Turnover

HK$4,367.5 million

▲ 24.8%

Gross Profit

HK$1,783.4 million

▲ 27.3%

Profit for the Year

HK$218.9 million

▲ HK$160.6 million

Consolidated Income Statement for the Year Ended 31 March 2024

	Full year		First half		Second half	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**4,367,496**	3,500,525	**2,144,435**	1,550,493	**2,223,061**	1,950,032
Cost of sales	**(2,584,141)**	(2,099,165)	**(1,263,959)**	(977,189)	**(1,320,182)**	(1,121,976)
Gross profit	**1,783,355**	1,401,360	**880,476**	573,304	**902,879**	828,056
Other income	**34,063**	56,166	**17,897**	41,687	**16,166**	14,479
Selling and distribution costs	**(1,300,359)**	(1,223,114)	**(643,375)**	(614,052)	**(656,984)**	(609,062)
Administrative expenses	**(227,822)**	(244,833)	**(115,292)**	(124,495)	**(112,530)**	(120,338)
Other (losses)/gains - net	**(4,103)**	11,907	**(4,640)**	7,696	**537**	4,211
Operating profit/(loss)	**285,134**	1,486	**135,066**	(115,860)	**150,068**	117,346
Finance income	**9,012**	3,253	**3,220**	1,177	**5,792**	2,076
Finance costs	**(27,399)**	(19,100)	**(12,576)**	(8,605)	**(14,823)**	(10,495)
Profit/(loss) before income tax	**266,747**	(14,361)	**125,710**	(123,288)	**141,037**	108,927
Income tax (expenses)/credit	**(47,864)**	72,608	**(23,288)**	(9,895)	**(24,576)**	82,503
Profit/(loss) for the year attributable to owners of the Company	**218,883**	58,247	**102,422**	(133,183)	**116,461**	191,430

Our Business

Headquartered in Chai Wan, Hong Kong, the operations of Sa Sa International Holdings Limited ("Sa Sa" or "the Company") and its subsidiaries ("the Group") cover online and offline retail and wholesale sales channels in Hong Kong and Macau, Mainland China, and Southeast Asia, and online sales in certain locations in the rest of the world. The Group has regional offices in Kuala Lumpur, Malaysia and Shanghai, Mainland China.

The Group positions itself around its purpose of "***Making Life Beautiful***". Sa Sa is a one-stop beauty specialty platform and the go-to place for professional, quality and trending skincare, colour cosmetics and fragrance products. To cater for the growing needs of customers, while staying focused on beauty, the Group has introduced new categories, inner beauty, personal care and beauty equipment with a view to raising their sales mix over time.

The Group's supply chain management organisation manages warehouses in Hong Kong and Malaysia, and third-party warehouses in Mainland China and Singapore. The Group has invested in supply chain innovation, digitalisation, and sustainability to drive efficiency and support quality standards including a 30-day return policy to the Group's customers. The Group has enhanced its e-commerce handling capacity through deployment of automated guided vehicles ("AGV"). These investments enable and support the Group's e-commerce operations beyond its core home markets and into Southeast Asia, North America, Australia, and New Zealand.

The Group is laser-focused on managing its product offerings by reviewing its core product categories and ensuring that it carries trending brands and products. The Group is actively seeking partnerships with emerging and niche brands to enhance its portfolio of exclusive brands, and develop these brands with the brand owners. The Group's standards of excellence in retail management and unique team of professional beauty consultants make it an ideal partner for brands looking for a presence in Asia and for professional beauty consultants to effectively communicate their brand story directly to consumers.

Market Overview

Chart 1: GDP/Retail Sales/Medicines and Cosmetics Sales in Financial Year 2023/24* (year-on-year change)

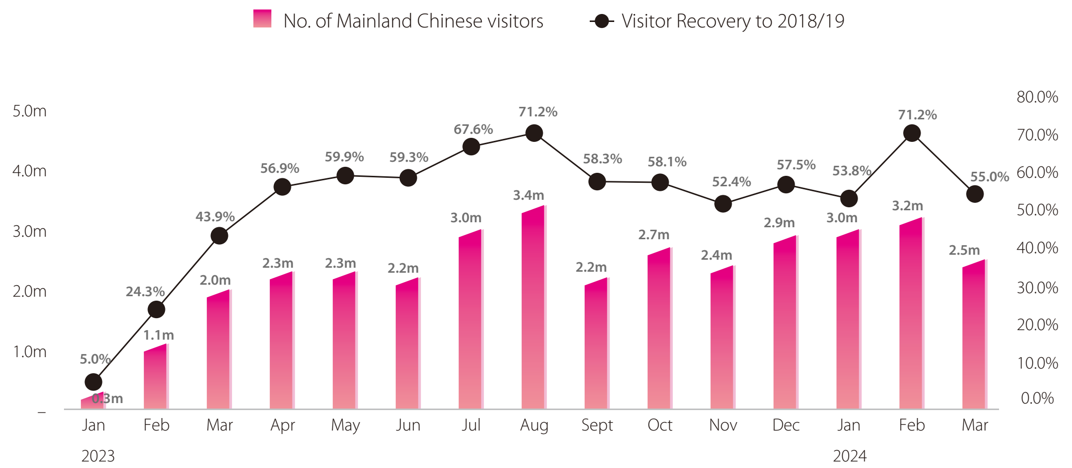
Market (Apr 2023 – Mar 2024)	**GDP Change Rate**	**Retail Sales Change**	**Medicines and Cosmetics Sales Change**
China:			
Hong Kong	+6.7%	+9.6%	+32.5%
Macau	+82.9%	+30.0%	+19.2%
Mainland China	+4.2%	+6.9%	+5.7%
Southeast Asia:			
Malaysia	+3.3%	+5.8%	*Note 1*
Singapore	Flat	+2.8%	*Note 3* +5.7%
The Philippines	+9.2%	*Note 2* +11.6%	*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 motor cycles, provided by the Government of the Philippines.
3. "Cosmetics, toiletries and medical goods" as classified by the Government of Singapore.

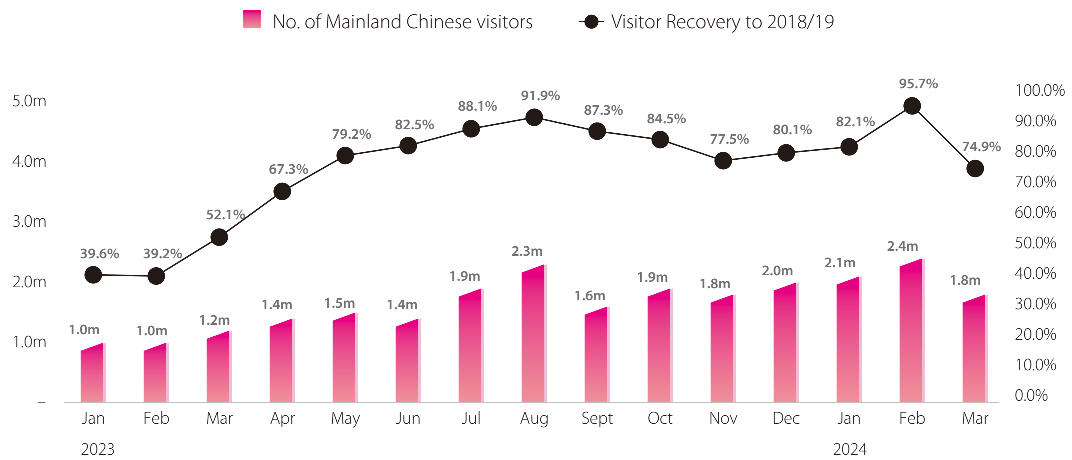
* All the above data were sourced and extrapolated from statistics published by the corresponding governments' statistics bureaus. There are some inconsistencies in the definition of cosmetics retail sales in the methodologies adopted by different government statistics bureaus in conducting statistics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

Chart 2: Mainland Visitor Arrivals in Hong Kong (in million)



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

Chart 3: Mainland Visitor Arrivals in Macau (in million)



Source: Government of Macao SAR and Census Service

During the Financial Year (the year ended 31 March 2024), the global economy continued to be impacted by geopolitical tensions in Ukraine, and by the second half of the year, Israel as well. With the United States of America ("US"), continuing with its containment policy towards the People Republic of China ("China"), the economic environment in the region is challenging.

In response to inflationary pressure, the US, has tightened monetary policy and maintained high interest rates leading to a strong dollar. This has led to a cost-of-living crisis across the region and is hurting consumer and business confidence in the economic outlook, with perceived risk and uncertainty in the stability of the global financial markets.

Hong Kong & Macau

Demographic of Mainland Chinese tourists becoming younger poses challenges, but also opportunities to grow the Group's exclusive brand portfolio given their tendency to try niche brands

During the Financial Year, a total of 40.8 million visitors entered Hong Kong and 32.1 million visitors entered Macau, of which 32.1 million and 22.1 million were respectively from Mainland China. This represents a recovery in Mainland Chinese tourists of 60.1% and 82.9% in Hong Kong and Macau, respectively as compared to the same period during 2018/19 ("pre-pandemic"), see Chart 2 and 3.

Statistics from the Hong Kong Tourism Board show that the demographic of Mainland Chinese tourists has changed and now tends to be of a younger age, seeking experiential travel as opposed to shopping and, unlikely to stay overnight due to the exorbitant hotel costs in Hong Kong and the ease of same day travel back to cities in the Greater Bay Area ("GBA"). With a weak Renminbi against the US dollar, the spending power of Mainland Chinese tourists while overseas is also reduced.

For almost three years while the boundary was essentially closed, Mainland Chinese shoppers have been moving to cross-border and domestic e-commerce sites, and Hainan duty free for their beauty shopping. Hence, pricing for big name brands are competitive and margins tight.

On a positive note, the Group is seeing Mainland Chinese consumers more willing to try lesser-known niche brands and domestic Chinese beauty brands. T-mall double-eleven 2023 sales saw two Chinese domestic brands enter the top ten for the first time. This enables the Group's beauty consultants to be more effective in introducing the Group's portfolio of exclusive brands that enjoy higher gross margin.

Macau progressively regaining its status as Asia's Gaming Resort

Macau has a population of just under 700,000 and is positioned as a tourism and leisure centre, which relies heavily on the Mainland Chinese tourists.

Macau possesses several unique competitive advantages including the most gaming tables and five-star hotel rooms in the region and abundant theatre infrastructure that has enabled it to secure notable concerts to attract tourists from the GBA. While Macau surpassed Las Vegas and led the world in gaming revenues in 2007, following several years of pandemic disruption and tightening of legislation in the role of promoters, competing gaming destinations across Asia Pacific have emerged, such as the Philippines. Visa free travel to Malaysia that also provides a much more favourable foreign exchange rate, provides real competition to Macau for Mainland Chinese tourists. However, the government announced that starting from 6 May 2024, Mainland Chinese citizens may apply for multi-entry visas to Macau, which bodes well for the coming year.

The Group operates nine stores in Macau, four on the high street near major tourist attractions, three within hotel resort complex and two in local areas.

Significant increase in outbound travel during long public holidays

Since border control measures into and out of Hong Kong began to relax in December 2022, the Group has seen an increasing amount of outbound travel to overseas destinations during long holidays i.e. Christmas and New Year, Chinese New Year, Easter and summer. Over 76,000 departures to overseas destinations during Christmas 2022 to approximately 2.5 million during Easter 2024, a growth of approximately 33 times. Top three destinations are Japan, Thailand and Taiwan. The increase in travel reflects, firstly revenge travel following three years of pandemic restrictions and the fact that people no longer fear catching Covid-19 while travelling; and secondly change in lifestyle habits as health and leisure or quality of life are prioritised. This has been exacerbated by the continuing strength of the USD and hence HKD against a basket of currencies, notably the Japanese Yen, which has fallen from JPY1:HK$0.06 to JPY1:HK$0.05 between December 2022 to April 2024. The longer the holiday, the more the outbound travel.

The impact on Sa Sa's business is threefold, the local residents are physically not present to shop during holidays, more of their disposable income is allocated to travel and after visiting destinations such as Japan and Korea, they are likely to have stocked up on beauty products before returning.

Hong Kong's integration into the GBA took another step forward as the Group saw a significant increase in local residents tripping to Mainland China

The sluggish local economy coupled with the underperformance of Hong Kong's equity and real estate markets, has had a negative impact on consumers' purchasing power, resulting in a shift in shopping habits.

A new trend emerged during early 2023 of local residents choosing to travel across the boundary to Shenzhen during weekends and public holidays as value for money, quality of service and availability of choice became the new buzz words. Soon after, the trend accelerated with the emergence in popularity of a US warehouse club retail store in Shenzhen as a must-go destination as Hong Kong people were introduced to the warehouse retail format. Another US warehouse chain opened in Shenzhen in January 2024 providing an alternative choice just across the border in Futian. For those who don't want to make the trip, daigou direct delivery to your home in Hong Kong is also a popular choice and essentially no different from ordering online from local Hong Kong retailers. The US warehouse chain announced in May 2024 that it will soon offer online shopping in Hong Kong and free delivery for orders over RMB599. Destinations have spread across and deeper into the GBA as local residents seek new experiences and are more willing to step outside of their comfort zone.

Previously nearly all planned travel but now unplanned travel is becoming as common, as local residents living in the northern districts find it quicker to travel for a dinner in Shenzhen on a weekday after work than to go to a local hub such as Mongkok or Causeway Bay.

While northbound spending appears to be concentrated on food and beverage, groceries and leisure, and not beauty products, the impact on the Group's business is that local shoppers with disposable incomes are physically not present during weekends and public holidays, and more of their disposable income is allocated elsewhere. From 3.6 million Hong Kong residents' departures to Mainland China in February 2023, the number has grown 157.5% to 9.3 million during Easter 2024. Putting this into context, although there were 0.75 million visitors to Hong Kong during the four-day February 2024 Lunar New Year holiday, there were 1.16 million local resident departures to Mainland China during the same period.

Consumer lifestyle changes have seen increasingly more local residents working from home and staying home early

Changes in consumer lifestyle post-covid have posed further challenges. The increasing prominence of working from home not only has put pressure on commercial rent occupancy and rates but has reduced lunch time traffic in traditional Central Business District (CBD) hubs. In addition, the average Hong Kong consumer now either stays at home or returns home much earlier after work prompting the Hong Kong SAR government efforts to spur the night-time economy, which has yet to deliver tangible results.

Shortage of labour and high rental and other operating costs providing challenges to local retailers

The shortage of labour that has hit retail and, in particular Food & Beverage, hard. This has in turn affected service levels and the ability to accommodate diners at night. The Hong Kong SAR government launched the Supplementary Labour Scheme in June 2023 with the intention of importing labour from Mainland China. While helping to solve the headcount issue, it does not help to save costs. A major challenge under this scheme is that the employer has to pay a locally competitive salary and provide adequate accommodation in Hong Kong significantly adding to its cost. Businesses will need to manage cost inflation pressures and the shortage of labour to deliver profitable performance.

Mainland China

Macro-economic challenges in Mainland China impacting propensity to spend

With continued geopolitical tensions and Western countries seeking to reduce reliance on Mainland China, foreign direct investment and exports continue to be pressured. Economic growth has been challenging as China continues to steer towards domestic consumption led growth, which contributed 82% to the GDP growth rate in 2023.

The property sector has been hit hard with loan defaults while equity markets remain depressed. On the back of these economic uncertainties and youth unemployment remaining high, there has been a reluctance to spend and a rise in consumer household savings to record highs. Mainland Chinese consumers are placing greater emphasis on the functionality of goods rather than big name brands, as value-for-money becomes more important.

Government of China disclosed that among the 31 provincial-level economies, 17 failed to meet their GDP targets for 2023. Looking ahead to 2024, the GDP target is approximately 5% with growth targets for almost all regions set lower than or on par with last year, indicating a conservative outlook.

Mainland China's retail sales rose by 7.2% during 2023, and within that medicine and beauty grew 5.1%. For the three-months ended 31 March 2024, retail sales grew 4.7% while medicine and beauty 3.4% indicating a tougher condition. For the May 2024 Golden Week holiday, estimates suggest 295 million domestic travel traffic, a year-on-year increase of 7.6%.

The Central Government continues to announce policy measures to support domestic consumption in 2024 with consumer and business confidence rebuilding over time.

Southeast Asia

The broader Southeast Asian economy is seeing moderate growth, impacted by macro challenges including inflation, weaker currency against US dollar and elections, while some countries such as Malaysia, are facing a cost-of-living-crisis, spillover disruption from Middle East conflict and policy headwinds e.g. goods and services tax.

Malaysia's economy grew 3.7% in 2023 while consumer price index declined 1.6% during the same period. Projections for Malaysia's GDP growth in 2024 of approximately 4-5% towards optimism was led by resilient domestic spending and improved external demand.

The Singapore retail market experienced growth of 4.0% for the first eight months ended 31 August 2023 and then began to face headwinds, primarily due to the increase in outbound travel by locals across the border to Malaysia, during holidays.

Business Overview

Retail Network

Adapting to a new norm and focusing on serving local consumers while staying agile to seize opportunities when a further spike in tourism occurs

The Group is actively seeking to expand its store network in Hong Kong and across the region so long as the economics make sense, including reasonable rentals that will support a reasonable profit margin. The Group is taking steps to further integrate its online channels and capabilities with offline stores providing a seamless online-merge-offline ("OMO") shopping experience and meeting its customers wherever they choose to appear.

In Hong Kong, the Group is actively looking at gaps in non-tourist areas to better serve local consumers and at prime tourist locations that supplement its existing coverage, subject to the further step up in inbound tourism. As at 31 March 2024, the Group had a total of 26 stores located in core tourist areas in Hong Kong and Macau (pre-pandemic period: 45 stores).

For Macau, the existing portfolio of nine stores is sufficient for that market under current circumstances, while in Mainland China, the Group is consolidating its position before making further moves.

In Southeast Asia, the Group is looking primarily at high traffic malls in Malaysia and Singapore. In Malaysia, the Group improved its overall portfolio by opening two stores during the Financial Year in new and trending high traffic malls while vacating four stores with lower contribution. The Group was delighted to re-establish a physical presence in Singapore by opening its first store in December 2023, with four additional stores in the first quarter of Financial Year 2024/25 setting the foundations for its continued growth in this region.

Comprehensive store upgrade elevates shopping experience and provides platform to showcase brands and emerging product categories

The Group has been actively reviewing the current portfolio of properties to upgrade the concept and décor to elevate the shopping experience. As part of the latest designs, where possible, large LED screens, are placed at store front to provide a prestigious medium to feature partner brands. The latest décor includes dedicated space for men's category, inner beauty and beauty equipment, and allow them to be duly explored by consumers.

A total of 19 stores were upgraded to the Group's latest design during the Financial Year (2023: 23) and while the upgrade impacted the normal operation of the stores, it resulted in positive sales post re-opening.

Furthermore, the Group launched an exclusive shop-in-shop in July 2023 at Sa Sa's upgraded flagship store in Causeway Bay, Hong Kong, and also for Dr. G in Sunway Velocity Mall, Kuala Lumpur, Malaysia.

Online Channels

One of the three key prongs to the Group's strategic framework is to invest in and develop its online business in Hong Kong, Mainland China and Southeast Asia. The Group continues to focus on delivering operational excellence in its online businesses and integrating online with offline to provide comprehensive OMO experience to create seamless OMO shopping experiences.

Investing in live-commerce to reach a younger demographic and provide an alternate scalable sales channel

The Group continues to invest in improving customer experience and is making traction with its 'live-commerce' model that has been refined to expand reach and conversion. The online beauty market is saturated and filled with a multitude of brands vying for the attention and loyalty of consumers. Consumers are increasingly demanding and are more digitally-savvy than ever.

Consumers are also reliant on KOLs who 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.

By bringing Sa Sa's signature beauty consultant online in collaboration with KOLs via live-commerce, the Group has successfully promoted and garnered interest in exclusive brands in the online marketplace.

Category Management

Excite our consumers through diversified product offerings and strategic brand partnerships

The Group continued to invest in the category extension strategy, explore potential categories, meet market trends and customer needs, and strive to bring more product choices to consumers. Aside from our core categories of skincare, make-up, and fragrance, the Group is beginning to grow additional categories including inner beauty and beauty equipment. Adding to the portfolio, the Group now carries 127 and 39 brands for inner beauty and beauty equipment respectively. Designated beauty equipment display furniture with electricity supply to aid trial has been added to our latest store design.

With the proliferation of the availability of information 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, they consider 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 dedicated "Clean Beauty" displays to enable customers to conveniently access a range of zero-pollution personal care offerings. Sa Sa obtained the "Platinum Class Award Certificate and Microbead Phraseout Award – Pioneer Award", while many of its exclusive brands were also awarded "Microbead-free Brand Certificate" from the Environmental Protection Department of Hong Kong, underscoring the Group's unwavering support for the sustainable development of the green beauty industry.

The Group's dedicated Category Management and Product Development team 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 Financial Year include TRUU, Jensany, and BT-Lab.

Financial Performance Summary

Chart 4: Turnover by Market in FY2023/24

HK $ Million	Offline	Online	Turnover	Year-on-year change(%)	% to Group Turnover (%)
Hong Kong & Macau	$3,207.3	$202.4	$3,409.7	▲ 31.4%	78.1% (LY: 74.1%)
Mainland China	$166.2	$415.4	$581.6	▲ 9.7%	13.3% (LY: 15.2%)
Southeast Asia	$287.4	$78.4	$365.8	▼ 1.7%	8.4% (LY: 10.6%)
Others	–	$10.4	$10.4	▲ 126.1%	0.2% (LY: 0.1%)
Total	$3,660.9	$706.6	$4,367.5	▲ 24.8%	100.0%

Chart 5: Breakdown of Offline Turnover (by Market)

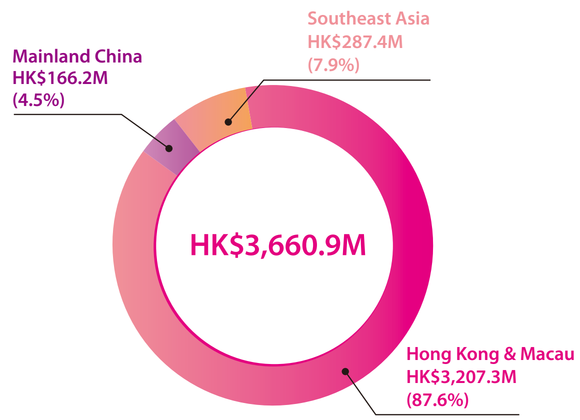
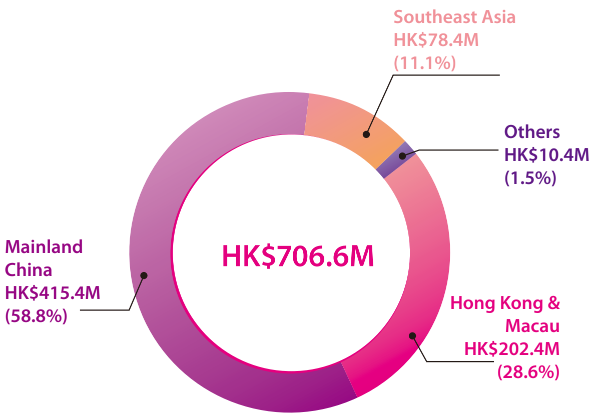


Chart 6: Breakdown of Online Turnover (by Market)



During the Financial Year, the Group recorded turnover of HK$4,367.5 million, representing an increase of 24.8% over the previous year largely attributable to the gradual return of tourism to our core markets of Hong Kong and Macau since January 2023.

Offline retail sales and wholesales ("Offline Sales") in Hong Kong and Macau increased by 35.1% to HK$3,207.3 million, Offline Sales in Mainland China decreased by 22.9% (in local currency) to HK$166.2 million while operating five fewer stores, while for Southeast Asia, Offline Sales stayed relatively flat at a marginal decline of 0.3% (in original currency) to HK$287.4 million. The Group operated a total of 183 retail outlets across all regions as at 31 March 2024.

The Group's online business turnover increased by 17.4% to HK$706.6 million for the Financial Year while contribution to the Group's total turnover decreased from 17.2% in the previous year to 16.2% for the Financial Year. 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. Online sales mix in Mainland China remains high at 71.4% accounting for 58.8% 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 the Group is 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 the Group's gross margin profile.

The Group's gross profit for the Financial Year increased by 27.3% to HK$1,783.4 million at a gross profit margin of 40.8%, while offline retail gross margin increased 1.5 percentage points to 45.2%. This represents a significant improvement of HK$382.0 million in gross profit and an increase of 0.8 percentage points in gross profit margin compared with the previous year, driven by an increase in sales and more importantly an increase in sales mix of exclusive brands as the Group's strategies take effect. As a percentage of turnover, selling and distribution costs and administrative expenses decreased significantly from 34.9% to 29.8% and from 7.0% to 5.2%, respectively.

Driven by effective cost and expenses management, the Group recorded a pre-tax profit of HK$266.7 million, a significant improvement of HK$281.1 million (2023: a pre-tax loss of HK$14.4 million). This led to profit for the Financial Year improved HK$160.6 million to HK$218.9 million, which favourably to the profit for the previous year of HK$58.2 million. Adjusted profit for the year recorded HK$218.0 million, achieved a respectable turnaround from the adjusted loss for the previous year was HK$54.6 million after excluding deferred tax credit in relation to tax losses not previously recognised of HK$80.6 million, the subsidies for Covid-19 pandemic by local government temporary rental concessions and the accrued past service costs due to the change in the offsetting arrangement under the mandatory provident fund.

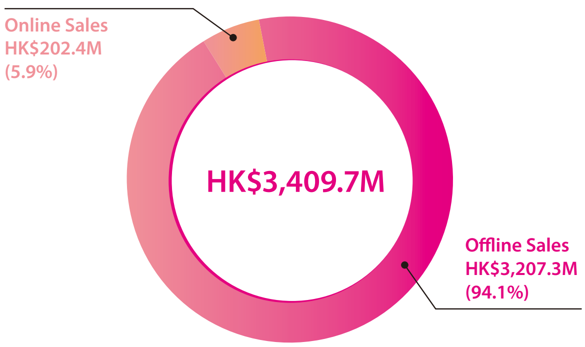
The Group's total net cash balance at 31 March 2024 was HK$457.8 million (2023: HK$273.3 million) and is adequate for the Group's needs. Net cash generated from operating activities (less the payment of lease liabilities and interest) for the Financial Year was HK$253.6 million. After investing in inventory to cater for the seasonality impact of pre-stocking before Christmas peak season and in double-eleven online sales event, the Group managed inventory back down to lower levels by the year end. Investment in capex was HK$68.6 million mainly for the opening of eight new stores and upgrade of a further 19 stores across all our markets.

Basic earnings per share amounted to 7.1 HK cents (2023: basic earnings per share of 1.9 HK cents). Given the Group has returned operations to a solid footing and profitability, the Board resolved 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.

1. Hong Kong & Macau

+31.4% Turnover growth to HK$3,409.7 million driven by local resident VIP loyalty and tourism

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



This year marks the first full Financial Year post-pandemic and a return to normalcy. As the largest market for the Group, Hong Kong and Macau saw significant sales growth on the back of tourism, exhibitions, and consumption-boosting campaigns, as well as the loyalty of VIP customers. The Group has been enhancing operational efficiency in existing stores while exploring market gaps to expand the offline network. Efforts were made to strengthen the brand's product lineup and introduce various promotional activities to be ahead of the pack.

Total Online and Offline Sales in Hong Kong and Macau amounted to HK$3,409.7 million accounting for 78.1% of total Group sales and growing at 31.4% for the Financial Year. Within this, Offline sales in Hong Kong and Macau grew at 35.1%. Profit for the year in Hong Kong and Macau was HK$233.8 million, a significant increase of 110.7% from HK$111.0 million last year.

The Group's Offline Sales in Hong Kong and Macau has recovered to 45.2% despite operating 36 or 30.5% fewer stores. This reflects a much higher operating effectiveness.

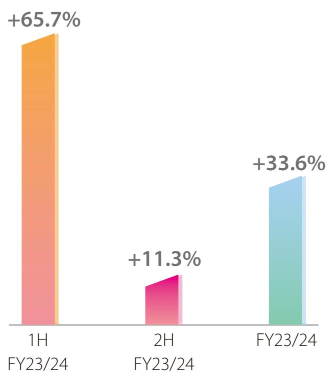
Approximately 37.1% and 78.9% of the Group's sales in Hong Kong and Macau, respectively were from tourists. On a combined basis 48.4% of the Group's Offline Sales were from tourists compared to approximately 74% pre-pandemic period.

Online sales in Hong Kong and Macau amounted to HK$202.4 million, or approximately 5.9% of total sales. The year-on-year decrease of 8.3% in online sales reflects a marginal swing to Offline Sales following the removal of Covid-19 related social distancing measures.

Offline Sales – Hong Kong and Macau

Chart 8: Same-store Sales Growth

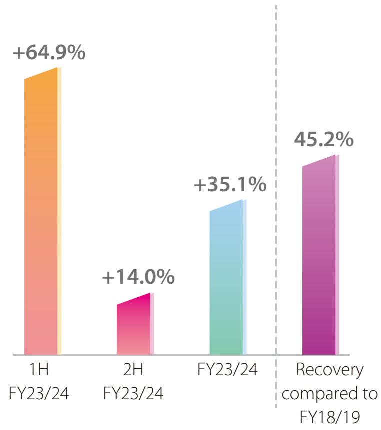
(Year-on-Year Change)



Note: 1H: Apr – Sept; 2H: Oct – Mar

Chart 9: Offline Sales Performance

(Year-on-Year Change)



Benefiting from a return of tourism following the re-opening of boundaries between Hong Kong and Macau, and Mainland China, Offline Sales recorded YoY growth of 35.1%

Both same-store sales growth ("SSG") and Offline Sales grew by a respectable solid double digits at 33.6% and 35.1% respectively for the full Financial Year. Due to a high base in the fourth quarter of the previous year from January 2023 to March 2023 when the boundaries with Mainland China just opened and there was revenge consumption, the observed growth in the second half of this year decreased to mid double digit from a high double digit in the first half. Fourth quarter sales in the Financial Year was also impacted by local resident departures to Mainland China and reduced Mainland Chinese tourist numbers post Chinese New Year 2024. These trends are explained in more detail below.

In light of these challenges, the Group focused on cultivating its brand portfolio, investing in exclusive brands and in the quality of customer service through the Group's unique professional beauty consultants, to increase customer loyalty and repeat purchase rates. 52.9% of Offline Sales in Hong Kong and Macau was attributable to VIP members. The stickiness of the Group's loyalty programme, particularly in respect of local consumers, executed by the Group's team of professional in-store beauty consultants is one of the core reasons the Group can deliver same store sales growth and overall sales growth from fewer stores.

This strategy aims to provide much more attractive unit economics to enhance the profitability of product assortments and cultivate exclusive brands for sustainable business growth to make Sa Sa the go-to destination for purchasing high-quality beauty products.

Number of stores

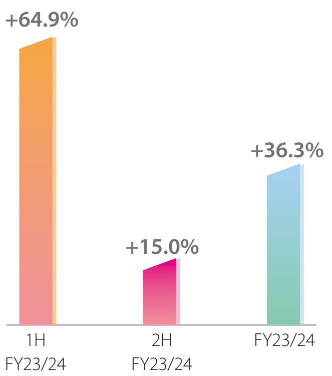
Market	As at 31 Mar 2023	Opened	Closed	As at 31 Mar 2024
Hong Kong & Macau	79	5	2	**82**

The Group operated 82 stores in Hong Kong & Macau as at 31 March 2024. In Hong Kong, to capitalise on the recovery in the retail industry and the return of tourists the Group opened five new stores during the Financial Year, with two in the core tourist district, Tsim Sha Tsui, one in Central CBD, and two in new shopping malls/apartment complexes in local districts. In Macau, the Group operates nine stores in Macau, four on the high street near major tourist attractions, three within hotel resort complex and two in local areas. These are of a larger format allowing for a larger handling capacity. A further ten stores were upgraded to the latest store design, giving a total of 51 stores adopting latest store design. The offline store network strategy is further illustrated on P.34.

Hong Kong

Chart 10: Same Store Sales Growth

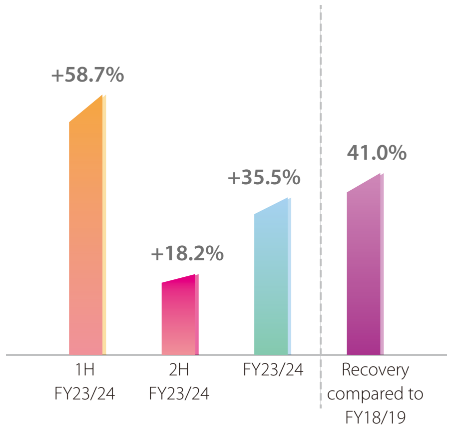
(Year-on-Year Change)



Note: 1H: Apr – Sept; 2H: Oct – Mar

Chart 11: Offline Sales Performance

(Year-on-Year Change)



Increase in tourism fuelling sales growth in Hong Kong, particularly during the first nine-months of the Financial Year

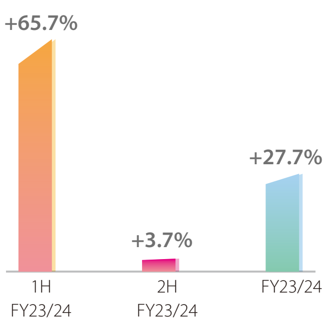
When the boundary first opened the Group experienced approximately four months of revenge spending up to the end of Golden week in May 2023 when conversion of tourist visitors to consumer was double-digit. That conversion has since settled at mid-single digit while basket size has stayed fairly stable and similar to pre-covid levels. This is strong evidence that the Group remains relevant and has a role to play for Mainland Chinese consumers in their beauty spending.

The key driver for an increase in tourist sales is the number of tourists entering Hong Kong from Mainland China. Accordingly, The Group fully supports the Hong Kong SAR government's strategy to accelerate the step up in hosting of major sporting events and exhibitions to attract visitors.

Macau

Chart 12: Same-store Sales Growth

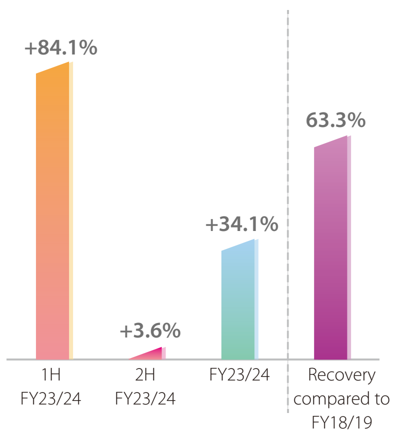
(Year-on-Year Change)



Note: 1H: Apr – Sept; 2H: Oct – Mar

Chart 13: Offline Sales Performance

(Year-on-Year Change)



Recovery in tourist numbers and gaming revenues while retail has been more challenged

Following the boundary with Mainland China re-opening, the Group experienced several months of revenge spending from Mainland China tourists that exceeded that in Hong Kong, with government data showing inbound traffic from Mainland China reaching 1.5 million or 79.2% of pre-Covid-19 travel in May 2023. During the first seven days of Lunar New Year holiday (10-17 February 2024), inbound tourist numbers had exceeded by pre-pandemic levels 0.2 million while data issued by Macao Gaming and Inspection Bureau indicated gaming revenue had also recovered to 75% of pre-pandemic levels by the fourth quarter of calendar year 2023.

Retail recovery has been more challenged. After a period of revenge spending up to May 2023 Golden week, tourist sales conversion has settled down at mid-single digit and a little higher than Hong Kong but approximately one-third of pre-pandemic levels, while average basket size is similar.

Online Sales – Hong Kong and Macau

Sa Sa Online Penetration in Hong Kong and Macau increased from 0.1% pre-pandemic to 5.9%

Hong Kong and Macau online sales accounted for 28.6% of the Group's total online sales. Online sales decreased 8.3% to HK$202.4 million (2023: HK$220.7 million) with sales mix falling to 5.9% reflecting a swing to physical stores post pandemic. VIP members accounted for 54.8% of total online sales, growing 2.3% year-on-year.

Online penetration in Hong Kong and Macau is predominantly through the Group's own channel 'HK eShop' that is accessible on mobile app and website at https://www.sasa.com.hk/. The Group 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, including exclusive online products, comprehensive product descriptions and user generated content. The e-shop also accepts all major forms of digital payment and offers a variety of delivery options including pickup from the store.

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

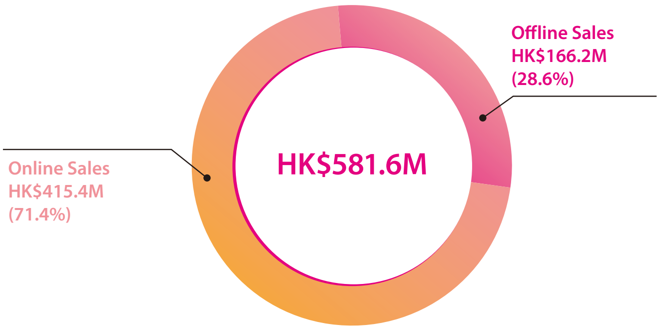
The pandemic accelerated digital transformation with e-commerce and digital payments some of the beneficiaries, and the emergence of the "gig economy" as B2C companies attempt to resolve the last mile. The Group's online penetration has improved since pre-pandemic period, while "Buy Online Pick-up In-Store" ("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.

Traction with live-commerce model innovation, delivering tangible results for exclusive brand sales reach

The group has hosted 40 sessions of live-commerce during the Financial Year and started to deliver tangible results, accounted for 9% of total online sales in Hong Kong and Macau during the Financial Year.

2. Mainland China

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



During the Financial Year, the Group's turnover in Mainland China was HK$581.6 million, a 9.7% marginal increase compared with the previous financial year in which online sales played a prominent role accounting for 71.4% of the total sales and is now overwhelmingly the Group's dominant sales channel in this region. This is consistent with the digitally native Mainland China. Accordingly, the Group's loss narrowed significantly to HK$17.1 million for the Financial Year from HK$70.5 million in the previous year. 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 31 Mar 2024**
Mainland China	37	–	5	**32**

Challenges in the recovery of Mainland China economy continues to impact Offline Sales while the Group maintains financial discipline to enhance operational efficiency

The economic recovery in Mainland China over the past financial year has been slower than anticipated with consumers leaning towards cautious spending and holding onto cash to address future uncertainties.

Under these circumstances, the Group focused on enhancing operational efficiency by reducing inventory, closing underperforming physical stores, and optimising operational processes through digital management systems. These measures minimise the loss and cash outflow while laying a solid foundation for future growth when economic conditions allow.

Operating five or 13.5% fewer offline stores compared to the last financial year, Offline Sales decreased 22.9% (in local currency) to HK$166.2 million. The Group has managed to recover to 61.7% of pre-pandemic levels despite operating 22 or 40.7% fewer stores. The Group is diligently stabilising its existing store portfolio, channelling efforts towards optimising operational effectiveness while economic conditions remain challenging.

Leveraging on the trend for Mainland China consumers' willingness to trial niche brands, the Group plans to grow its portfolio of exclusive brands. The Group obtained the product registration and launched Korean brand, Eoyunggam, in the market, during the Financial Year. The Group demonstrated the functionality and benefits of these products to customers through a range of exclusive offline experiences including skin analysis, mini-spa, and consultation services, resulting in favourable responses.

During the Financial Year, the Group recorded approximately 5.4% increase in sales mix of exclusive brands to 43.1%, which contributed to an improvement in the Group in this market.

Online Sales – Mainland China

Chart 15: Offline Average Ticket Size (ATS)

HK$433 ▲ **6.1%**

(In local currency)

Chart 16: No. of Third Party Online Platforms

5

LY : 5

Online remains the predominant sales channel in a digitally native Mainland China with Sa Sa's reputation for Quality and Genuine products helping it to grow 36.3% in a crowded market

The Group's online sales in Mainland China are largely through a cross-boundary model via the Group's WeChat mini-programme store and third-party platforms such as T-mall, JD.com and Douyin. Online sales in Mainland China saw a substantial increase of 36.3% to HK$415.4 million for the Financial Year, representing 58.8% of the Group's total online sales.

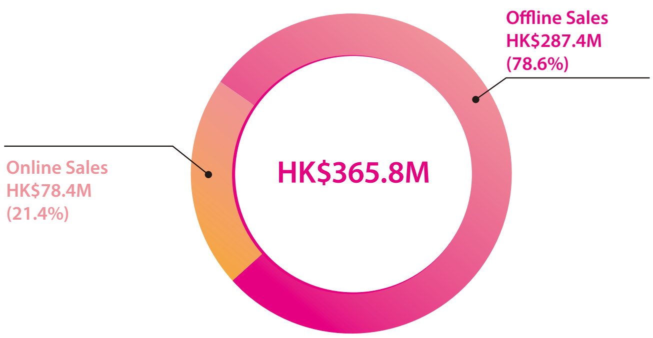
The Group has bolstered its presence on various online social platforms, particularly Xiaohongshu, to position Sa Sa as a trusted one-stop destination for genuine beauty and skincare products, catering to customers seeking trending items. Capitalising on the restoration of cross-boundary logistics into Mainland China during the Financial Year, the Group has proactively re-introduced product categories halted during the Covid-19, such as fragrance, and re-engaged with customers. In addition, as Mainland China tourism continues to recover, the Group is able to tap into Mainland tourists returning to Mainland China after visiting the Group's Hong Kong and Macau offline stores.

The Group's online operations in Mainland China recorded a profit for the Financial Year, representing a significant milestone and turnaround from loss in the previous year.

3. Southeast Asia

During the Financial Year, the Group recorded total turnover of HK$365.8 million in Southeast Asia, marking a 1.7% marginal decrease against the previous year. Within this, Offline Sales contributed HK$287.4 million or 78.6% of the total sales for this region. The Group's operations in Southeast Asia have been impacted by the cost-of-living challenges. However, measures taken improved performance in the second half, with profit growing from HK$1.2 million in the first half to HK$3.8 million in the second half giving a profit of HK$5.0 million for the Financial Year.

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



Offline Sales – Southeast Asia

Number of stores

Market	As at 31 Mar 2023	Opened	Closed	As at 31 Mar 2024
Southeast Asia	70	3	4	**69**

Chart 18: Same-store Sales Growth*^

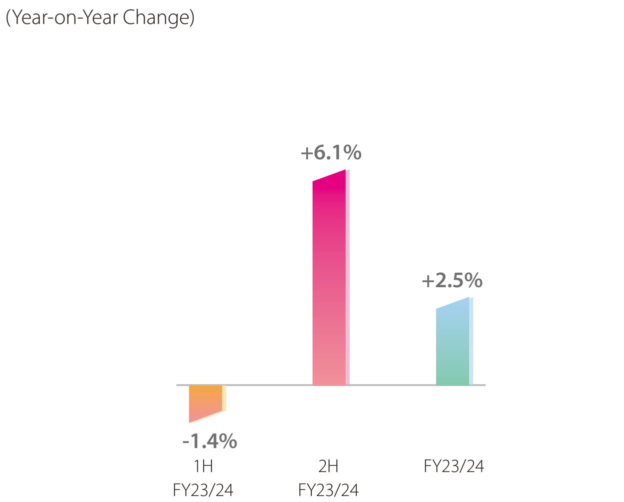
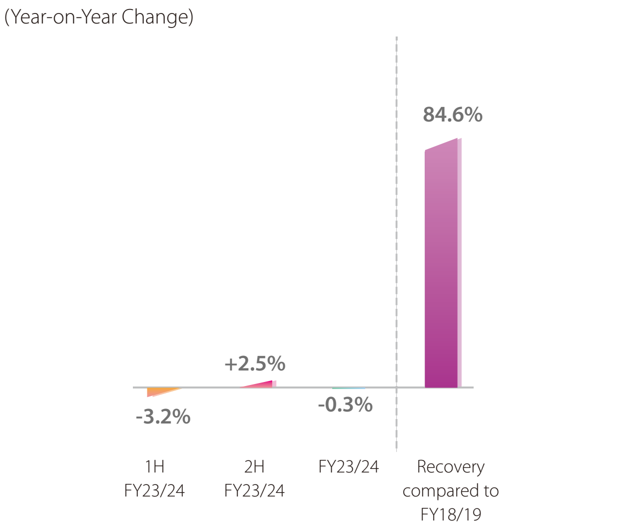


Chart 19: Offline Sales Performance*^



* In local currency ^ refer to Malaysia only

Note: 1H: Apr – Sept; 2H: Oct – Mar

The Group's offline presence in Southeast Asia is through a network of 68 stores in Malaysia and one in Singapore. As part of the Group's ambitions for the Southeast Asia market, it re-entered the Singapore market with its first store in December 2023 adopting an asset-light approach aimed at achieving quicker returns on investment and enhanced operational efficiency by managing out of the Group's regional office in Kuala Lumpur, Malaysia.

Overcoming cost-of-living crisis in Malaysia delivering +6.1% SSG and +2.5% overall sales growth in 2H boding well for the new financial year

Affected by the cost-of-living crisis in Malaysia, Offline Sales in Southeast Asia essentially stayed flat at HK$287.4 million for the Financial Year, while SSG came back strongly in the second half growing 6.1% and contributing to a full year SSG of 2.5%. The negative currency impact from FX headwinds stripped 0.3% of the region's contribution to the Group's Offline Sales on consolidation. Offline Sales in Malaysia has now recovered to 84.6% of pre-pandemic levels.

Investing in brands and collaborating with brand partners to deliver innovative consumer engagement programmes

The business unit actively embraced the Group's brand-building ethos by engaging in collaborations with brand partners. Key initiatives during the Financial Year included the introduction of a Dr.G shop-in-shop concept. And, fragrance launch events for Mercedes Benz and TOUS at prominent malls. Major out-of-store sampling programme were held for the Eoyunggam and Cell Fusion C skincare brands, and innovative initiatives such as the Dr.G Hydra Travel Aqua Kit Vending Machine and the Sa Sa TikTok Shop Launch, further highlighted the Group's commitment to engaging customers and exploring new channels.

Online Sales – Southeast Asia

Our online presence in the region is mainly through two third-party platforms, Shopee and Lazada, reaching Singapore, Malaysia, the Philippines and Thailand. The Group had been consistently ranked number one on both platforms in Singapore and Malaysia among cross-border merchants in the beauty and health category. During the Financial Year, the Group launched in Thailand via Shopee and also added Zalora in Singapore. Total online sales in Southeast Asia amounted to HK$78.4 million for the Financial Year growing at 8.9%.

4. Other Jurisdictions

The Group's online sales in markets outside Hong Kong, Macau, Mainland China, and Southeast Asia are conducted via online third-party channels and an international website, and are currently at an exploratory stage.

Future Outlook

Sustainable profits and long-term growth

The Group focuses on achieving sustainable profit particularly given the macroeconomic uncertainties leading to increased cost of living in the region and challenges to the retail operating environment.

The Group remains steadfast on initiatives to improve operational efficiency including acceleration of digitalisation, optimising people structures and processes, and strictly adopting zero-based budgeting. The implementation of operational digitalisation measures has led to a substantial improvement in store performance across regions. These initiatives enhance the Group's competitiveness and resilience, and ability to be sustainable during unexpected headwinds. This operating and financial discipline not only significantly lowered the breakeven point, but on the upside enables the Group to earn higher margin with sales growth.

The Group will look to continue to drive margin growth across all retail channels though its portfolio of exclusive brands. The Group will invest in building its exclusive brands to support this strategy.

The Group will also look at raising return on investment and reducing working capital invested mainly through the management of inventory, by reducing inventory turnover days and reducing the need for discounts to deplete inventory.

Given the weighting of sales to Mainland China consumers either directly in their home market or indirectly through tourism, the state of the China economy, disposable incomes and propensity to spend have a significant impact on the Group's performance. Mainland China's GDP is forecast to be 5% for 2024, and as macroeconomic challenges ease, it is expected that the Group will benefit.

As at 31 March 2024, the Group's net cash (after deducting utilised bank borrowings) increased by HK$184.5 million to HK$457.8 million. With further unutilised banking facilities of approximately HK$267.4 million, the Group has adequate funding for its operating needs.

FY2024/25 Q1 Sales Data

For the first quarter from 1 April to 16 June 2024 ("the Post Year-end Period"), the Group's total turnover decreased by 9.5% compared to last financial year. Online and Offline Sales, as well as year-on-year changes of turnover of different regions are shown in the table below:

HK$ Million	Offline	Online	Turnover	Year-on-year change (%)	% of Group Turnover (%)
HK & Macau	$540.4	$38.3	$578.7	▼ 21.8%	71.3%
Mainland China	$24.2	$128.1	$152.3	▲ 83.9%	18.7%
Southeast Asia	$65.7	$14.0	$79.7	▲ 9.0%	9.8%
Others	–	$1.8	$1.8	▼ 11.9%	0.2%
Total	$630.3	$182.2	$812.5	▼ 9.5%	100.0%

In Hong Kong and Macau, the Group's recovery has been interrupted by continued northbound travel to Southern China during weekends and a long Easter holiday that stretched over 9 days where local residents either took short a trip to neighbouring Korea and Japan, or long-haul trips to Europe and afar. As the date of this report, Hong Kong SAR Government statistics disclosed that retail sales fell 14.7% in April 2024. Retail sales data for Macau for the Post Year-end Period and, for May 2024 in Hong Kong have not yet been released.

Ordinarily inbound travel would be able to more than cover the gap created by northbound travel. However, outbound travel for local Hong Kong residents during the 3-day Tuen Ng Festival between 8th and 10th June totalled 1.17 million, while inbound Mainland tourists during the same period totalled only 0.33 million. While there was a year-on-year marginal increase in inbound tourists of approximately 10% over the 3-day holiday, the consumption power was reduced, and the growth in local outbound travel has been much more pronounced with an increase of approximately 60%. Accordingly, the Group's sales in the core market of Hong Kong and Macau during the Post Year-end Period decreased 21.8% year-on-year to HK$578.7 million.

Tourist sales mix in Hong Kong and Macau during the Post Year-end Period was 46.9% compared with 48.4% during the Financial Year and 74% during the pre-pandemic period.

While northbound travel numbers appear to have settled down at current levels and has become part of the norm, inbound travel numbers is highly dependent on policy stance and visa approvals. Future growth in this market is dependent on an increase in tourist arrivals from Mainland China, and this is dependent upon government policy stance both in terms of tax-free spending per visit and multiple-entry visa's.

On a bright note, the Group's sales in Mainland China grew impressively by 83.9% to HK$152.3 million during the Post Year-end Period, continuing on from the second half of the financial year and driven by online channels. While the offline channel continues to be challenging, strong growth in online sales channels continued to drive total sales growth and is expected to continue on this trajectory. The Group is exploring further offline sales channels in this market to supplement its presence.

Sales performance for the Post Year-end Period has remained steady in Malaysia despite the continued cost of living challenges. However, following the Group's re-entry to Singapore and addition of four stores taking the total to five stores by May 2024, sales growth in Southeast Asia reached approximately 20% by June 2024 giving growth of 9.0% for the Post Year-end Period.

Incorporating the above performance across all markets, the Group minimised the impact in its core market of Hong Kong and Macau with total sales declining 9.5% year-on-year.

Hong Kong and Macau Strategy

Policy change to drive further tourism led sales growth

The Group's core markets remain Hong Kong and Macau serving both local residents and Mainland Chinese consumers through offline channels. While these economies have emerged from the pandemic, macroeconomic challenges and lifestyle changes have somewhat dragged back the recovery.

In a bid to invigorate the economy, Hong Kong SAR government is making efforts to attract large-scale business exhibitions to bolster tourist arrivals. Similarly, Macau SAR government is committed to securing 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. The Group anticipates these measures will contribute to a gradual improvement in consumption within the retail and tourism sectors.

The Group's tourist sales mix in Hong Kong and Macau during the Financial Year was 37.1% and 78.9%, respectively, or 48.4% on a combined basis. The conversion rate of inbound Mainland China tourist to paying consumer and the average transaction size has been relatively stable.

Mainland China tourist traffic is concentrated in core tourist areas of Tsimshatsui, Causeway Bay and Mongkok as well as cross-boundary travel hubs at West Kowloon. The Group currently has 26 stores (pre-pandemic period: 45 stores) in core tourist areas in Hong Kong and Macau.

The core barrier to increasing Mainland Chinese tourist sales is the ease of obtaining a visa for travel and the tax-free allowance per visit. Visitors from Mainland China are subject to a tax-free shopping allowance of RMB5,000 that has been unchanged for almost three-decades. Strict adoption of this policy has essentially set a cap on average basket size.

Under the Individual Travel Scheme ("ITS") in Mainland China, permanent residents of certain cities in Mainland China are able to arrange their own visits to Hong Kong and Macau on application of a permit for a maximum stay of seven nights a time and two visits per year, while residents of cities outside the scheme must join a guided tour. ITS covers 51 cities including all 21 cities in Guangdong province and first tier cities such as Beijing and Shanghai. The addition of Xi'an and Qingdao to the ITS in March 2024 and a further 8 cities in May 2024 was much welcomed, however, these cities are not connected to Hong Kong via high-speed rail and may somewhat limit the travel numbers. Following the relaxation of visa requirements for Mainland Chinese to Singapore, Malaysia and Thailand, from February 2024, these destinations have jumped in popularity.

There has been strong lobbying by both Hong Kong SAR government and retailers for both policies to be reviewed. Further policy changes that would be commensurate with the times both in terms of tax-free spending allowance and visa free travel, would provide upside to tourist spending in Hong Kong and Macau. As the Mainland Chinese economy recovers and consumer spending power increases, it could provide further upside to conversion and average transaction size.

The Group has and will continue to adopt agile management practices including extending store opening hours, refreshing the product mix, flexibly adjusting frontline staff deployment and inventory to cope with sudden increases in demand from tourism. The Group maintains oversight on the availability of prime locations in core tourist areas and will consider new stores subject to an observed increase in tourist numbers.

Serving local community with greater accessibility to physical stores

The Group is actively looking at gaps in local areas to better serve local consumers and that supplements our existing coverage, contingent upon the availability of reasonable rental rates. Post year-end, the Group has already signed two new leases. The Group has a high agility to increase both its store network and inventory levels to meet the demand from inbound tourism with relatively short lead time. Accordingly, store portfolio expansion will occur gradually in line with the recovery in tourist numbers. The ability to manage inventory levels up and down to meet fluctuations in demand across the Group's portfolio of over 10,000 SKUs is one of its key competitive advantages. Retail rent remains probably the largest bottleneck to a vibrant retail scene in Hong Kong and the largest store expense. The Group is negotiating to reduce the ratio of rent to revenue for all renewals and leases.

In order for Hong Kong retail to be competitive in the region, particularly in light of new competition from across the boundary in the GBA, rental rates must come down. In recent months several notable retail brands have closed up shop. The message, although slow, appears to be getting through to both government and landlords as the Group sees landlords easing their stance on lease negotiations or having to face vacancies.

Concerted efforts among government, retailers, property owners, transport and industry at large will be needed to position Hong Kong for the future and increase its competitiveness in the region.

Growing inner beauty and beauty equipment categories to drive increase in average transaction size

Firstly, post pandemic consumers are much more health conscious and more likely to invest in a healthy lifestyle. Inner beauty fits into this trend. The Group has increased this category portfolio and carried 118 and 647 inner beauty brands and SKUs respectively as at 31 March 2024 (2023: 107 and 572).

Secondly, the Group has a right-to-win in beauty equipment. It provides a natural conversation for the Group's beauty consultants to recommend beauty equipment that is complimentary to the Group's skincare range. Customers can get the best out of skin care products by using the equipment and achieve beauty salon at home treatment. This also taps into current lifestyle changes with consumers choosing to stay at home.

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.

Embracing OMO by leveraging the Group's portfolio of well-placed stores while achieving ESG objectives and lowering carbon footprint in last mile delivery

Fostering the development of OMO is embedded within the Group's strategy. The Group will continue to promote and leverage the popularity of BOPIS, engage consumers with related promotions and build a holistic shopping experience. As far as BOPIS is concerned, the Group has innovated new packaging that will significantly reduce both the Group's carbon footprint and the size of packaging for pick-up in the store. In so doing, it will reduce the in-store space required to hold these packages and increase the capacity to provide this service. The Group will also continue to provide industry-leading training to frontline professional beauty consultants, strengthening the Group's competitive edge.

Revamping CRM technology and stepping up personalised member engagement

The Group has established a project team to enhance its Customer Relationship Management ("CRM") by integrating member pools from online and offline channels in Hong Kong and Macau 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 the Group 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, the Group seeks to leverage to increase member activity and raise customer lifetime value. This is expected to be in place by the second half of the coming financial year.

Leveraging livestreaming to drive online sales of exclusive brand portfolio

The focus of the Group's online business has been 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.

To cater for the trend of livestreaming in the region that tends to attract younger consumers, and following successful exploration the Financial Year, the Group will look to scale sales contribution of exclusive brands via this channel in the coming year.

Mainland China Strategy

Mainland China remains a core focus of the Group's long-term growth strategy. However, economic conditions remain challenging and despite forecast GDP of 5% for 2024, the outlook is varied for different industries. The Group is closely monitoring the market conditions to align its strategy and will manage its inventory in the region to enhance efficiencies and retain cashflow in the meantime.

Tapping into consumer trend with exclusive product portfolio and leveraging cross-border e-commerce to offer wider product range

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 where it has the right to win, is able to build brand loyalty and can avoid direct price competition. This also leverages on the willingness of consumers to trial lesser-known brands that contain the sought after ingredients, deliver the required functionality and offer value-for-money.

To achieve this, the Group will invest in strengthening promotion on popular social media platforms and digital channels, enhancing brand image, and highlighting product features, collaborating with influencers to promote and increase brand awareness, and credibility among target consumers.

The integration of online and offline in the retail industry is accelerating, which presents opportunities. The Group focuses on advancing its OMO strategy integrating online platforms with the retail network to provide customers with an enhanced and seamless shopping experience. Given the product registration requirements in Mainland China, the ability to provide an extended 'aisle' and product range for shoppers in the Group's physical stores via the Group's cross-boundary WeChat ministore is an advantage. Accordingly, the Group will increase awareness of the Group's online channels in store, allow customers to browse product availability and order directly online with or without the assistance of the Group's in-store beauty consultants.

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 outside of the physical store setting. With the return of and gradual increase in Mainland tourists visiting Hong Kong and Macau, the Group is seeking to connect with these customers after they return to Mainland China to enable them to shop and purchase online.

Online led growth in competitive e-commerce marketplace

The Group made a breakthrough during the past financial year growing topline sales in Mainland China significantly despite tough market conditions. This growth was enabled by the Group's product sourcing ability and the reputation it has garnered over 46 years for authentic and quality products. The Group anticipates further growth in the coming year, riding on this capability and reputation.

The Group sees significant growth opportunities in online channels, particularly in respect of live-commerce and in Mainland China. The Group will focus on exploring these along with other distribution opportunities this coming year.

Southeast Asia Strategy

In addition to the one store opened in Singapore in December 2023, the Group opened four further stores in the first quarter of financial year 2024/25 taking the total to five stores, making its physical presence more apparent and complementing its online presence in the region. These stores will contribute almost a full year's performance to the financial year 2024/25. This is part of the Group's ambitions to diversify sales channels and grow in Southeast Asia in the longer term.

With offline operations in Malaysia improving and stabilising over the second half of last year, the Group is actively exploring opportunities for new store openings to enrich its store portfolio and fuel further growth.

The Malaysian economy has been grappling with certain macroeconomic challenges, notably a weakened Malaysia Ringgit. Consequently, Malaysian households have experienced a decrease in purchasing power due to higher monthly loan repayments, while a larger proportion of consumer spend has been taken-up by increased expenditures on transportation, housing, and utilities.

A major hurdle for the local economy is the escalating cost of living for consumers. To remain relevant, the Group will introduce new products and promotions to adapt to evolving market conditions and consumer preferences. Fragrance and make-up stand out as robust categories in Malaysia, prompting the Group to enhance its brand and product range in the upcoming financial year, particularly to bolster its exclusive brand collection in this market.

Looking ahead to the new financial year, the Group will maintain its focus on Shopee and Lazada online marketplaces to boost its revenue. Although the Group leads the market among cross-border merchants in the beauty and health sector in Singapore and Malaysia, there is still untapped potential in the Philippines, Thailand and the rest of Southeast Asia. Third-party platforms offer a significant advantage by driving traffic, capitalising on their popularity and reputation to maximise market exposure and broaden the customer base.

Despite intense price competition online, the Group aims to differentiate itself by enhancing service levels, offering personalised product selections through CRM, and strengthening brand relationships by cultivating a portfolio of exclusive brands and distinctive product offerings.

Other Jurisdictions Strategy

The Group leverages existing infrastructure and collaboration mainly with third-party e-commerce platforms to reach North America, Australia and New Zealand. The 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.

Human Resources

As at 31 March 2024, the Group had approximately 2,700 employees. The Group's staff costs for the year under review were HK$689.6 million. Details on the Group's human resources initiatives, training and development will be set out in the environmental, social and governance report and the enterprise risk management report sections of the annual report for the year ended 31 March 2024.

Financial Review

Capital Resources and Liquidity

As at 31 March 2024, the Group's total equity amounted to HK$1,252.1 million including reserves of HK$941.8 million. The Group continued to maintain a strong financial position with working capital of HK$569.0 million that included net cash and bank balances of HK$457.8 million, while unutilised banking facilities were approximately HK$267.4 million giving total accessible funds of HK$725.2 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and the continued availability of the Group's banking 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 year, the majority of the Group's cash and bank balances were in Hong Kong dollar, United States dollar, Malaysian Ringgit, Renminbi 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 31 March 2024 were HK$1,252.1 million, representing a 20.3% 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 zero as at 31 March 2024 (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, United States 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-United States dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Property, plant and equipment

Capital expenditure was HK$73.3 million (2023: HK$58.6 million), mainly for store upgrades to latest design and to upgrade the Group's tech stack. Management will continue to devote resources to strengthen our store image, improve consumer experience and raise operational efficiency.

Inventories

Group inventories were HK$705.3 million (2023: HK$669.5 million) while stock turnover days reduced by 16 days to 100 days through tightened inventory management practices.

Charge on Group Assets

As at 31 March 2024, land and buildings with carrying value amounting to HK$94.4 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 31 March 2024.

Capital Commitments

As at 31 March 2024, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$11.9 million.