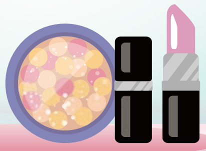
MANAGEMENT DISCUSSION & ANALYSIS

Group's Turnover*

HK$3,412.7 million

▲ 12.1%



Gross Profit*

HK$1,260.5 million

▲ 19.8%

Loss for the Year*

HK$343.7 million

LY Loss:
HK$359.3 million

* For continuing operations

Consolidated Income Statement for the Year Ended 31 March 2022

	Full year		First half		Second half	
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Continuing Operations						
Turnover	**3,412,727**	3,043,029	**1,597,234**	1,286,128	**1,815,493**	1,756,901
Cost of sales	**(2,152,181)**	(1,991,198)	**(1,010,716)**	(867,212)	**(1,141,465)**	(1,123,986)
Gross profit	**1,260,546**	1,051,831	**586,518**	418,916	**674,028**	632,915
Other income	**52,235**	142,343	**21,903**	93,896	**30,332**	48,447
Selling and distribution costs	**(1,323,946)**	(1,325,402)	**(653,669)**	(643,535)	**(670,277)**	(681,867)
Administrative expenses	**(249,191)**	(208,533)	**(121,600)**	(112,309)	**(127,591)**	(96,224)
Impairment of right-of-use assets and property, plant and equipment	**(86,978)**	(57,679)	**(10,195)**	(46,130)	**(76,783)**	(11,549)
Other gains – net	**19,238**	5,959	**936**	3,118	**18,302**	2,841
Operating loss	**(328,096)**	(391,481)	**(176,107)**	(286,044)	**(151,989)**	(105,437)
Finance income	**3,049**	6,449	**1,567**	4,083	**1,482**	2,366
Finance costs	**(11,778)**	(16,449)	**(5,853)**	(8,957)	**(5,925)**	(7,492)
Loss before income tax	**(336,825)**	(401,481)	**(180,393)**	(290,918)	**(156,432)**	(110,563)
Income tax (expenses)/credit	**(6,907)**	42,183	**(1,208)**	43,033	**(5,699)**	(850)
Loss for the year from continuing operations	**(343,732)**	(359,298)	**(181,601)**	(247,885)	**(162,131)**	(111,413)
Profit for the year from discontinued operation	**–**	7,930	**–**	5,884	**–**	2,046
Loss for the year attributable to owners of the Company	**(343,732)**	(351,368)	**(181,601)**	(242,001)	**(162,131)**	(109,367)

For the year ended 31 March 2022 ("FY2021/22", "year under review", "year" or "financial year"), the Group's turnover of continuing operations increased by 12.1% to HK$3,412.7 million. Sales of retail and wholesale in Hong Kong and Macau SARs increased by 10.6% to HK$2,212.5 million. The Group's retail outlets for the continuing operations were 234 as of 31 March 2022.

The Group incurred a loss for the year amounting to HK$343.7 million, compared to a loss of HK$351.4 million last year. Excluding the provision for impairment made in accordance with the HKAS 36 that applies to retail store assets (including right-of-use assets and property, plant and equipment), subsidies related to the Novel Coronavirus Disease provided ("COVID 19" or the "pandemic") by various governments, temporary rental concessions and the results from discontinued business, the Group's loss for the financial year decreased by 41.5% compared to last year.

Basic loss per share amounted to 11.1 HK cents (2021: 11.3 HK cents). In view of the challenging and uncertain operational environment in markets where we operate, the Board does not recommend the payment of a final dividend for the financial year in accordance with the Group's policy to pay dividends out of profits and for the reason of responsible risk management under the current operating environment (2021: Nil).

Fiscal Prudence for Rejuvenation of Internal Strength

In response to the unprecedented impact of the pandemic, the Group implemented stringent cost management and working capital management policies so as to navigate through adversity, and strategically invested in online business which possesses promising growth potential. These initiatives will enable the Group to become more resilient and achieve sustainable business growth after the pandemic.

The Group continued to streamline its physical store network in tourist districts in Hong Kong SAR during the year, and implemented a series of initiatives to optimise its operations including acceleration of digitalisation and automation, with the aim to reduce operating costs and enhance operational efficiency. The Group also minimised unnecessary and non-productive expenses to reduce fixed costs of office and shops.

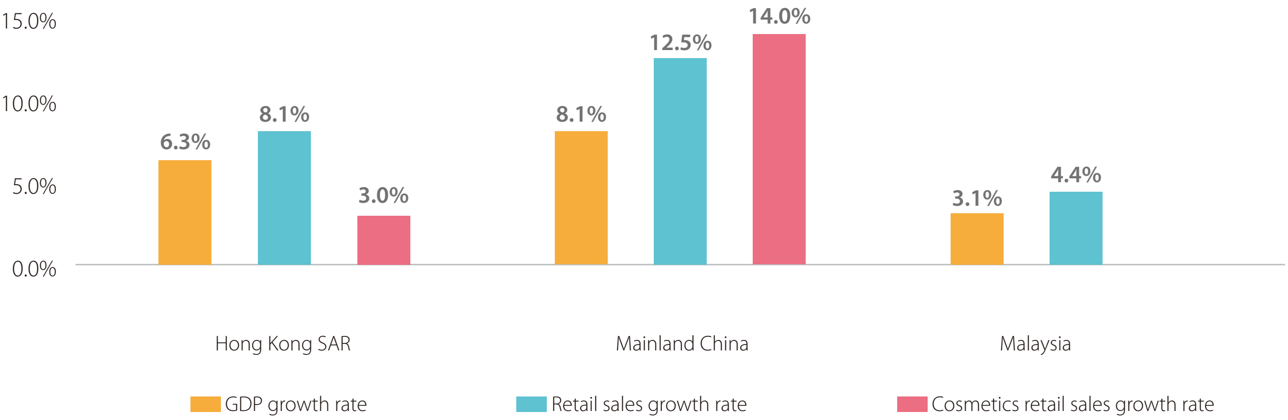
During the year, the Group received subsidies from the governments of Hong Kong SAR, Macau SAR and Malaysia in relation to the pandemic and obtained temporary rental concessions from landlords amounting to approximately HK$40.9 million, which to some extent, alleviated the burden of operating costs.

The Group consistently improved its inventory by focusing on products with higher productivity and actively reduced those with lower productivity. We performed stringent risk management on slow-moving goods and those with shorter expiry dates, we then reinvested the released working capital on more productive products and drove new strategic product categories to bolster our position as a one-stop beauty specialty store. The Group also flexibly adjusted its inventory across different business units to support the online business with higher growth potential and to seize market opportunities. As at 31 March 2022, the Group's inventory from continuing operations was HK$747.9 million, representing a year-on-year decrease of HK$18.2 million. Inventory turnover days were 127 days, representing a decrease of 13 days from the same period last year.

As at 31 March 2022, the Group's net cash (after deducting utilised bank borrowings) was HK$194.2 million. With unutilised banking facilities of approximately HK$176.6 million, the Group has adequate funding for its operating needs. A revolving loan facility of up to HK$200.0 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.

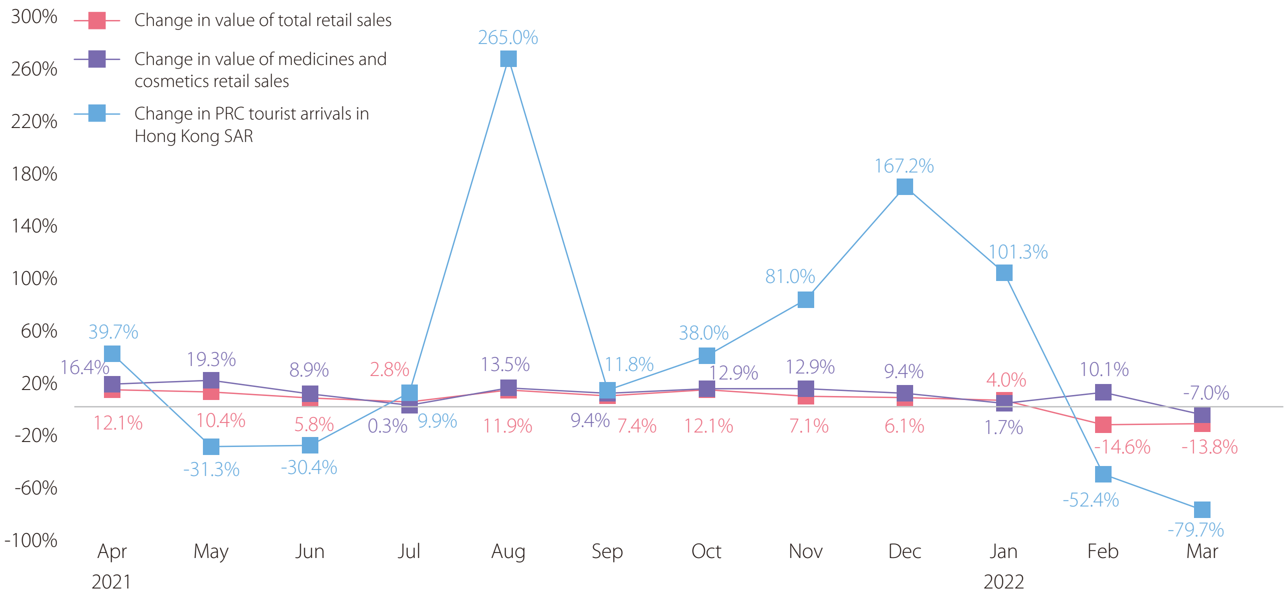
Market Overview

GDP/Retail Sales/Cosmetics Retail Sales in 2021 (year-on-year change)



Notes:
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.

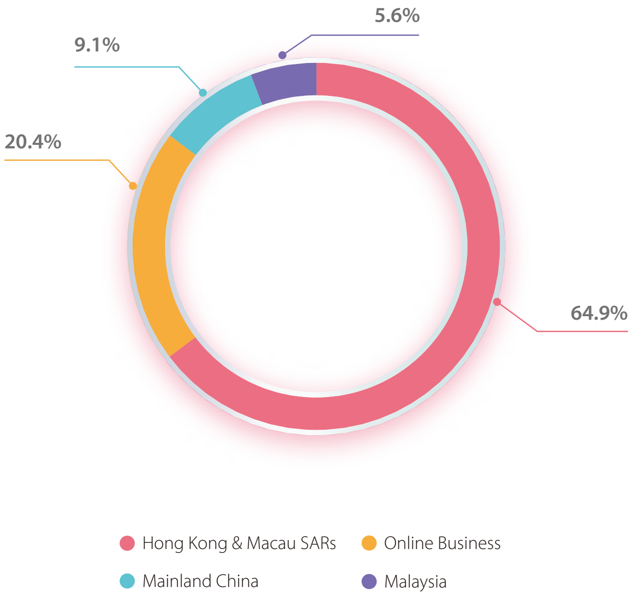
Retail Sales Performance and PRC Tourist Arrivals in Hong Kong SAR (year-on-year change)



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

Retail and Wholesale Business

FY2021/22 Turnover Mix by Market

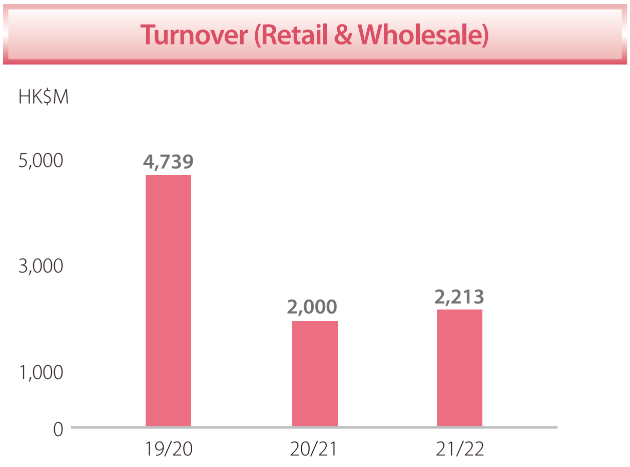


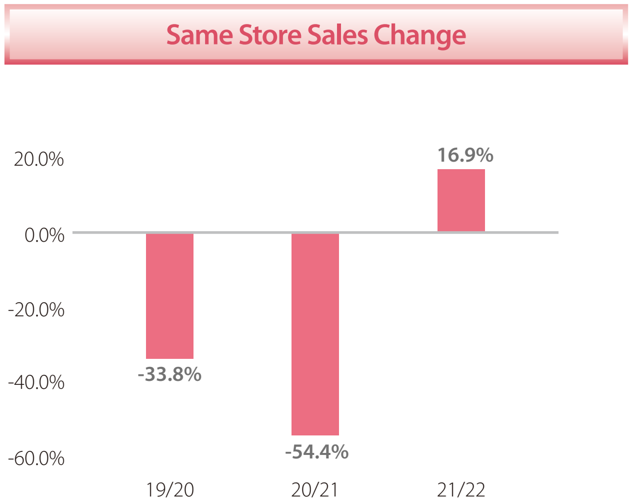
Store Network by Market

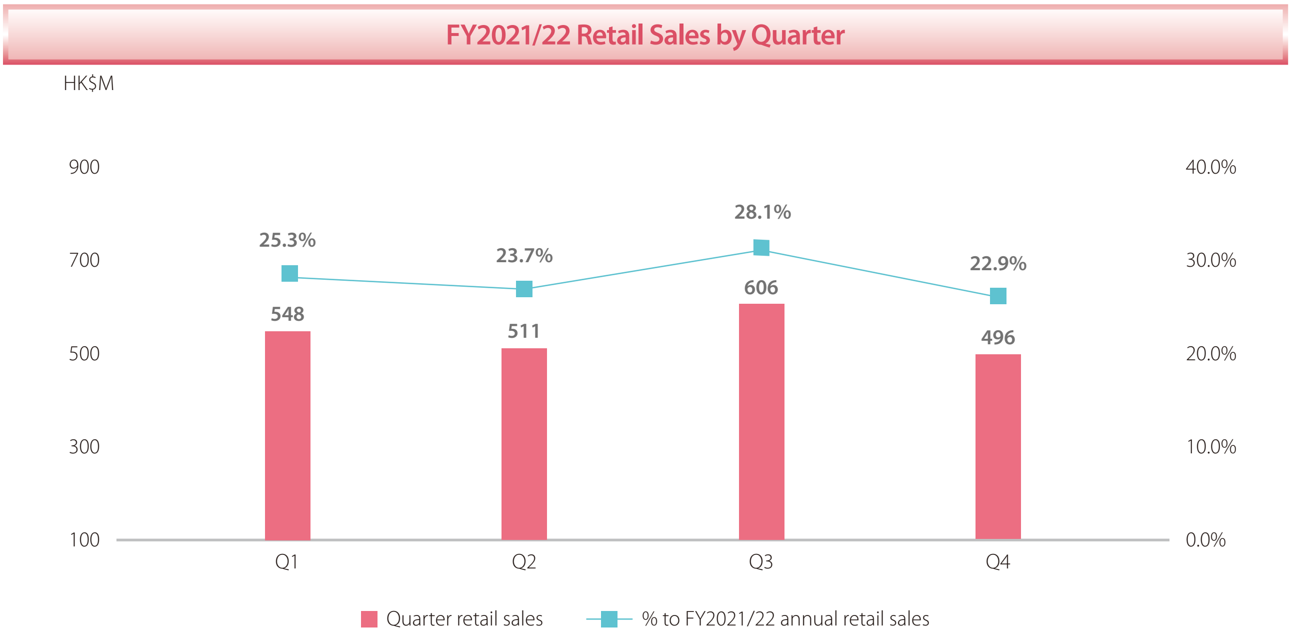
Market (Continuing operations)	As of 31 Mar 2021	Opened*	Closed*	As of 31 Mar 2022
Hong Kong & Macau SARs	100	3	18	**85**
Mainland China	57	22	2	**77**
Malaysia	75	1	4	**72**
Total	232	26	24	**234**

*Note:
- The number of stores opened and closed within 12 months between 1 April 2021 and 31 March 2022.

Hong Kong and Macau SARs







In Hong Kong SAR, the continued implementation of strict border control measures to curb the COVID-19 pandemic saw visitor arrivals from Mainland China stagnate, resulting in the continued underperformance of the contribution made by Mainland Chinese visitors to the Group's sales. In the first half of the year, an easing in the pace of the pandemic and a partial relaxation of social distancing measures led local consumer sentiment to recover significantly. Sa Sa proactively adjusted its product mix, with launches of new promotions and offers, and collaborated with various payment gateways, to drive additional local spending amid the issuance of consumption vouchers by the government in August last year, boosting sales in the second quarter and resulting in 2.8% same-store-sales growth for the first half of the year, with retail sales growing 0.2% year on year.

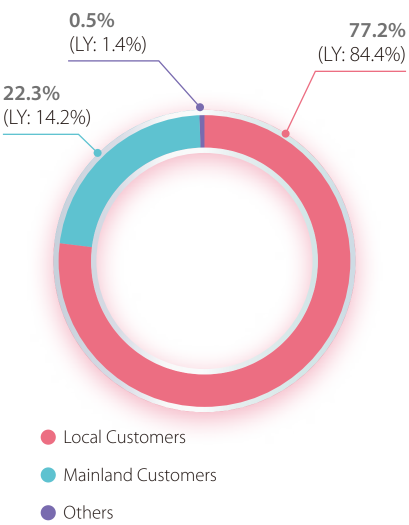
Business performance in Hong Kong SAR witnessed an improvement in the second half of the year, mainly attributable to the opportunities provided by the Consumption Voucher Scheme launched in the third quarter and the Christmas shopping season. The Group was able to capitalise on this upturn in spending, thus driving same store sales growth of 22.8% year-on-year and with overall retails sales growth of 12.0% despite the reduction in the number of stores. When the fifth wave of COVID-19 broke out at the beginning of this calendar year, a number of our stores were temporarily closed due to staff infections, leading to a loss of 480 store operating days (which accounted for 7% of the total store operating days in the fourth quarter of FY2021/22) amidst dwindling foot traffic. Sa Sa successfully positioned itself at the early stages of this fifth wave and quickly introduced rapid antigen test ("RAT") kits, surgical masks and other protective products into the market, and made timely donations through government agencies and charity organisations to serve the public. To protect the health and safety of its staff and customers, Sa Sa also committed resources heavily in its stores, warehouses and offices, by supplying RAT kits to staff and disinfecting retail stores and back offices on a large scale. While the timely introduction of protective products did provide some extra sales, we nevertheless experienced a slower growth in fourth quarter sales. For FY2021/22, same store sales in Hong Kong SAR was up 12.6%. Given the decrease in the number of retail outlets, retail sales grew at a lower rate of 6.1%, and down by 74.8% compared to FY2018/19 (the "pre-pandemic year").

In Macau SAR, following a gradual re-opening of the border with Mainland China in late August 2020, the number of Mainland Chinese visitors began to pick up, becoming the key source of sales in the city, contributing 62.9% of total sales during the year, representing an increase of 101.5% over FY2020/21. In the first half of FY2021/22, thanks to a lower base effect from the border closure between April and August 2020, and increased sales driven by the Labour Day holiday, retail sales grew by a significant 155.7% year on year (a decrease of 41.7% from the pre-pandemic year). However, Macau SAR tightened its quarantine measures for inbound travellers in the second half of the year as the city and Guangdong Province in the Mainland saw COVID-19 outbreaks of varying severity. This had a short-term negative impact on the number of Mainland Chinese visitors and subsequently led to an 18.0% year-on-year decline in retail sales in the second half (a decrease of 49.3% from the pre-pandemic year). On a full year basis, same-store sales in Macau SAR increased by 26.2% year on year, and retail sales grew 27.9%, although they were down 45.6% when compared with the pre-pandemic year. Sales in Macau SAR outperformed those in Hong Kong SAR.

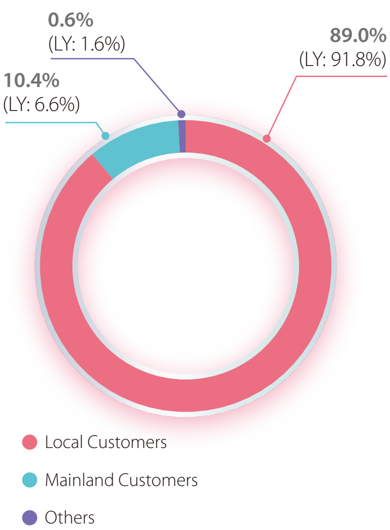
On a combined basis, retail sales in Hong Kong and Macau SARs increased by 12.6% to HK$2,161.3 million for the year, and a decrease of 69.2% when compared to FY2018/19, while same store sales performed better, up 16.9% for the year.

Sales Mix (FY2021/22 Retail Sales)

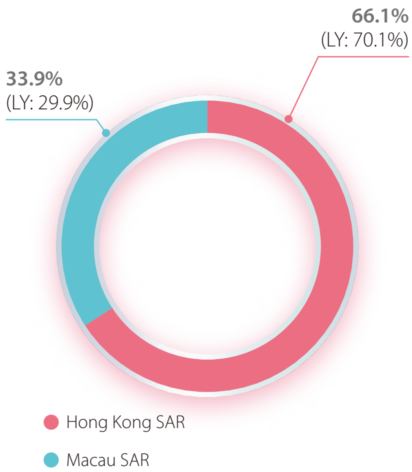
Customer Mix By Sales Value



Customer Mix By No. of Transactions



Geographical Mix



Steered by the Group's persistent streamlining of its store network and substantial reduction of operating costs, as well as the profitable Macau SAR business, the combined Hong Kong and Macau SARs markets achieved breakeven in December 2021. The loss for FY2021/22 reduced by HK$154.0 million (or 43.6%) to HK$198.9 million as compared to last year. Excluding the provision for impairment made in accordance with the 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 more marked improvement with its loss for the year in the Hong Kong and Macau SARs markets narrowing by HK$285.0 million (or 58.4%), as compared to the previous year. The Group is dedicated to managing costs and optimising cost structure continuously in order to expedite a profit turnaround and enhance its long-term profitability.

Streamlining Store Network and Accelerating OMO Development

Substantial decline in tourist arrivals dealt a heavy blow to the retail stores in tourist districts, necessitating the Group to continue streamlining its store network based on the premise of retaining its customers. The Group also negotiated for temporary rental concessions for certain retail stores during the difficult period to alleviate rental burden of the Group. As at 31 March 2022, total number of Sa Sa's retail stores in Hong Kong and Macau SARs reduced from the peak of 118 in 2019 to 85. A net decrease of 15 in shop count was recorded when compared to the same period last year, with most of the closed stores located in tourist districts in Hong Kong SAR.

As part of the overall network strategies, a certain number of expiring leases in prime tourist districts with heavy foot traffic were renewed at a reasonable new rent. This will lower the initial capex spending and related depreciation associated with new openings in the future. In addition, the Group opened one and two new stores respectively in residential area and tourist districts during the year, in order to optimise its retail network and position Sa Sa to benefit quicker from market recovery.

As the fifth wave of the pandemic has accelerated a shift of consumer traffic to online platforms, the Group's online-merge-offline ("OMO") strategy has begun to bear fruit. Sales in our online business in Hong Kong SAR increased by 89.3% year on year to HK$182.4 million during the year. Retail sales of the physical stores also benefited from our OMO strategy as repurchases made by online customers at retail stores directed through our click-and-collect service and e-voucher programme generated revenue for our physical stores, amounted to almost 20% of our online sales in Hong Kong SAR. This is a modest figure compared with physical store sales in the Hong Kong and Macau markets. However, as the Group continues to promote OMO, we believe that the contribution of OMO-driven brick-and-mortar sales will increase gradually. The Group will further integrate its operations to offer customers an omni-channel shopping experience, and catalyse the next stage of Sa Sa's development. (For details, please refer to Online Business section.)

Optimising Product Offerings to Address Customer Needs

In response to the massive outbreak of the fifth wave of the pandemic in Hong Kong SAR at the beginning of the fourth quarter, Sa Sa promptly offered RAT kits, surgical masks, medicines and other protective products that were sought by local residents. As a responsible corporate citizen, we offer these products at reasonable prices to fight the pandemic alongside our customers, yet still made a meaningful contribution to sales in the fourth quarter. The Group introduced more new products, including health & fitness products, personal care products and beauty gadgets to cater for the needs of local customers. This also bolsters customer loyalty, attracts new customer segments and generates new revenue streams, as well as broadens our product offerings and enhances our position as a one-stop beauty specialty store. In particular, health & fitness products made the most significant progress, with sales in the category increasing 84.0% in Hong Kong and Macau SARs year on year. This may seem high because of a low base, but the Group believes that these products have huge potential, and we will introduce more of them in the future to extend our penetration in the local market.

Gross profit margin for the year in Hong Kong and Macau SARs increased to 38.5%, demonstrating a notable improvement from the 32.5% recorded during the large-scale clearance sales conducted in the previous year. Gross profit from exclusive products rose by 14.0% year-on-year to HK$485.5 million.

Online Business

Turnover of the Group's online business in the financial year reached HK$695.6 million, representing an increase of 38.8% year-on-year and 77.5% as compared to FY2018/19. Its contribution to the Group's total turnover rose from 16.5% last year to 20.4%. Profit for the year of the business was HK$6.9 million, while HK$8.8 million was recorded in the same period last year.

The Group's online business team primarily operated the online and cross-border businesses in Hong Kong and Macau SARs, while the performance of the Group's local online business in Mainland China and Malaysia were reflected in their respective local segment results accordingly. The total revenue of online business accounted for 21.1% of the Group's total turnover if the abovementioned local online revenue is included.

In Hong Kong and Macau SARs, online sales (the Group's own channels and third-party platforms) increased by 89.3% year-on-year. Its contribution to total sales of online business increased to 26.2%. Striding into the new retail model of OMO has been one of the Group's priorities and Sa Sa witnessed remarkable progress in Hong Kong SAR during the year. In addition to the "click-and-collect" service, we also launched e-coupons that are applicable to both of our online and offline platforms. The engagement between our beauty consultants and customers has also been extended to online channels. All these initiatives serve to facilitate Sa Sa to provide customers with a more pleasant and personalised omni-channel shopping experience. In the fourth quarter, the large-scale pandemic outbreak in Hong Kong SAR induced strong demand from customers for protective products such as RAT kits and surgical masks, and led to increased consumers shifting to online shopping. The full-year sales on Hong Kong SAR shopping website therefore boosted by 228.4% year on year. The Group also established new partnership with third-party platform "foodpanda mall" to provide a more convenient shopping experience for customers.

Online cross-border sales for products imported to Mainland China commanded the highest sales contribution to the Group's total online sales at 63.6% during the year. The "618 Shopping Festival" propelled solid performance of Sa Sa's operation in Mainland China in the first half of the year, yet the Group's decision to avoid excessive price competition during the "Double 11 Shopping Festival" brought a slight sales performance regression in the third quarter. In the fourth quarter, the fifth wave of COVID-19 outbreak in Hong Kong SAR severely disrupted cross-border logistics arrangement and hence depressed the sales performance in Mainland China for the quarter.

To cater to the booming trend of livestreaming in Mainland China, the Group started livestreaming on third-party platform, Douyin, in the second half of the year, with our own talents producing videos to attract younger generation customers. WeChat mini-programme with which Sa Sa connects its beauty consultants in Hong Kong and Macau SARs with customers in Mainland China, continued to achieve satisfactory results, was extended to beauty consultants based in retail stores in Mainland China, extending its online reach in the market and also serving to complement its physical store products in the market and increasing its competitiveness. (For details, please refer to Mainland China section.)

The Group's online sales in other markets rose by 131.4% year-on-year, with its contribution to total online business sales increased to 10.2%. Such improvement was mainly powered by sales via Shopee and Lazada, the third-party platforms that target consumers in Southeast Asia.

Mainland China

During the financial year, the total number of stores operated by the Group in Mainland China was 77 as of 31 March 2022, representing a net increase of 20 year-on-year. Turnover of the Group's Mainland China business increased by 2.0% in local currency terms to HK$312.0 million, while same store sales decreased by 15.4%. Our losses in Mainland China have increased to HK$144.3 million this year due to enlarged operating losses and substantial increase in impairment of our physical stores.

The COVID-19 pandemic had a major impact on the Group's operations in Mainland China, and was the root cause of our underperformance in that market in terms of both sales and profit. The pandemic outbreaks in various parts of Mainland China that started in the second quarter of the year prompted lockdowns in affected cities and towns during more severe phases, lowering foot traffic in our retail stores and some were forced to suspend operations in the worst cases. Same-store sales growth in Mainland China suffered a double-digit decrease year on year from the second quarter onwards.

Implementing cross border OMO services in Mainland China was a pilot project for the Group during the year. Leveraging the WeChat mini-programme, the Group was able to enrich its retail business product portfolio, speed up the launch of exclusive products, and provide quality, seamless online and offline services to its customers. Such services commenced only at the end of last year, and their contribution to sales has so far been insignificant. Nevertheless, the enrichment of our product portfolio through cross-border sales has strengthened the Group's overall competitiveness in Mainland China, which is conducive to attracting new consumer to Sa Sa's customer base, enhancing repurchase rates and loyalty among existing customers, and boosting the commission income of our local beauty consultants.

Malaysia

The Group's turnover in the Malaysian market decreased by 23.7% year-on-year in local currency terms to HK$192.6 million, while same store sales decreased by 8.8%. As of 31 March 2022, the Group operated 72 stores, as compared to 75 last year.

In response to the COVID-19 outbreak, the Malaysian government implemented strict movement control measures during the first half of the year. Following its designation as a non-essential business, our Malaysia operations was required to close all of its stores temporarily in June until September last year, dealing a heavy blow to our local business, resulting in a loss of HK$18.5 million in the first half.

In October 2021, the Malaysian government adopted a COVID-19 strategy of "co-existence with virus". Despite restrictions on opening hours and reduced traffic in our retail stores, the local economy and the retail sector began to recover without any large-scale lockdowns, prompting Sa Sa to proactively roll out appealing promotions to boost sales. As a result, Sa Sa witnessed positive sales growth and achieved a business turnaround in Malaysia, with a profit of HK$11.0 million in the second half of the year, narrowing the loss for the full year to HK$7.5 million.

During the year, the Group sought to expand sales through its online channels so that customers could shop without leaving home, offsetting some of the losses incurred by the temporary suspension of operations at our retail stores. The contribution made by online sales to total turnover in Malaysia increased to about 8%.

Outlook and Strategies

With consumers increasingly shopping online, management believes that the importance of online business will continue to increase even when the pandemic subsides in the future. Therefore, the Group will accelerate the integration of physical stores and online businesses, and speed up the integration of the customer relationship systems of various business units in the Greater China, so as to enable big data to analyse customer preferences and shopping habits, in product procurement, marketing, service processes, membership maintenance, etc. This in turn will support improvements in automations and more tailored personalised omni-channel shopping experienced, covering different online and offline touchpoints.

Adhering to Sa Sa's "customer-centric" principle that has been the foundation of our success, we will fully utilise the strengths of our brick-and-mortar store network to complement online touchpoints so as to provide customers with personalised services. Our physical stores will boost their provision of richer in-store experiences of our products and services for our customers, in doing so attracting new customers, extending customers' browsing duration in our stores, and increasing the frequency of customer visits. Our online touchpoints will enhance interactions with customers and provide a round-the-clock shopping experience to consumers, as well as serving as additional touchpoints for our existing physical store customers.

With more customers shifting to online platforms for product information and reviews, product brand building is critical for sustained development of our OMO transformation. The Group will redouble its efforts to build brands for its core exclusive products through online and offline channels. As digital marketing is an integral part of successful brand building, especially in Mainland China, the Group will increase its investment in online product marketing, with corresponding promotional support from physical stores for the benefit of both online and offline channels.

Not only will the aforementioned OMO operating model offer a better customer experience, but it will also differentiate Sa Sa from its peers, underpinning its leadership in the vigorously competitive beauty market and improving the Group's long-term profitability. One of the advantages of online business is that its fixed costs are relatively low. The new retail model enables the Group to complement each other online and offline, improving the cost-effectiveness of the two, expediting the improvement of Sa Sa's overall competitiveness and profitability in the long run.

Hong Kong and Macau SARs

The fifth wave of COVID-19 brought an unexpected blow. After enduring months of tough measures to fight the pandemic, the worst of this wave of pandemic has passed, social distancing measures have been gradually relaxed, and the consumption vouchers are expected to bring some vitality to the market. However, the pandemic and geopolitical uncertainties remain, and the operating environment for the retail sector is expected to remain challenging.

After nearly three years of hard work, the board of directors, management and all staff have worked together to continuously implement all-round cost-saving measures, including rationalising the store network, striving for rent reduction, and promoting the development of new retail to support cost reduction in the Group's retail business in the Hong Kong and Macau SARs. We have managed to lower our breakeven point substantially and in turn enhanced the Group's long-term competitiveness and profitability.

In the Hong Kong SAR, local customers are still the main source of customers. In the short term, the Group will continue to take advantage of the opportunity of the consumption voucher scheme in Hong Kong SAR to launch promotional offers to stimulate sales. In the long run, the Group will continue to optimise its product portfolio in a manner attuned to customer preferences and the latest market trends by broadening its personal care, health & fitness products and beauty gadget offerings. We will also launch attractive promotions and enhance in-store product displays to stimulate consumer demand. At the same time, the Group will examine opportunities to open new stores in residential areas, contingent upon the availability of reasonable rental rates, to improve Sa Sa's sales and increase local market penetration.

Amidst the dramatic changes in the operating environment, a rationalisation of retail network is inevitable. In the coming year, the Group plans to close loss-making stores and those that are bearing exorbitant rents. We will also relocate stores to areas with higher levels of foot traffic or lower rents. Such efforts aim to reduce the ratio of rent to revenue and enhance the operation efficiency of our stores. Once the pandemic stabilises and when the border with Mainland China reopens and higher sales demand results, the Group will resume opening new stores at reasonable rents, including those in prime locations in tourist districts to allow the Group to be among the first to benefit amid a revival of market demand.

At the same time, the Group will centralise some administration and management functions at stores while expediting the progress of automation to further reduce the cost of non-selling shop staff and optimise the operating efficiency of retail operations with a view to improving the Group's profitability in the long run.

Fostering the development of OMO is a part of our future strategy in Hong Kong and Macau SARs. We will continue to promote click-and-collect services and e-vouchers, display OMO-related promotions in prominent areas of our retail stores, and align online and offline promotional activities and advertising efforts to run complementary marketing campaigns to build a holistic shopping experience. The Group will also provide training to frontline beauty consultants, refine commission and reward mechanisms to encourage employees to serve our customers comprehensively through online and offline touchpoints, bolstering the competitive edge enjoyed by our mainstay retail store network and beauty consultants.

Online Business

Online business is the strategic core of the Group's development and is crucial to Sa Sa's current and future sustainable development. The Group will continue to increase its online investment, actively expand online sales channels in different regions, and strive to build the brand effect of its exclusive products. Through the integration of physical stores and online platforms, it will move towards a more comprehensive OMO operation model.

Customer relationship management ("CRM") is very much an integral part in the new retail era. The Group has commenced the design and planning of 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 eventually help enhance customer loyalty and repurchase rate to achieve a higher return on investment.

Amongst all product sources, Sa Sa has the highest degree of discretion and autonomy in its exclusive products in all respects including strategy, positioning, pricing and sales channels, and without restrictions from brand suppliers or e-commerce channels. The 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. This would be critical to our new retail model. In the future, Sa Sa will increase investment in building its exclusive products, including strengthening publicity on popular social media and digital channels, and fully coordinating online and offline brand activities with brick-and-mortar stores to enhance the visibility and recognition of these products in the mainland, this will enable the Group to strengthen its penetration rate in the Chinese mainland market and enhance the competitiveness of Sa Sa.

In the Group's core Hong Kong SAR market, we have achieved a good progress in the online and offline integration last year. The Group is dedicated to further develop collaboration between the teams of online business and retail store business units, enhancing OMO functionality in an unrelenting manner to optimise customer experience and bolster sales growth. Our beauty consultants are also well prepared to welcome and connect with the Mainland Chinese visitors upon the re-opening of border at Hong Kong SAR in the future. We expect to see faster growth of our customer base through active connection and engagement with these Mainland Chinese visitors, both at the physical stores and through digital media, and ultimately drive our development of the new retail model.

In the coming year, the Group plans to replicate the success of our Hong Kong SAR's new retail operations in Malaysia. Through revamping Sa Sa's international shopping website, we intend to extend our cross-border OMO service to Malaysia to tap the flourishing online shopping momentum and provide seamless service to customers. The revamped website will also augment the online shopping experience for customers from other regions such as North America, Australia and Europe.

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 both new and existing e-commerce platforms to maximise market exposure and expand our customer base.

Mainland China

In Mainland China, the Group is not immune to uncertainties such as repeated global COVID-19 outbreaks, geopolitical instability, and volatilities in the global supply chain caused by imported inflation. In particular, normalised and persistent new COVID-19 outbreaks affecting multiple areas means that the brick-and-mortar retail market will face many challenges.

Although our mid- to long-term market objectives remain unchanged, we see the need to review and adjust our strategies so that we can retain strength to continue to develop the Mainland China market in the long run. We will rationalise our store network and focus our resources on optimising the operating performance of the physical stores and online operations, while at the same time, integrate our online and offline operations and lower overall expenses. In addition, we will strive to enhance our product portfolio and strengthen training for frontline staff in relation to online-and-offline integration to improve Sa Sa's overall competitiveness.

Malaysia

Although the volatility of the pandemic hindered the recovery momentum of the retail sector in Malaysia in the beginning of the year, it is anticipated that consumption will return to the pre-pandemic level gradually. The Malaysian government has eased the quarantine measures to enable unrestricted inbound tourist visits since 1 April 2022. The Group believes that other anti-pandemic measures will also be relaxed accordingly with retail stores and offices resuming to normal business hours and operations, thereby boosting foot traffic return to normal level.

Notwithstanding, local operations may continue to be exposed to some risk factors. First, global interest rate hikes may potentially dampen consumer confidence. Second, 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.

In the short term, the Group is cautious about opening new stores and is committed to optimising the existing store network to further improve store efficiency. In addition, the Group will pay close attention to market trends and customer preferences, introduce hot-selling new products, and strengthen product categories such as health care, electronics, personal care, etc., to achieve a more diversified product mix, and launch attractive offers to attract customer flow and boost sales.

The Group will seek more partners to expand online sales. At the same time, it will continue to carry out digital marketing on effective platforms, and actively launch promotions on new social media, so as to attract young target customers with high consumption potential.

FY2022/23 Q1 Operational Sales Data

For the first quarter from 1 April to 26 June 2022, the Group's retail and wholesale turnover decreased by 4.7% compared to the same period of last year. 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	−9.5%	−4.1%
Online business	−4.2%	–
Mainland China	−16.4%	−22.0%
Malaysia	102.4%	50.5%
Group Turnover	−4.7%	–

Human Resources

As at 31 March 2022, the Group had closed to 3,100 employees. The Group's staff costs for the year under review were HK$651.8 million. Details on our human resources initiatives, training and development will be set out in the environment, social and governance report and the enterprise risk management report sections of the annual report for the year ended 31 March 2022.

Financial Review

Capital Resources and Liquidity

As at 31 March 2022, the Group's total equity funds amounted to HK$982.9 million including reserves of HK$672.6 million. The Group's working capital amounted to HK$453.7 million. The Group's continued to maintain a strong financial position with cash and bank balances amounted to HK$296.7 million and unutilised banking facilities of approximately HK$176.6 million. The Group has adequate funding for its operating needs. A revolving loan facility of up to HK$200.0 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 in the next twelve months from the balance sheet date.

During the year, 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 31 March 2022 were HK$982.9 million, representing a 26.1% decrease over the funds employed of HK$1,330.1 million as at 31 March 2021.

The gearing ratio, defined as the ratio of total borrowings to total equity, was 10.4% as at 31 March 2022. The Group had no borrowings as at 31 March 2021.

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 31 March 2022, land and buildings with carrying value amounted to HK$106.1 million (2021: Nil) was pledged for banking facilities made available to the Group.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2022.

Capital Commitments

As at 31 March 2022, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$26.5 million.

Conclusion

The COVID-19 pandemic has clearly brought a huge impact on the world, disrupting business ecosystems and bringing both risks and opportunities. Sa Sa has adopted various responsive and proactive initiatives, consistently applying stringent cost and inventory control measures, expanding the revenue base of our businesses, and optimising our cost structure. These measures will ensure our success in navigating in this challenging market and pave the way for restoring our profitability.

Nearly two years of sustained social distancing measures have led to behavioural changes in our daily lives and accelerated retail digitalisation. The Group is committed to adapt and to cater for these shifting consumption patterns. Our initiatives include actively investing in the development of our online business, especially the OMO operations, which can leverage the advantages of Sa Sa's professional beauty consultant team, accelerating the integration of online and offline operations so as to create a seamless and pleasant omni-channel shopping experience for customers, and drive Sa Sa's next stage development.

Looking ahead, the retail sector is expected to remain under immerse pressure amid an arduous operating environment. In the face of prevalent external uncertainties, the Group will ceaselessly bolster its business foundation through various measures with the aim to build stronger resilience and mitigate negative consequences induced from the instability of a single market. Sa Sa will adhere to its pragmatic and flexible approach when striding into the new retail model, thereby laying a solid foundation in its development and creating long term value for stakeholders.