

For the year ended 31 March 2021

Annual Results

16 June 2021

Sa Sa International Holdings Limited

Stock Code: 178

Agenda

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Group's Financial Performance

FY2020/21 Annual Results Performance Highlights





Turnover	**HK$3,043.0M**	▼	**46.8%**
Gross profit	**HK$1,051.8M**	▼	**49.5%**
Gross profit margin	**34.6%**	▼	**1.8 p.p**

Loss for the year(2) **HK$351.4M** (LY Loss: HK$515.9M)

– Loss before Store Impairments^* **HK$301.6 M** (LY Loss: HK$204.6M)

Basic loss per share(2) **11.3 HK cents** (LY LPS: 16.7 HK cents)

– Basic loss per share before Store Impairments^* **9.7 HK cents** (LY LPS: 6.6 HK cents)

Remarks:

1. *All data in this presentation refer to continuing operations unless otherwise stated*
2. *Include discontinued operation*
3. *In view of the challenging and uncertain operating environment, the Board does not propose a final dividend for this reporting year in accordance with the Group's policy to pay dividends out of profits and for reasons of responsible risk management in the current operating environment*
4. *^Store Impairments refer to provision for impairment of retail store assets (include right-of-use assets and property, plant and equipment) of continuing operations made in accordance with the Hong Kong Accounting Standard 36*
5. **Exclude discontinued operation (Singapore market) and Store Impairments*

Group Geographical Sales Mix

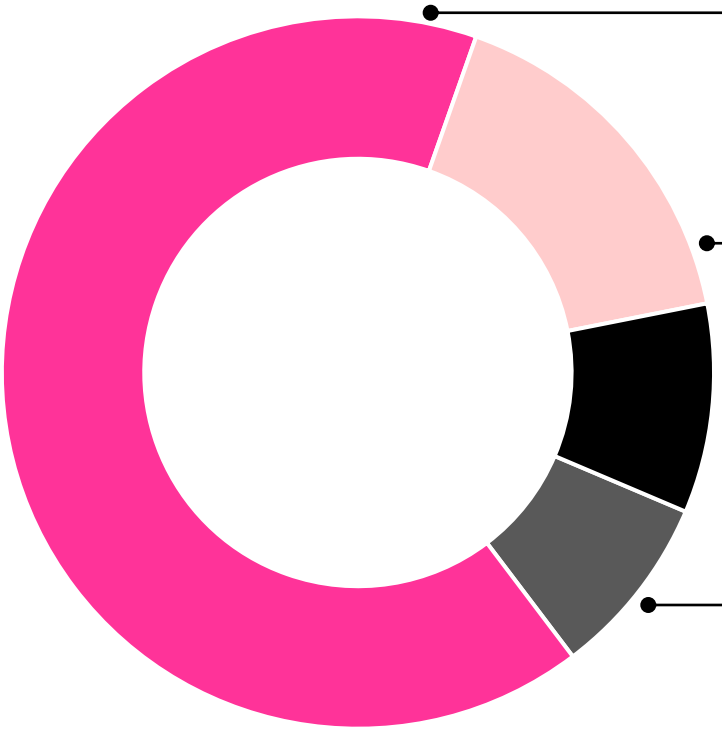
Total Turnover

HK$3,043.0M ▼46.8%

Compared to FY18/19：▼ 62.7%

No. of Retail Outlets

▼ 3^ to 232



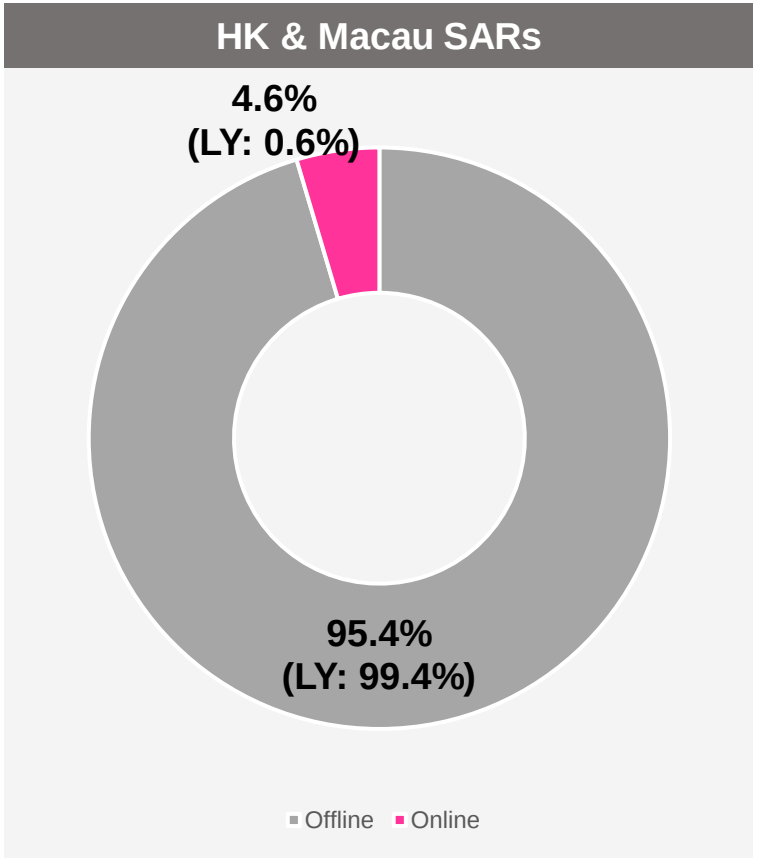
	Turnover (HK$M)	% to Group Turnover
HK & Macau SARs physical stores	1,999.8	*65.7% (LY: 82.9%)*
Online business	501.3	*16.5% (LY: 6.0%)*
Mainland China physical stores	289.9	*9.5% (LY: 4.3%)*
Malaysia	252.0	*8.3% (LY: 6.8%)*
Total	3,043.0	*100.0%*

Year ended 31 Mar 2021

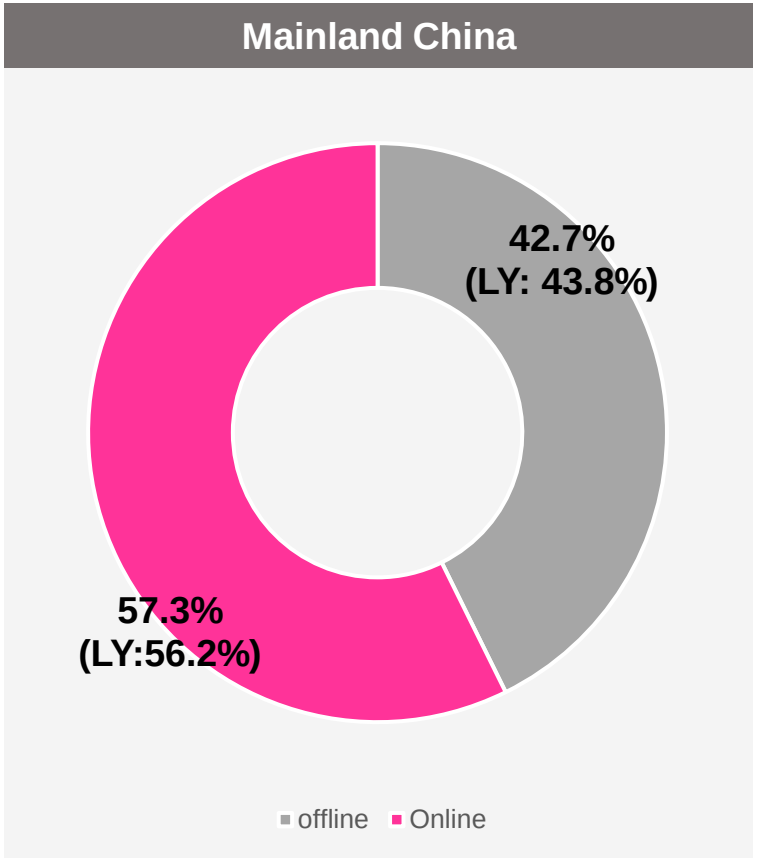
^YoY change

Online & Offline Sales Breakdown

HK & Macau SARs



Mainland China



In HK$, for the year ended 31 March 2021

Group's Retail Outlets

	As at 31 Mar 2021	YoY change
Hong Kong & Macau SARs	**100**	-12
Mainland China	**57**	+13
Malaysia	**75**	-4
Total	**232**	-3

Hong Kong & Macau SARs

	As at 31 Mar 2021	YoY change
Hong Kong SAR		
Tourist districts	**45**	-10
Non-tourist districts	**46**	-2
Total	**91**	-12
Macau SAR		
Tourist districts	**8**	No change
Non-tourist districts	**1**	No change
Total	**9**	No change

As at 31 Mar 2021	Number of expiring shop leases in Hong Kong SAR
FY21/22	**38**
FY22/23	**18**
FY23/24	**3**

Group Profitability Analysis

Year ended 31 Mar *(Loss) / Profit (HK$M)*	1H		2H		FY	
	2020	2021	2020	2021	2020	2021
HK & Macau SARs#	0.7	-192.5	-148.9	-104.0	-148.2	**-296.5**
Online business	-16.6	-2.6	-23.1	11.4	-39.7	**8.8**
Mainland China#	-12.6	-4.8	-21.1	-7.9	-33.7	**-12.7**
Malaysia#	9.0	-1.9	8.0	0.7	17.0	**-1.2**
Loss before Store Impairments* (Exclude discontinued operations and Store Impairments^)	-19.5	**-201.8**	-185.1	**-99.8**	-204.6	**-301.6**
YoY Change%	-933.8%		+46.1%		**-47.4%**	
Store Impairments^	-4.3	-46.1	-266.2	-11.6	-270.5	**-57.7**
Discontinued operations						
Singapore	-12.7	5.9	-28.1	2.0	-40.8	**7.9**
Loss for the Year (Include discontinued operations)	-36.5	**-242.0**	-479.4	**-109.4**	-515.9	**-351.4**

#Exclude Store Impairments
**Exclude discontinued operations and Store Impairments*
^Store Impairments refers to the provision for impairment of retail store assets (including right-of-use assets and property, plant and equipment) of continuing operations made in accordance with the Hong Kong Accounting Standard 36

Group's Financial Position: Net Cash, Zero Borrowings

Year ended 31 Mar (HK$M)	2020	2021	YoY Change
CAPEX	92.8	**57.4**	-35.4
Net cash used in operating activities* (Include payment for lease liabilities)	-125.9	**-79.8**	+46.1
Cash and bank balance	641.5	**526.4**	-115.1
Dividend cash payment in the year	265.8	**0**	-265.8
Accounts payable	219.2	**290.2**	+71.0
Accounts payable (days)			
• Full year basis	21 days	**53 days**	+32 days
• Based on purchase in Jan-Mar 2021	33 days	**52 days**	+19 days
Stock on hand	1,005.9	**766.1**	-239.8
Inventory turnover (days)			
• Full year basis	101 days	**140 days**	+39 days
• Based on purchase in Jan-Mar 2021	159 days	**137 days**	-22 days

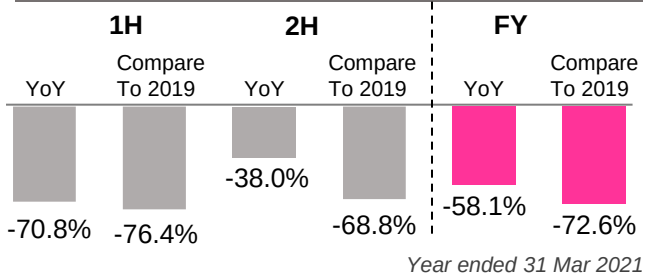
Remarks:
All data in this slide has included discontinued operations unless otherwise stated
**Including payment for lease liabilities. Lease payment was deducted in net cash used in operating activities before the adoption of HKFRS 16 "Leases", which was classified as cash used in financing activities after this adoption*



Business Review

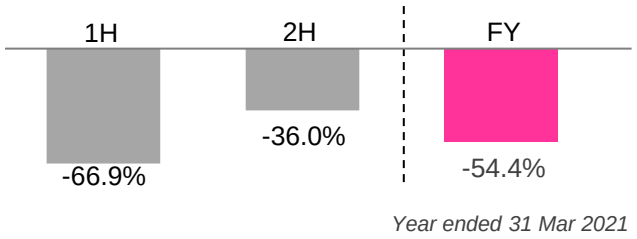
HK & Macau SARs: Contrasting Performance Due to Pandemic Management

Retail Sales Performance



Year ended 31 Mar 2021

Same Store Sales Performance

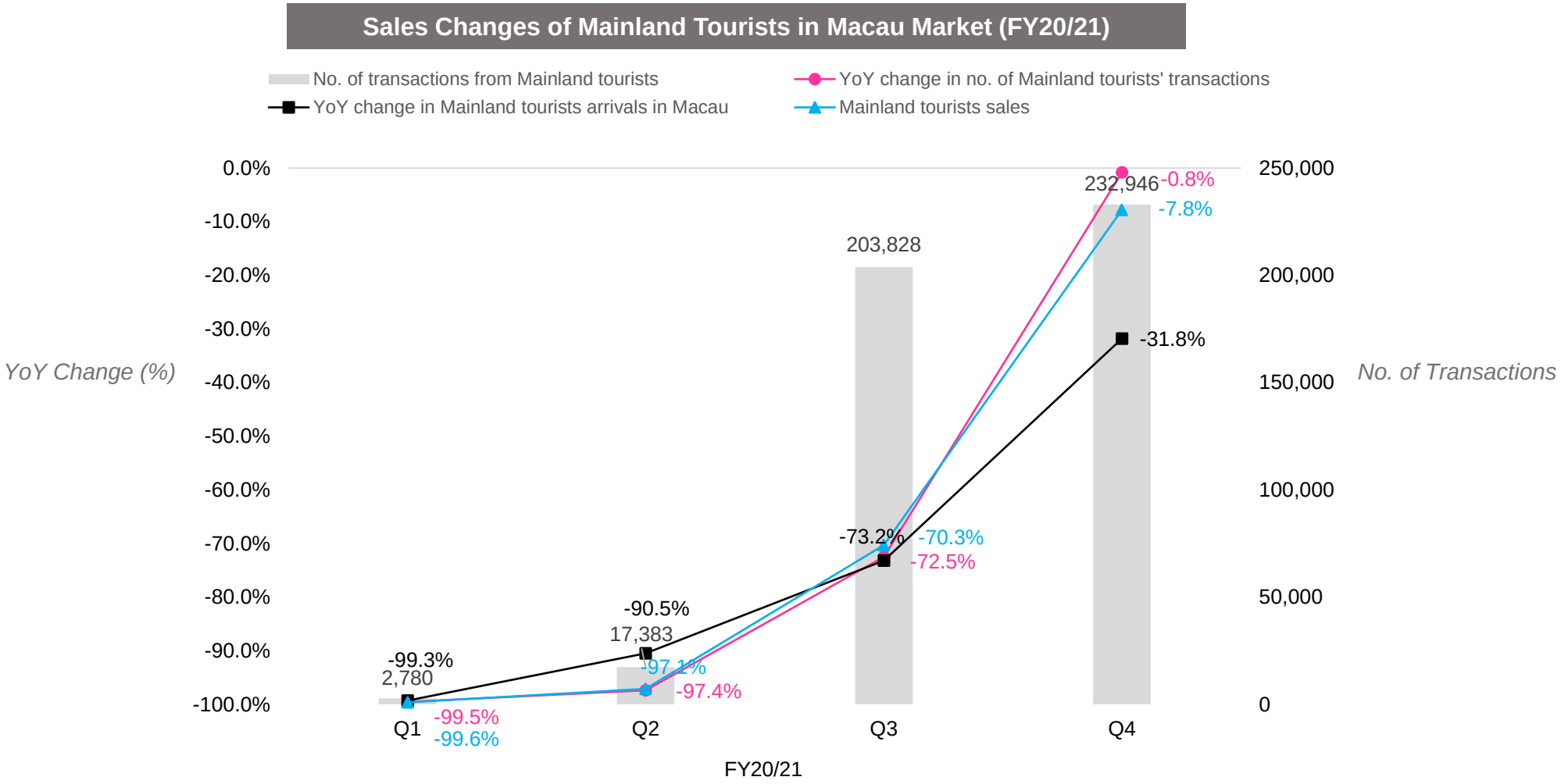


Year ended 31 Mar 2021

Year ended 31 Mar 2021	1H	2H	FY
Total no. of transactions (Million/YoY change %)	4.1 / -51.5%	4.4 / -29.3%	**8.5 / -42.1%**
- Mainland customers (YoY change%)	-98.0%	-73.9%	**-90.4%**
- Local customers (YoY change%)	-6.0%	-8.9%	**-7.5%**
Avg. ticket size (ASP) (HK$/YoY change%)	201 / -39.8%	251 / -12.4%	**227 / -27.7%**
- Mainland customers (YoY change%)	-11.3%	3.2%	**3.3%**
- Local customers (YoY change%)	-6.3%	10.0%	**1.6%**
Customer Mix (By sales value/volume)			
- Mainland customers	4.1% / 2.0%	21.8% / 10.8%	**14.2% / 6.6%**
- Local customers	94.1% / 96.1%	77.1% / 87.7%	**84.4% / 91.8%**

- Combined sales of HK & Macau SARs declined by 70.8% in the 1H, and narrowed to 38.0% in the 2H due to low base from Q4 LY and Macau's recovery in 2H
- HKSAR: year long weak performance dictated by closed border and persistence of social distancing measures
- Macau SAR: Benefit from government consumption vouchers and resumption of Individual Visit Scheme for Mainland Chinese visitors in late September
  - Sales decline substantially narrowed in 2H
  - Provided positive profit contribution to the Group
- Worst of the pandemic is likely over; vaccination programme underway and our cost control measures are now starting to see results. Efforts by HK & Macau SARs to boost local consumption is also coming our way

Macau SAR:
Recovery of Sa Sa's Transaction Volume of PRC Tourists is Faster than Arrivals in Macau

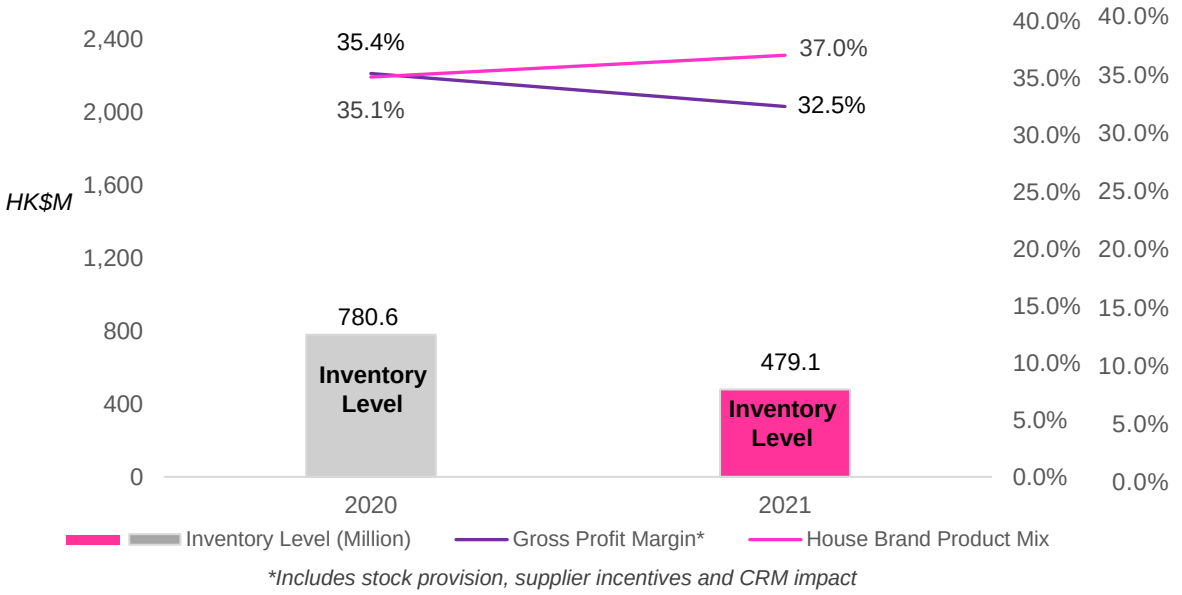


Year ended 31 Mar

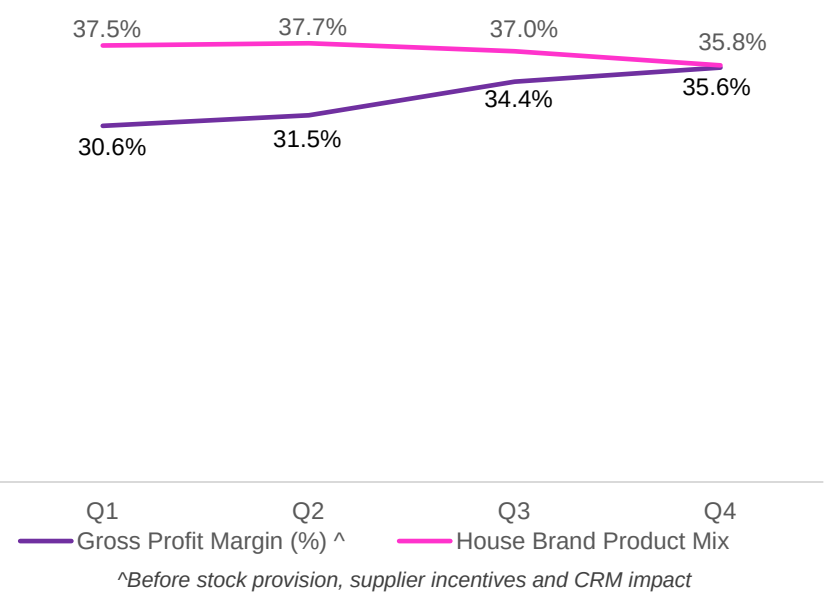
Source: Hong Kong Tourism Board; Direcção dos Serviços de Estatística e Census (DSEC) of Government of Macao Special Administrative Region

HK & Macau SARs: GP Margin Started Recovering in Q2

Gross Profit & Inventory Level
For the year ended 31 Mar 2021



**Includes stock provision, supplier incentives and CRM impact*



^Before stock provision, supplier incentives and CRM impact

- Q1 GP% seriously affected by discounting to drive inventory clearance in the midst of the pandemic
- Q2 GP% bottomed out and started recovering after inventory reached a reasonable level
- GP% steadily rose to 35.6% in Q4
- House brand mix weakened but was not the main cause for gross profit margin decline for the year

HK & Macau SARs: All-out Efforts on Cost Reduction

Cost Structure (Retail & Wholesale)						
Year ended 31 Mar (HK$M)	1H YoY Change	2H YoY Change	FY YoY Change	FY YoY Change (%)	FY 2021 Amount	FY *% of Sales*
Shop rental	-218.0	-161.3	**-379.3**	**-49.0%**	**395.4**	**19.8%**
Front line staff costs	-157.8	-74.9	**-232.7**	**-43.4%**	**303.3**	**15.2%**
■ *Fixed*	*-68.8*	*-44.6*	***-113.4***	***-33.5%***	***225.5***	***11.3%***
■ *Variable*	*-89.0*	*-30.3*	***-119.3***	***-60.5%***	***77.8***	***3.9%***
Back office staff costs	-28.0	-22.9	**-50.9**	**-30.4%**	**116.3**	**5.8%**
Warehouse & Logistic costs	-35.4	-11.6	**-47.0**	**-27.7%**	**122.9**	**6.1%**
A&P	-21.6	-10.0	**-31.6**	**-62.8%**	**18.8**	**0.9%**
Shop depreciation	-9.6	-13.6	**-23.2**	**-38.2%**	**37.4**	**1.9%**
Government subsidies*	+77.5	+36.4	**+113.9**	**+100.0%**	**113.9**	**5.7%**
Gross profit	-816.4	-214.5	**-1,030.9**	**-61.4%**	**649.2**	**32.5%**
Loss (Before store impairments)	+193.2	-45.0	**+148.2**	**+100.1%**	**-296.5**	**-14.8%**
Loss (After store impairments)	+235.3	-295.9	**-60.6**	**-14.7%**	**-352.9**	**-17.6%**

**Include "Employment Support Scheme" and other forms of government subsidies*

- Rental cost (inclusive of $140.9 million store impairment reversal) reduced by $379.3 million (49.0%)
  - Net closure of 12 stores
  - Expect to close 15-20 stores in FY21/22
  - Online business (including O2O operations) will reduce reliance on physical stores, facilitating the drive towards a lower breakeven point
- Internal measures reduced staff costs by $283.6 million (40.3%)
- Losses narrowed in 2H year on year as well as against 1H. This is despite less government subsidies

HK & Macau SARs: Rental Cost Reduction In Progress

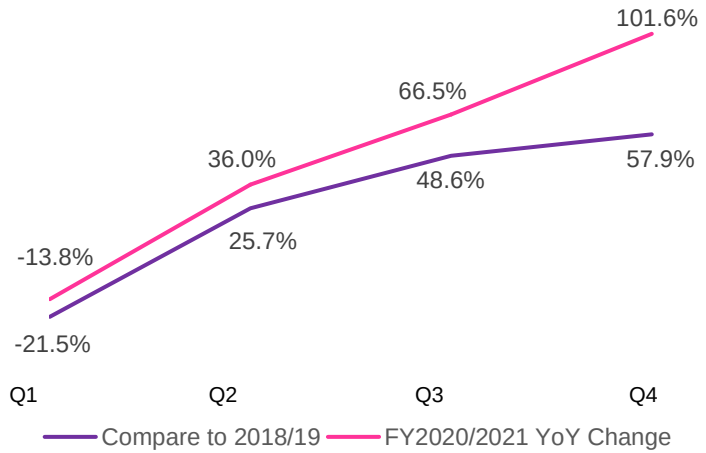
	YoY Reduction *(HK$M)*
Net store closure (FY19/20 and FY20/21)	120.1
Rental reduction upon contract renewal	51.6
Temporary rental concessions	45.7
Reduced turnover rent due to sales decline	13.6
Others	7.4
Actual rental savings in FY	**238.4 (-30.7%)**
(Reversal of) provision for impairment of retail store assets	140.9
Total	**379.3 (-49.0%)**

Monthly Rental Costs			
HK$M	**Mar 2019**	**Mar 2020**	**Mar 2021**
Before rental concessions	69.4	61.2	48.4
After rental concessions	69.4	46.3	40.6

Online Business: Significant Improvement

For the year ended 31 March (HKD million)	1H		2H		FY		YoY Change
	2020	2021	2020	2021	2020	2021	
Total sales	170.0	186.1	174.7	315.2	344.7	**501.3**	**+45.4%**
Recurring profits/ (losses)	-15.4	-6.7	-12.4	7.9	-27.8	**1.2**	**+104.2%**
(Reversal of) Non-recurring costs and provision	1.2	-4.1	10.7	-3.5	11.9	**-7.6**	**-163.8%**
Total operating profits / (losses)	-16.6	-2.6	-23.1	11.4	-39.7	**8.8**	**+122.2%**

Overall Sales (% change)
For the year ended 31 March 2021

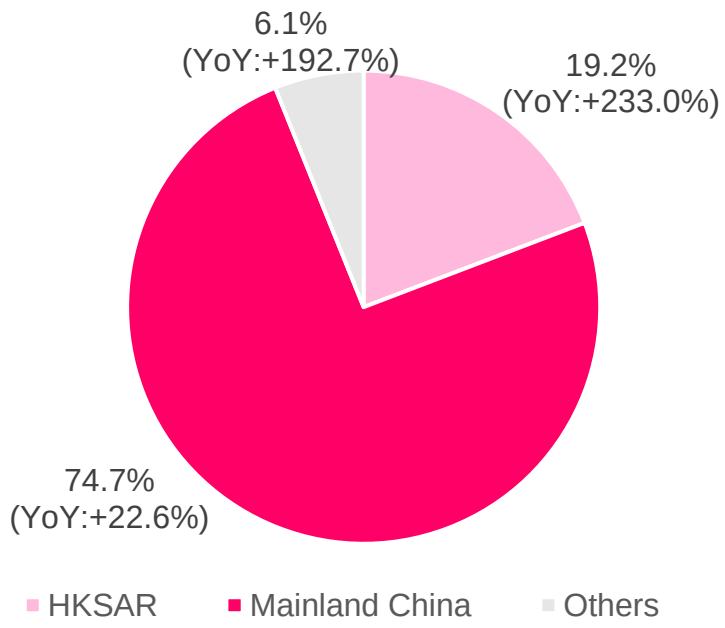


- Sales growth picked up in Q2, reaching 101.6% in Q4
  - Logistics disruptions at the start of the pandemic created a low base in Q4 last year
- Solid sales growth of 45.4% over LY and 27.9% against FY2018/19
- Online sales mix increased from 6.0% to 16.5% of Group's turnover
- 2H profit turned whole year into profits; HK$1.2M and HK$8.8M before and after non-recurrent reversal of provisions

Online Business by Segments

For the year ended 31 March	% of Online Business Sales 2020	% of Online Business Sales 2021	Sales YoY Change
Sales			**+45.4%**
Third-party platforms	*69.6%*	***71.2%***	***+48.8%***
O2O	*1.8%*	***18.4%***	***+1,374.3%***
Own Channels	*28.6%*	***10.4%***	***-47.1%***

Geographical Distribution of Sales



- O2O sales jumped by almost 14 times, sales mix increased from 1.8% to 18.4%
  - Started in the Mainland in Oct 2019, further extended to HKSAR in May 2020
  - Higher margin than other online channels; higher GP% due to personal interaction as well as savings on platform fees
- Third-party platforms sales up 48.8%.
  - Sales growth accelerated in 2H partly driven by “Double 11” and “Double 12”
  - Also launched at Lazada to further target Southeast Asia markets
- Own channel sales in Mainland China reduced by 47.1% due to closure of own website which have poor cost efficiency. Customers have been redirected to our WeChat mini-programme
- Our largest market Mainland China grew at 42.7% and 84.1% in Q3 and Q4 respectively, taking up 74.7% of full year online sales

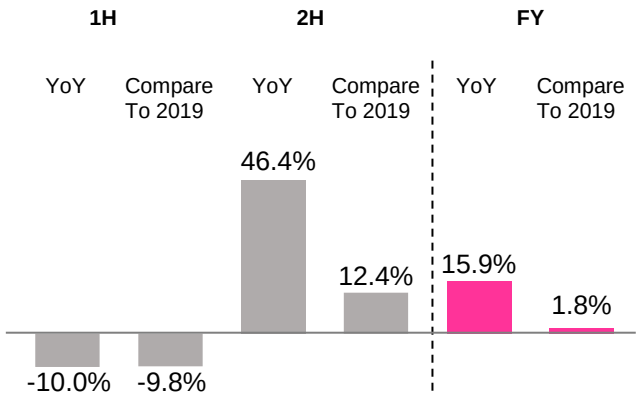
Mainland China: New Store Opening Drive Resumes in 2H

Average Number of Stores*

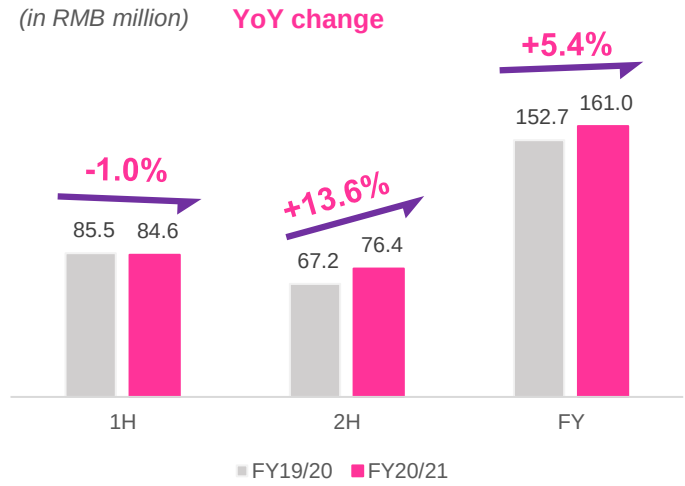
	1H	2H	FY
FY20/21	45	53	49
FY19/20	-5	+6	0

Year ended 31 Mar

Retail Sales Performance



Same Store Sales



- Consumption bounced back strongly in 2H after pandemic brought under control, our sales increased by 46.4% against LY and by 12.4% against FY18/19
- Opened 17 new stores during the year
  - 7 located in Southern China, another 5 located in Western China, mainly in Chongqing and Chengdu
  - New stores opened in key city clusters for operating efficiency and cost effectiveness
- Product procurement team restructure successful: product competitiveness enhancement boosted customers spending

**Average no. of stores during the stated period*

Mainland China

For the year ended 31 March (RMB Million)	1H			2H			FY		
	2020	2021	YoY Change	2020	2021	YoY Change	2020	2021	YoY Change
Retail Sales	117.7	106.0	-11.7	99.9	146.2	+46.3	217.6	**252.2**	**+34.6**
Store level profits	11.1	8.8	-2.3	10.0	8.1	-1.9	21.1	**16.9**	**-4.2**
Office overheads	16.0	16.6	+0.6	15.6	19.8	+4.2	31.6	**36.5**	**+4.9**
Logistic costs	5.2	4.7	-0.5	4.3	5.3	+1.0	9.5	**10.0**	**+0.5**
Additional / (reversal) of stock provision	0.4	-2.7	-3.1	3.9	-3.1	-7.0	4.3	**-5.8**	**-10.1**
Recurring profit / (losses)	-10.5	-9.8	+0.7	-13.8	-14.0	-0.2	-24.3	**-23.8**	**+0.5**
(Reversal of) / Non-recurring costs and provision	1.0	-5.5	-6.5	9.0	-7.3	-16.3	10.0	**-12.8**	**-22.8**
Total operating profit / (losses)	-11.5	-4.3	+7.2	-22.8	-6.7	+16.1	-34.3	**-11.0**	**+23.3**

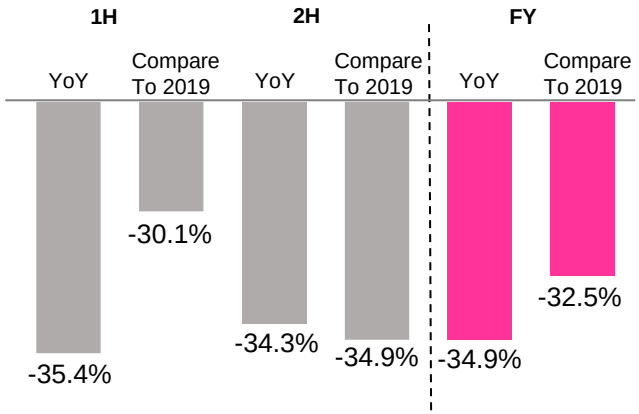
- Total loss narrowed to RMB11.0 million
- Recurring loss slightly reduced to RMB23.8 million
- Store level profits reduced RMB4.2 million YoY

Malaysia: Effective Cost Management Measures Mitigated Loss

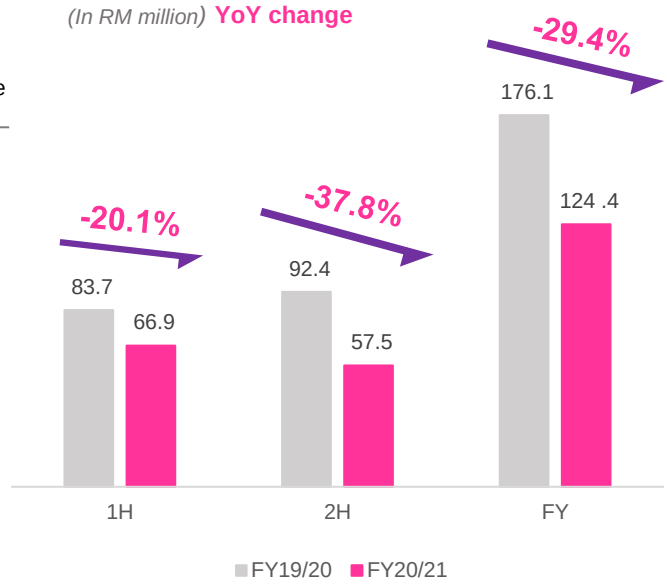
Average Number of Stores*

	1H	2H	FY
FY20/21	79	77	78
FY19/20	-2	-3	-3

Retail Sales Performance



Same Store Sales



For the year ended 31 March

- Stores were closed on or off for nearly 100 days cumulatively under several movement control orders
- Undertook aggressive cost reduction exercises during the year
  - Involving rental concessions, manpower adjustments and postponing shop renovations
  - Store and office expenses reduced by around 30% YoY
- Launched online home delivery service in March 2020 and collaborated with 7 online platforms

**Average no. of stores during the stated period*

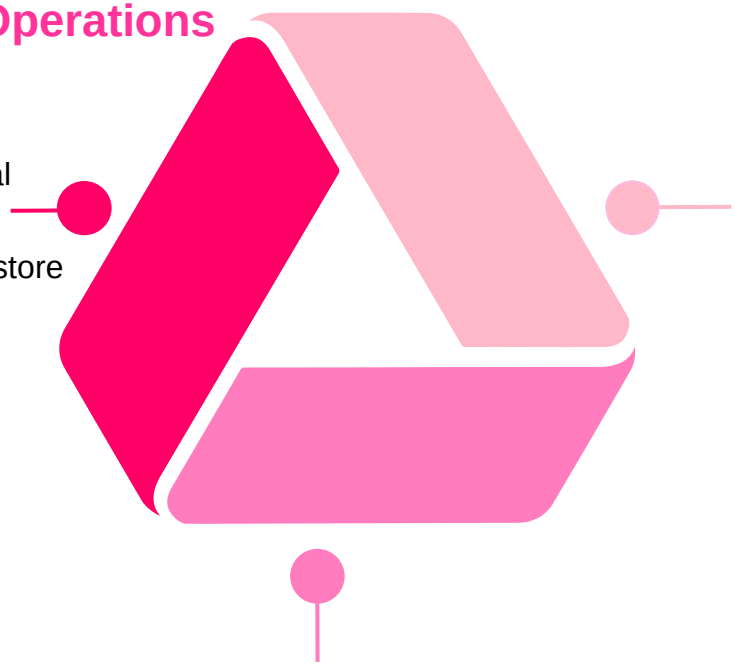


Outlook And Future Plans

Long-term Goal: To Increase the Sales Mix Outside Hong Kong & Macau to over 50%

Role of Physical stores: Complementary to Online Operations

- Provide additional in-store services to enhance customer experience
- Add to appeal and uniqueness of physical stores
- Attract traffic and lengthen time spent in store



Role of Online Touchpoints

- Attract new customers who have shifted to online shopping
- Provide online convenience to existing physical store customers
- Provide seamless O2O customer experience through online and offline integration

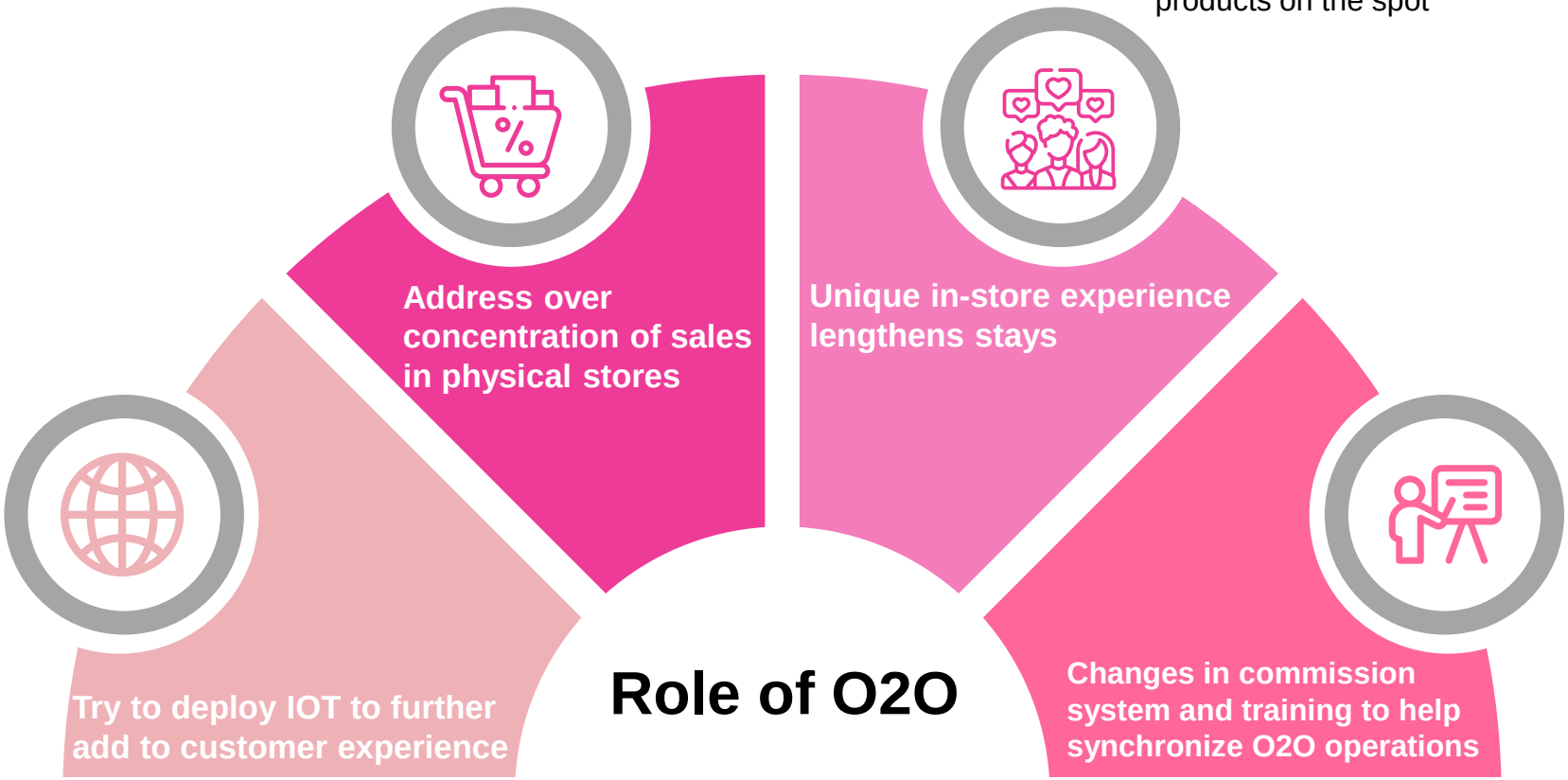
Tap Huge potential in Mainland China

- It's post pandemic economic recovery stands out in the world
- Expand physical store network
- Capture more online business opportunities

HK & Macau SARs: Realise Online and Offline Synergies

- Supports further closure of excessive physical stores especially in tourist locations
- Reduces high fixed rental costs to lower breakeven point
- Increase basket size by “Click and collect”
- Increase sales through online and offline promotions

- Try out beauty treatments and healthcare products on the spot



Online Business on a Fast Growth Trajectory



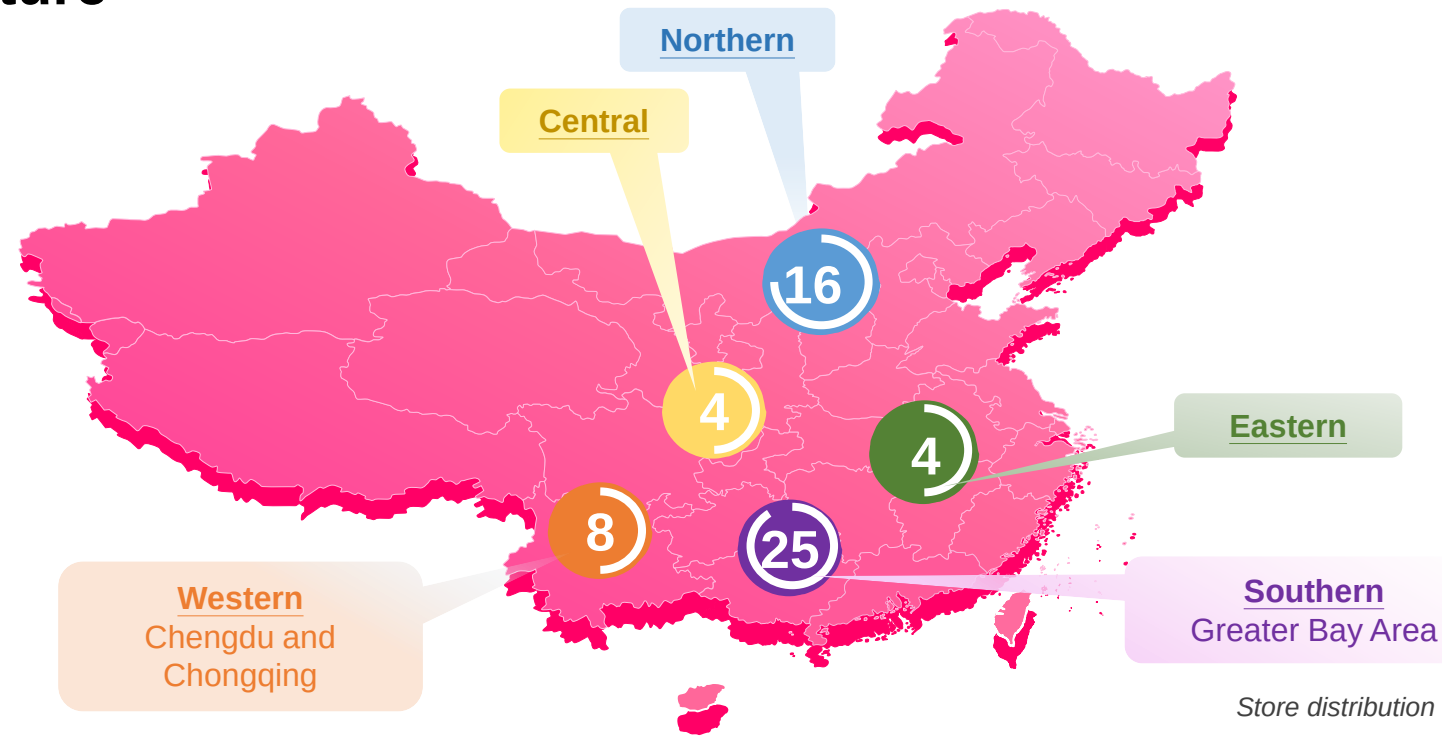
Third-party platforms remain one of the core focus

- 3rd party platforms will increase market penetration and broaden customer base
- Will continue to seek new platforms to explore cooperation

Centralise customer database would benefit the collaboration of online and offline businesses

- Physical stores will help engage with more Mainland visitors when border reopens in HKSAR
- Will improve customer loyalty and repurchase rate

Mainland China: Main Growth Driver (on/offline) for the Group in the Future



Store distribution as of 31 March 2021

Speed up new store openings

- More reasonable rent after pandemic
- Focus on expanding in core regions and city clusters, especially Greater Bay Area
- Continuously enhance store management and operating efficiency

Enhance product portfolio

- Introduce more trendy new products to cater to consumer demand
- Deepen collaboration with local suppliers and enlist cooperation with new ones

Malaysia: Remain Cautious Amid the Pandemic

Optimise existing store network

- Focus on improving efficiency of existing stores
- Closely monitor market trends to adjust product mix
- Promotional collaboration with other parties to attract customers and stimulate sales



Further expansion of online platforms

- Engage new social media platforms to recruit young customers
- Enhance delivery services to facilitate customers who shop from home





Appendix

Appendix 1: FY2021/22 Q1 Performance

(QTD: 1 April – 9 June 2021)
(Continuing operations)

In local currencies	YoY Change (%)	
	Retail Sales	**Same Store Sales**
HK & Macau SARs	53.5%	56.3%
Mainland China	30.7%	6.7%
• *Exclude CRM impact*	*40.1%*	*13.9%*
Malaysia	3.5%	N/A
Online Business	131.2%	
Group turnover	55.1%	

Appendix 2a: HK & Macau SARs – Rental Condition

	No. of stores
Total no. (As of 31 Mar 21)	100
New leases (1 Apr 20 – 31 Mar 21)	2
Renewal during FY20/21 (1 Apr 20 – 31 Mar 21)	24 (Rental change：-39.8%^)

^If the 17 leases with pre-determined increment are included, the rental change was -15.0% as of 31 Mar 2021

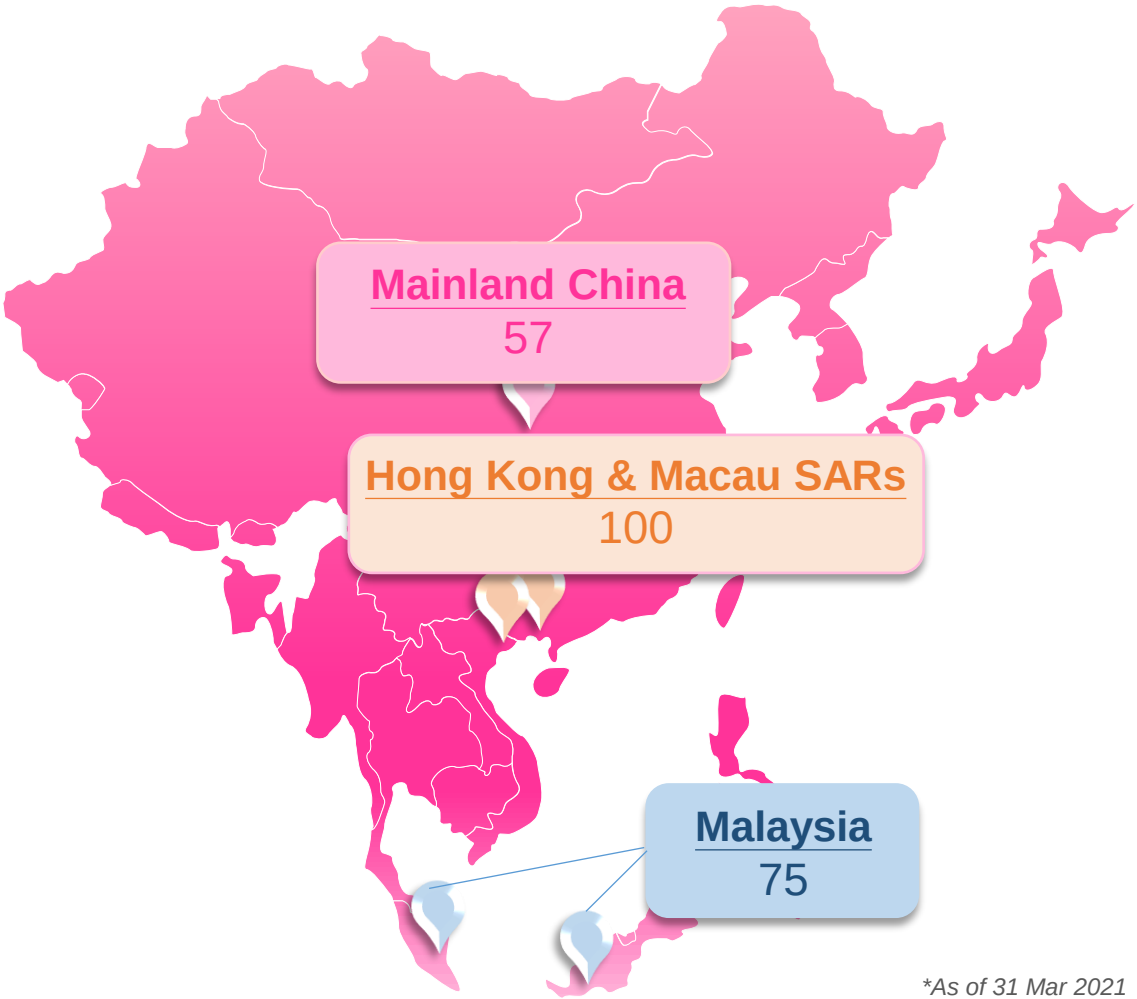
Appendix 2b: HKSAR – Rental Condition

	No. of stores
Total no. (As of 9 Jun 21)	90
New leases (1 Apr – 9 Jun 21)	0
Renewal during FY21 /22 (1 Apr – 9 Jun 21)	11 (Rental change：-55.1%*)
Other leases	79

**If the 9 leases with pre-determined increment are included, the rental change was –23.8% as of 9 Jun 2021*

Appendix 3: Store Network Strategy

Total: 232 Points of sales*



*As of 31 Mar 2021

- Hong Kong & Macau SARs: Shop network rationalisation
- Mainland China: Network expansion in major cities
- Malaysia: Achieve organic growth

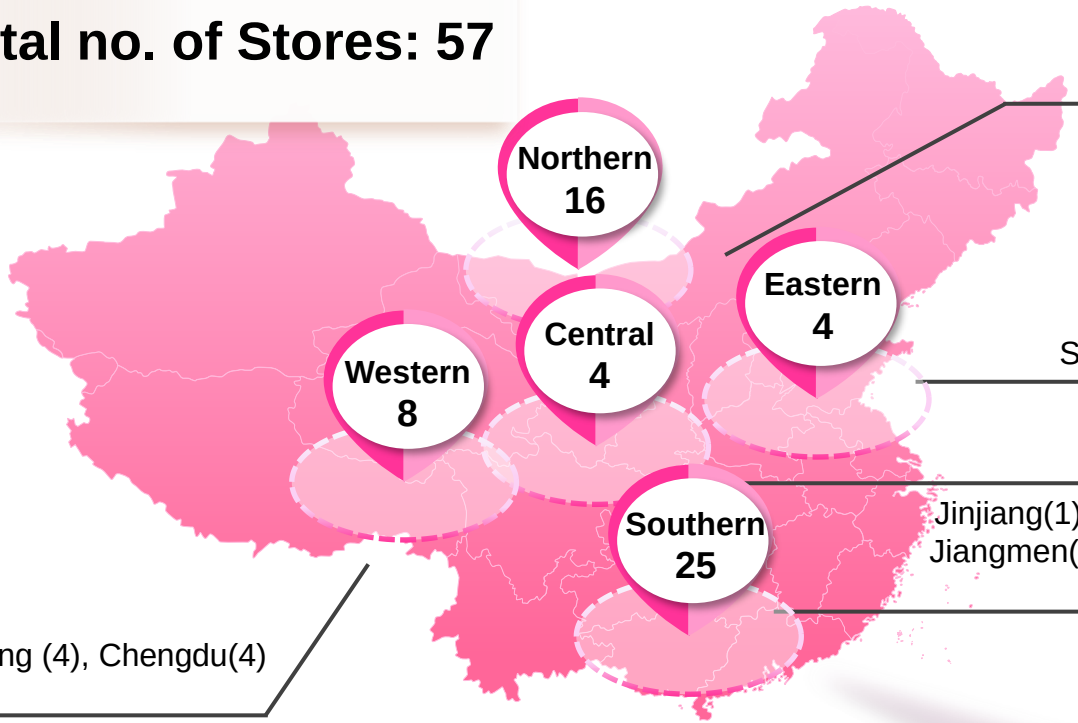
No. of Retail Outlets (Continuing operations)	As of 31 Mar 20	Opened	Closed	As of 31 Mar 21
HK & Macau SARs	112	2*	14**	**100**
Mainland China	44	17	4	**57**
Malaysia	79	2	6	**75**
Total	235	21	24	**232**

** Closed: Tourist stores:2 ; Non-tourist stores: 0*
*** Closed: Tourist stores:12 ; Non-tourist stores: 2*

Appendix 4: Retail Outlets in Mainland China and GBA

Total no. of Stores: 57

( ) no. of store(s)



Beijing(8), Tianjin(3), Qingdao(1)
Shijiazhuang(3), Handan(1)

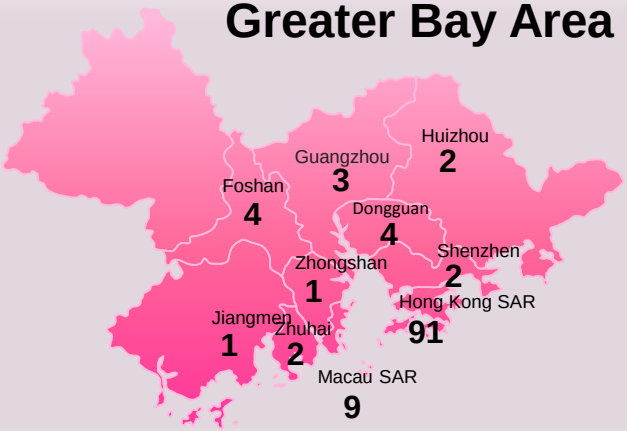
Shanghai(2), Hangzhou(1), Nanjing(1)

Wuhan(3), Changsha(1)

Jinjiang(1), Xiamen(2), Dongguan(4), Zhongshan(1), Zhuhai(2), Jiangmen(1), Foshan(4), Yangjiang(1), Huizhou(2), Wanning(1), Shenzhen(2), Zhanjiang(1), Guangzhou(3)

Chongqing (4), Chengdu(4)

Greater Bay Area

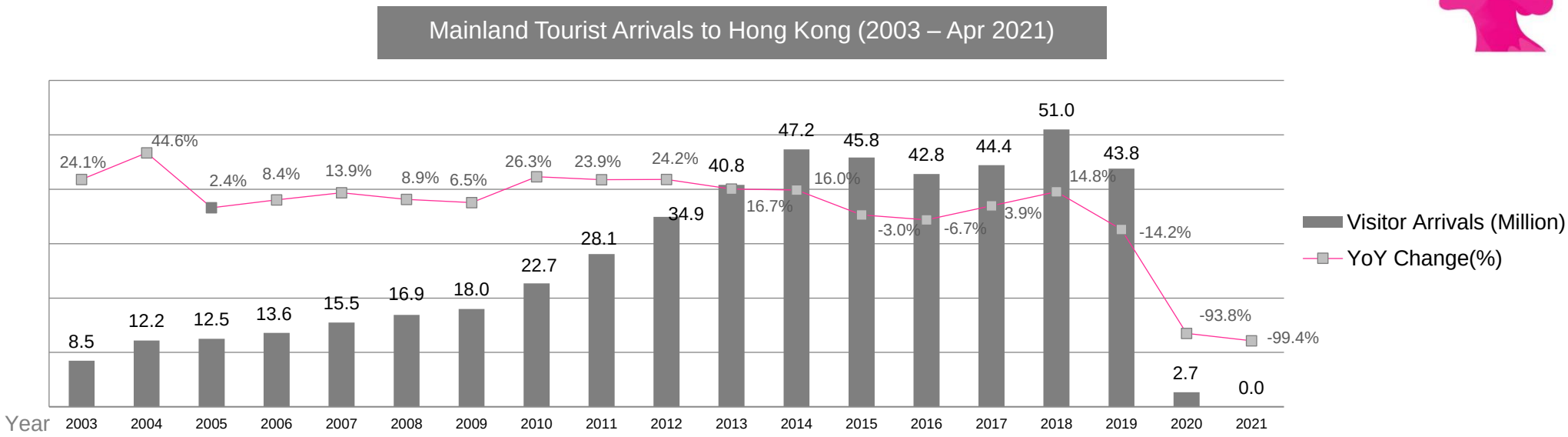


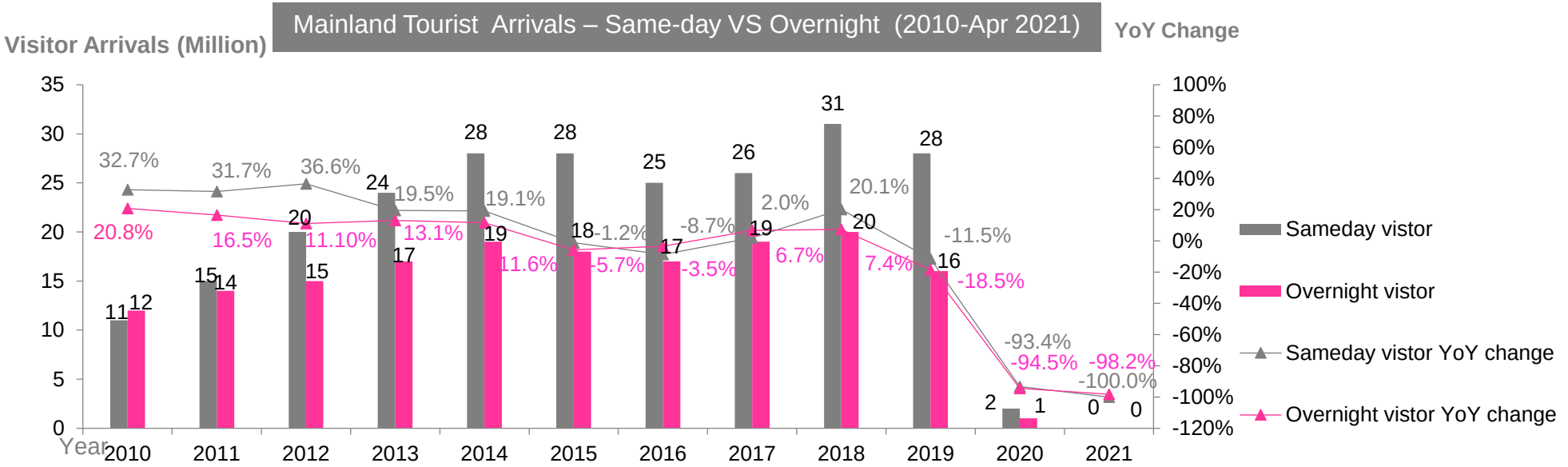
119 stores

Hong Kong SAR(91), Macau SAR(9), Dongguan(4), Zhongshan(1), Zhuhai(2), Jiangmen(1), Foshan(4), Huizhou(2), Shenzhen(2), Guangzhou(3)

As of 31 Mar 2021

Appendix 5: Mainland Tourist Arrivals in Hong Kong

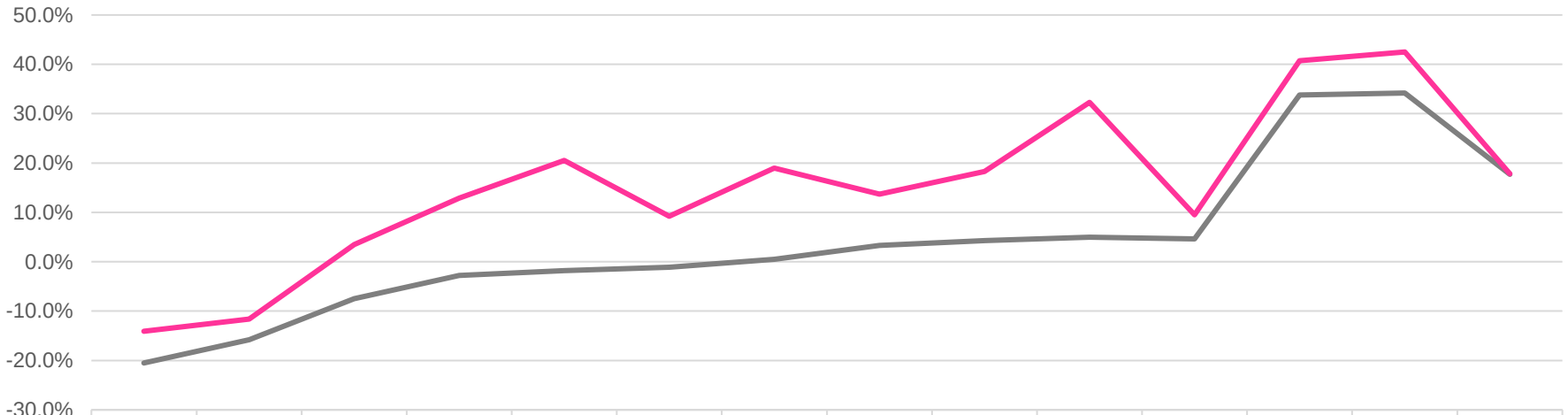




Source: Hong Kong Tourism Board

Appendix 6:
Mainland China's Retail Market Performance

2020 - 2021 Total Retail Sales & Cosmetics Retail Sales（YoY Change）



	2020 Jan - Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021 Jan - Feb	Mar	Apr
Retail Sales (YOY%)	-20.5%	-15.8%	-7.5%	-2.8%	-1.8%	-1.1%	0.5%	3.3%	4.3%	5.0%	4.6%	33.8%	34.2%	17.7%
Cosmetics Sales (YOY%)	-14.1%	-11.6%	3.5%	12.9%	20.5%	9.2%	19.0%	13.7%	18.3%	32.3%	9.5%	40.7%	42.5%	17.8%

	Cosmetics Retail Sales (YoY Change)	Total Retail Sales (YoY Change)
2020	**9.5%**	**-3.9%**
Jan – Apr 2021	**35.3%**	**29.6%**



Thank You

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