Sa Sa Announces Annual Results for FY2023/24

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Sa Sa Resumes Dividend Payment after Pandemic, with a Final Dividend of 5.0 HK Cents per Share, Representing a High Payout Ratio of ~70%

Profit for the Year Increased by HK$160.6 million to HK$218.9 million

Performance Highlight

- The return of Mainland tourists drove an increase in the Group's turnover by 24.8% to HK$4,367.5 million, with offline sales in Hong Kong and Macau increasing by 35.1% to HK$3,207.3 million.

- The Group made tangible progress in online sales growth in Mainland China in the second half of the financial year growing 74.5%.

- The Group's gross profit and gross profit margin increased year-on-year by 27.3% and 0.8 percentage points to HK$1,783.4 million and 40.8%, respectively, with offline retail gross margin increasing 1.5 percentage points to 45.2%.

- Profit before tax for the year was HK$266.7 million, a respectable turnaround of HK$281.1 million compared to loss before tax of HK$14.4 million last year, driven by effective cost and expenses management. Profit for the year was HK$218.9 million (2023: HK$58.2 million after adjusting one-off tax credit of HK$80.6 million).

- Basic earnings per share amounted to 7.1 HK cents (2023: 1.9 HK cents).

- Given the Group has returned operations to a solid footing and profitability, the Board proposed to pay a final dividend for the year of 5.0 HK 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.

- During the year, the Group opened eight stores including one in Singapore following re-entry to that market. Post year-end, the Group opened a further four stores in Singapore taking the total to five stores.

(20 June 2024 - HONG KONG) - **Sa Sa International Holdings Limited** ("Sa Sa" or the "Group", stock code: 0178) announced its annual results for the year ended 31 March 2024 (the "Financial Year" or the "Year").

During the Financial Year, the Group's turnover grew by 24.8% to HK$4,367.5 million, largely benefitting from the return of tourism after the re-opening of boundaries. In addition, the Group enhanced the operational efficiency and increased the loyalty of Sa Sa's VIP members through industry leading quality services and attractive product portfolio that catered to consumer preferences. As a result, Profit for the year grew significantly by HK$160.6 million to HK$218.9 million in spite of the challenging business environment. During the Financial Year, the Group's net cash balance increased to HK$457.8 million, together with available loan facilities of approximately HK$267.4 million, with total accessible funds of HK$725.2 million, which is sufficient to meet operating needs. The Group operated a total of 183 retail outlets across all regions as at 31 March 2024.

The Group's gross profit for the Financial Year increased by 27.3% to HK$1,783.4 million and gross profit margin increased by 0.8 percentage points year-on-year to 40.8%, while offline retail gross profit margin increased by 1.5 percentage points to 45.2%, driven by an increase in sales and more importantly an increase in sales mix of exclusive brands as the Group's strategies take effect.

The Group's 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 of 5.0 HK cents per share for the Financial Year (2023: Nil), representing approximately 70% of the Profit for the year and anticipates maintaining a steady dividend policy going forwards.

Business Review

The **Hong Kong and Macau** markets are together the Group's largest region by turnover. During the Financial Year, the Group's turnover in its core markets of Hong Kong and Macau grew 31.4% to HK$3,409.7 million, of which Offline retail sales and wholesales ("Offline Sales") increased by 35.1% year-on-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 normalized and the overall growth rate stabilized. 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

The Group saw a ramp-up in interconnectedness of Hong Kong, Macau and the Greater Bay Area in terms of consumption, with local Hong Kong residents traveling north to experience the cultural life in the Greater Bay Area. This outbound trend is particularly prevalent during weekends and public holidays, and after February 2024 this trend 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 the Group's physical stores.

Focus on optimising the shopping experience, and serving local and VIP customers

The Group focused on cultivating its brand portfolio, investing in exclusive brands, strengthening the online-merge-offline ("OMO") integration and online business promotion, while also enhancing the quality of customer service through the Group's unique professional beauty consultants so as to increase customer loyalty and repeat purchase rates, thus minimizing the impact on sales caused by insufficient foot traffic in physical stores.

Local customers and VIP members are the foundation of the Group's sales in Hong Kong and Macau. In particular, the stickiness of local customers is one of the core reasons the Group can deliver same store sales growth and overall sales growth from less stores. 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 drive sales to the local customer base.

Online sales remains the primary growth driver in Mainland China

In the **Mainland China** market, 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%, leading to overall growth of 36.3% for the full year and driving up total sales in Mainland China by 9.7%. Online sales accounted for over 70% of its total sales in the region and the upward trend of the online business is expected to continue into next financial year.

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. This shift in consumer behaviour aligns well with Sa Sa's brand strategy of developing a portfolio of exclusive niche brands and filling the market gap. The Group increases Mainland Chinese consumers' loyalty through online channels, social media and live-streaming. As China's economy gets back on track, the Group believes its business and exclusive products will benefit further.

Malaysia's sales achieve trend-bucking growth

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 enhancing its operational efficiency, 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

The Group staged a comeback in the Singaporean market in December 2023, opening the Group's first store there, and added a further four new stores in the first quarter of the new financial year, complementing its 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 the Group's sales in the region. The Group will actively explore and develop other potential geographies in Southeast Asia such as the Philippines. It will also diversify its risk exposure by leveraging third-party high traffic platforms to expand its customer base and market reach.

Outlook and Strategies

Looking ahead, 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, the government's continuous support and implementation of favourable policies will be crucial to the retail industry's sustainable growth. The Hong Kong 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, alongside organizing more major events and exhibitions to attract visitors and stimulate consumption. The Group believes that the business environment is poised for improvement with a concerted effort by all stakeholders.

Mainland China remains a core focus of the Group's long-term growth strategy. Mainland China's economic conditions remain challenging and the Group is closely monitoring the market conditions to align its strategy to enhance efficiencies and retain cashflow. The Group will focus on exclusive brands and invest to increase the product assortment where it has the right to win so as to build brand loyalty and avoid direct price competition. The Group will also continue to strengthen its portfolio of exclusive brands, invest resources in developing the online business and launching high-quality, trendy live-streaming and online promotional content to enhance conversion to active membership and order placement.

Dr Simon Kwok, *SBS, JP,* Chairman and Chief Executive Officer of the Group, concluded, "We are halfway through calendar 2024 and the retail environment remains challenging. However, the Group believes that 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 standout amid the intensifying competition. Last but not least, the Group 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."

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