

CHAIRMAN'S STATEMENT

Despite the macroeconomic uncertainties leading to challenges in the retail operating environment, I retain a positive outlook over the long-term future.

Dr KWOK Siu Ming Simon,
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Chairman and Chief Executive Officer





Firstly, I would like to express my heartfelt gratitude to every employee of Sa Sa. They continued to perform their duties professionally and steadfastly despite the uncertain global operating environment as we navigated through the first complete Financial Year (financial year ended 31 March 2024) following the pandemic.

Sa Sa's full-year turnover increased by 24.8% to HK\$4,367.5 million

The Group's turnover for the Financial Year increased by approximately 24.8% to HK\$4,367.5 million. This was attributable to enhanced operational efficiency, industry leading quality services and attractive product portfolio that catered to consumer preferences, and the agile responsiveness of our business units across different regions to capitalise on the revival of tourism. As a result, the Group completed a profit turnaround. Profit for the year grew significantly to HK\$218.9 million from an adjusted net loss in the previous year of HK\$54.6 million after excluding a one-off tax credit of HK\$80.6 million, despite the challenging business environment. The Group's net cash balance increased by HK\$184.5 million or 67.5% to HK\$457.8 million as at the year-end, which together with available loan facilities of approximately HK\$267.4 million, give total available cash facilities of HK\$725.2 million, which is sufficient to meet operating needs.

Given the Group has returned operations to a solid footing and profitability, I am pleased to announce that the Board proposed to pay a final dividend for the year of 5.0 cents per share (2023: Nil) representing approximately 70% of the profit for the year. The Group will seek to maintain a steady dividend policy going forwards.

Hong Kong and Macau

Turnover increased by 31.4% year-on-year to HK\$3,409.7 million: revenge spending immediately after the boundaries' with Mainland China reopened, with growth normalising after May 2023 Golden Week holidays

During the Financial Year, the Group's turnover grew 31.4% to HK\$3,409.7 million in our core markets of Hong Kong and Macau with Offline retail sales and wholesales ("Offline Sales") increasing 35.1% compared to the previous year. Following the resumption of cross-boundary travel between Hong Kong, Macau and Mainland China in January 2023, the return of tourists triggered revenge spending, which drove business growth and resulted in a high comparison base in the fourth quarter of the previous financial year. After the May 2023 Labour Day Golden Week, consumption gradually normalised. Double-digit growth was recorded in both the total number of transactions and the average transaction size during the Year.

Closer integration of Hong Kong, Macau and the Greater Bay Area has changed consumption and travel patterns

During the Financial Year, we saw a ramp-up in interconnectedness of Hong Kong, Macau and the Greater Bay Area in terms of consumption, with local Hong Kong residents travelling north to experience the cultural life in the Greater Bay Area. Value for money and service quality became the new buzz words. This outbound trend is particularly prevalent during weekends and public holidays, and by end of February 2024 this became more pronounced with the outbound numbers far exceeding the number of Mainland Chinese visitors coming into Hong Kong and Macau, impacting the net foot traffic at our physical stores.

Sa Sa focuses on optimising the shopping experience, and serving local and VIP customers to enhance competitiveness

Faced with changing lifestyle choices, we continue to focus on enhancing our service quality and appeal. We have accelerated the roll-out of our latest store design across our store network, and ensuring through training that attentive services are provided by our professional beauty consultants to create a premium shopping experience.

Local customers and VIP members are the foundation of our sales in Hong Kong and Macau. We will continue to keep abreast of their consumption needs and respond to them attentively. We will also expand our store network, so long as rental is reasonable and the market demand is there, so as to better serve our customers. Considering the consumer's increasing attention to a healthy lifestyle and the trend for staying at home, the Group will further enrich its portfolio of inner beauty brands and expand the beauty devices category to enable beauty salon standard treatment at home. In combination with Sa Sa's comprehensive range of skincare products will enable customers to make their lives beautiful without leaving home.

During the Financial Year, we strengthened our online-merge-offline ("OMO") integration and online business promotion. Through the team's efforts, Sa Sa's online penetration rate in Hong Kong and Macau has increased from 0.1% pre-pandemic to 5.9%. In particular, the model of Sa Sa's beauty consultants collaborating with KOLs in live-streaming has gained popularity among a younger demographic. Going forwards, the Group will continue to invest resources in developing the online business, training talent, and launching high-quality, trendy live-streaming and online promotional content, to enhance conversion to active membership and order placement.

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Government support is key to the retail industry's future growth

In addition to the need for the industry to respond with agility and enhance their competitiveness to cope with the changing consumption patterns and inflationary pressures, government policies and support will also be crucial to the retail industry's sustainable growth. The Hong Kong SAR government and retailers have strongly recommended a review of tourism-related policies, including increasing the duty-free allowance for visitors, relaxing policies on visa-free entry and multiple-entry visa, and organising more major events and exhibitions to attract visitors and consumption. We believe that the business environment is poised for improvement with a concerted effort by all stakeholders.

Mainland China

The online sales channel remains the primary growth driver in Mainland China

In Mainland China, online sales continues to dominate the retail landscape and represents the Group's primary growth engine. During the second half of the Financial Year, the Group made tangible progress with online sales growth in Mainland China of 74.5% compared to 1.0% growth in the first half, leading to overall growth of 36.3% for the full year and driving up total sales in Mainland China by 9.7%. Online sales accounts for over 70% of our total sales in the region.

Mainland China's economy has been recovering at a slower pace than expected, and consumers have become more cautious about their spending. They are opting for value-for-money products and are not so fixated on established big name brands. This shift in consumer behaviour aligns well with Sa Sa's brand strategy of developing a portfolio of exclusive niche brands. Sa Sa has leveraged cross-border, e-commerce platforms to provide customers with a more diverse selection of products and has introduced in-store experiences with skin analysis machines, mini spas, and beauty devices in combination with the advice of professional beauty consultants. Aside from in-store beauty consultants, the Group maintains customer engagement through online channels, social media and live-streaming to increase brand loyalty. As China's economy gets back on track, the Group believes that its business and exclusive products will benefit further.

Southeast Asia

Steady growth in operations in Malaysia through enhancement of stores' operational capability despite the challenge of rising cost of living

The Southeast Asian market faced headwinds from inflationary pressures, weak local currency against the US dollar and macroeconomic policy. Such factors weighed on the Group's performance in the first half of the Year. However, through steering our operations, the Group managed to achieve a 6.1% increase in same-store sales in the second half of the Year, which offset the decline in the first half of the Year and resulted in a 2.5% increase in full-year same-store sales. Although the number of stores in Malaysia decreased by 13 compared to the pre-pandemic period, Offline Sales has now recovered to 84.6% of the pre-pandemic levels, indicating significant improvement in stores' operational efficiency.

Restarting offline business in Singapore and expanding into other Southeast Asian markets

We also staged a comeback in the Singaporean market in December 2023, opening our first store there. We added a further four new stores in the first quarter of the new financial year taking the total to 5 and complementing our existing online business in this market. During the Financial Year, online sales in Southeast Asia grew by 8.9% to HK\$78.4 million, accounting for 21.4% of our sales in the region. In the coming financial year, the Group will continue to focus on developing its online market through Shopee and Lazada, and adding a presence on Zalora to drive revenue growth. The Group will also actively explore and develop other potential geographies in Southeast Asia.

Conclusion

Considering the Group's greatly improved financial performance and enhanced operational capabilities, the Group has cancelled the HK\$200 million revolving loan facility previously provided by myself and another Executive Director, Dr Eleanor Kwok, during the pandemic. The Group has never utilised this facility, which is a testament to the Group's treasury management.

We are halfway through calendar 2024 and the retail environment remains challenging. However, with economic recovery and the strengthening consumption power in Mainland China as well as the gradual improvement of the policies on facilitating the development of the economy and tourism in Hong Kong and Macau, I retain a positive outlook over the long-term future. Sa Sa's reputation for authentic and premium products, our team of beauty consultants who deliver attentive member engagement, and our strong product-sourcing capability will see us stand out amid the intensifying competition. Last but not least, we will continue to reduce our carbon footprint and work together with our stakeholders to achieve our sustainability goals that are embedded within our overall business strategy.