1,610.2
YoY% change	-20.8%

HK and Macau - Retail and Wholesale

Turnover (HK\$ million)	1,309.5
YoY% change	-24.1%
Same store sales YoY% change	-28.5%
Average sales per transaction (HK\$)	326
YoY% change	-5.4%
Total no. of transactions (million)	3.9
YoY% change	-21.9%

(15 October 2019 - HONG KONG) - **Sa Sa International Holdings Limited** (“Sa Sa” or the “Group”, stock code: 0178) announced today the unaudited sales update of the Group for the second quarter from 1 July to 30 September 2019.

For the second quarter from 1 July to 30 September 2019, the Group’s retail and wholesale turnover decreased by 20.8% on a year-on-year basis.

In Hong Kong and Macau markets, the retail and wholesale turnover decreased by 24.1%, while same store sales dropped by 28.5%. The decline was attributable to the decrease of 21.9% in total transaction volume, of which the number of transactions of mainland tourists substantially decreased by 37.7% and that of local customers dipped slightly by 1.7%. The average sales per transaction of local customers and mainland tourists increased by 2.2% and 3.3% respectively, however the change in the proportion of the customer mix led to a 5.4% decline in the overall average sales per transaction.

In the Hong Kong market, the slump in tourist arrivals resulted in weak sales performance in the second quarter. Mainland tourist arrivals in Hong Kong started to report a negative growth on a year-on-year basis in July after 17 months of consecutive positive growth and this downward trend has continued to deteriorate. The high revenue contribution from mainland tourists led to a 35.2% decline in total sales in the second quarter. The transaction volume of mainland tourists significantly declined by 51.2% while that of local customers decreased by 3.0%. The reduction of opening hours at some of our stores have also contributed to the decline.

Dr Simon Kwok, SBS, JP, Chairman and Chief Executive Officer of the Group, said, “In view of the uncertain operating environment in Hong Kong, the Group has been proactively adopting different approaches to tackle the challenges. Store rental is one of the largest operating expenses and is also the Group's primary cost saving target. Some high street shop owners are willing to reduce their rents on a temporary basis during this difficult time. As shop level profitability is an important operating parameter, the Group will continuously review the market conditions and strive for the corresponding reduction in rentals based on the sales and profitability of each store. Reduction in store area or store relocation in neighbourhood areas may also be considered for lowering costs when appropriate. All these measures are intended to enable the Group to maintain competitiveness of its store network, preserve store level profitability, and above all, safeguard the livelihood of our staffs during this difficult period.

At the same time, the Group has been adopting prudent finance management approach by the implementation of a number of cost control initiatives, including optimisation of the operation procedure, proper management of human resources and reduction of all non-productive operational expenses. The Group also launched more discount offers to promote sales and actively improved inventory management. Although the gross profit margin may be depressed somewhat as a result, this will enable the Group to reduce inventory costs, preserve cash and manage overall business risks. Moreover, the Group is going to launch the WeChat mini-programme by the end of October, providing a seamless online-and-offline shopping experience for our customers. Frontline salespersons will then be able to continuously interact with the customers and sell products via this online platform, strengthening customer relationship and driving sales at the same time.”

The Group's retail and wholesale turnover in other markets outside Hong Kong and Macau (including Mainland China, Singapore, Malaysia and e-commerce) decreased by 2.2% in the second quarter.

Number of Retail Outlets by Market (Continuing operations)

	As at 30 September 2019	As at 30 June 2019	As at 30 September 2018
Hong Kong and Macau	118	117	120
Mainland China	46	52	54
Singapore	21	21	22
Malaysia	80	82	77
Total	265	272	273

Remarks: Figures in this document include adjustments in accordance with the Hong Kong International Financial Reporting Interpretation Committee – Interpretation 13 on the bonus point scheme.

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