Sa Sa Announces Annual Results 2017/18

*　*　*

Profit for the Year Increased by 34.7% to HK$440.1 Million
Driven by Local Consumption and Robust Growth of Mainland Tourist Arrivals

Highlights

- The Group's turnover increased by 6.2% to HK$8,017.6 million for the continuing operations
- Profit for the year was HK$440.1 million, up 34.7% year-on-year
- Sales of retail and wholesale in Hong Kong and Macau increased by 7.9% to HK$6,761.6 million, with same store growth of 3.9%, driven by the ongoing recovery of local consumption and the robust growth of Mainland tourist arrivals
- Retail outlets for the continuing operations increased from 263 last year to 265
- Basic earnings per share were 14.6 HK cents (2017: 11.2 HK cents)
- Proposed a final dividend of 11.0 HK cents (2017: 8.0 HK cents) per share, together with a special dividend of 3.0 HK cents per share (2017: Nil) to commemorate the 40th anniversary of the Group. Total annual dividend amounted to 17.5 HK cents (2017: 17.0 HK cents) per share

(21 June 2018 - HONG KONG) - **Sa Sa International Holdings Limited** ("Sa Sa" or the "Group", stock code: 0178) announced today its final results for the year ended 31 March 2018 (the "financial year").

Driven by the ongoing recovery of local consumption and the robust growth of Mainland tourist arrivals, the Group's turnover for the continuing operations was supported by a strong results performance in the fourth quarter, increasing by 6.2% year on year to HK$8,017.6 million. Sales of retail and wholesale in Hong Kong and Macau rose by 7.9% from HK$6,266.5 million in the previous year to HK$6,761.6 million. Taking into account the net loss of HK$25.1 million from discontinued operations in Taiwan, the Group's profit for the year was HK$440.1 million, up 34.7% over the HK$326.7 million in the last financial year. The Group's retail outlets for the continuing operations increased from 263 last year to 265 as of 31 March 2018, a net increase of three "Sasa" stores and a net decrease of one store for single-brand counter.

Basic earnings per share were 14.6 HK cents (2017: 11.2 HK cents). The Board of Directors proposed a final dividend of 11.0 HK cents (2017: 8.0 HK cents) per share, together with a special dividend of 3.0 HK cents per share (2017: Nil) to commemorate the 40th anniversary of the Group, payable in cash with a scrip dividend alternative. Total annual dividend amounted to 17.5 HK cents (2017: 17.0 HK cents) per share.

Retail and Wholesale Business

The Group's turnover in **Hong Kong and Macau** increased by 7.9%, with same store growth of 3.9%. The number of transactions by local customers and Mainland China tourists increased by 3.3% and 4.6% respectively. Following the consolidation and relocation of the Group's Hong Kong warehouses in October last year, the Group's performance gathered momentum towards the end of the fiscal year, resulting in a dynamic increase of 13.0% for retail sales in the second half. This figure included the highest growth rate for the year of 18.6% in the fourth quarter. A weak US Dollar and the strengthening of the Renminbi ("RMB") encouraged outbound travel and greater consumption by Mainland tourists. The buoyant local and regional economy together with a satisfactory employment situation benefited property and investment markets, as well as supporting the retail industry overall and boosting the Group's sales growth. The positive growth of 4.1% in spending per transaction in Hong Kong and Macau markets for the full year reflected overall gains in personal purchasing power.

Over the year, the Group expedited new product launches to enrich a broad spectrum of product mix catering to the market, and achieved a better balance between sales growth and gross profit margin. Towards the end of the second half, the Group launched more high volume trendy products to successfully drive traffic. This led to an increase of over 11.8% in gross profit while compromising gross profit margin with a decrease of 0.4 percentage points in the second half of the year.

In **Mainland China**, total turnover for the Group's operations in local currency increased by 5.0% to HK$298.7 million, while same store sales in local currency terms rose by 5.1%. Thanks to better cost control and increased store contributions, the Group's loss for this market reduced to HK$10.2 million. The positive revenue growth was attributable to the stabilisation of the local management team, which enhanced operational effectiveness and functionality. By focusing on optimisation of logistics and warehouse operations as well as on adoption of new operating measures, the lead time for importation from Hong Kong to PRC was shortened year-on-year by almost 50%. This in turn allowed the Group to reduce inventory, improve warehouse operations and enhance operational efficiency. A year-on-year decrease of 35% in terms of logistics costs was recorded.

For the **e-commerce** business, turnover amounted to HK$383.3 million. The Group strategically raised the minimum spend for free shipping from 1 April 2017 onwards. This led to a calculated but temporary decline in sales as compared to the previous period. The Group commenced working with a new third party warehouse service provider in January 2018, which has significantly improved order processing lead times and handling costs. In late 2017, the Group launched a brand new mobile app and improved online ordering by optimising the app's stability and functions. The Group continued to collaborate with renowned e-commerce platforms in Mainland China, e.g. Tmall Global and Jingdong Group, to further expand the customer base and drive sales.

In overseas markets, the Group's turnover for the **Singapore** and **Malaysia** operations was HK$211.5 million and HK$362.5 million, up 1.9% and 6.1% in local currency terms respectively. In February 2018, the Group decisively announced the termination of the loss-making retail shops in Taiwan in order to centralise resources to enhance operations in the Mainland China, Hong Kong and Macau, Singapore and Malaysia markets as well as the e-commerce business.

Outlook and Strategies

The Hong Kong and Macau markets are showing clear signs of recovery. The satisfactory economic environment, high employment rate, stable property and stock market, and bullish local consumer sentiment are all driving robust growth.

The Group is optimistic about the opportunities offered by the Greater Pearl River Delta ("GPRD") scheme in the Hong Kong and Macau tourism and retail market, particularly since the measures are being rolled out in different stages to capitalise on new opportunities as they unfold. Of the nine Mainland cities in the Greater Bay Area, the Group operated a total of 13 shops in seven cities as at 31 March 2018. In FY2018/19, the Group plans to open approximately four new stores, which have been initially confirmed in Dongguan, Zhuhai and Jiangmen, with the aim of seizing the opportunities in the Greater Bay Area.

In line with the growing trend of New Retail, the Group has begun to integrate the customer data of Hong Kong, Macau and Mainland China physical stores with Sasa.com This strategy will help the Group to develop a deeper understanding of customers' shopping patterns and to utilise both online and offline resources to promote corresponding cross-platform promotions. The Group will launch a new "e-commerce system" and enhance the "Point of Sale" system to provide a strong and flexible foundation to support current and future development. These IT and digital advancements will improve customer experience and overall efficiency, optimise logistics flow, reduce operating costs, and accelerate product launches.

Dr. Simon Kwok, *SBS, JP,* Chairman and Chief Executive Officer of the Group, concluded, "While capturing opportunities in the improving core markets in Hong Kong and Macau, the Group is making progress in Mainland China while strengthening e-commerce competitiveness and riding on the buoyant development of the Greater Bay Area. Moving forward into the era of New Retail, the Group will continue to adapt the overall vision and strategies to changing patterns in consumer behaviour, preferences and expectations. Detailed strategy and forward thinking will continue to support the Group's position as a leading provider of beauty products in the Asia-Pacific region."

– END –