



For the year ended 31 March 2018

Annual Results

21 June 2018

Sa Sa International Holdings Limited

Stock Code: 178

Agenda



- **Group's Financial Performance**
- **Business Review by Market**
- **Outlook And The Way Forward**



Group's Financial Performance

Group Performance for the Year

Year ended 31 Mar (HK\$M)	2018	2017	YoY % Change
Continuing operations			
Turnover	8,017.6	7,551.1	+6.2%
Gross profit	3,373.9	3,140.5	+7.4%
EBITDA	658.3	518.3	+27.0%
Profit for the year from continuing operations	465.2	342.5	+35.8%
Loss for the year from discontinued operations	(25.1)	(15.8)	-59.0%
Profit for the year	440.1	326.7	+34.7%
Basic EPS – From continuing operations	15.4 cents	11.7 cents	+32.1%
– Group total	14.6 cents	11.2 cents	+30.9%
Return on equity	19.1%	15.9%	+3.2p.p.
Gross profit margin	42.1%	41.6%	+0.5p.p.
Net profit margin	5.8%	4.5%	+1.3p.p.
Final basic dividend per share*	11.0 cents	8.0 cents	+37.5%
Final special dividend per share* (40 th anniversary)	3.0 cents	--	--
Final dividend per share	14.0 cents	8.0 cents	+75.0%
Total annual dividend per share	17.5 cents	17.0 cents	+2.9%
Dividend payout ratio	~121%	~ 155%	-34.0p.p.

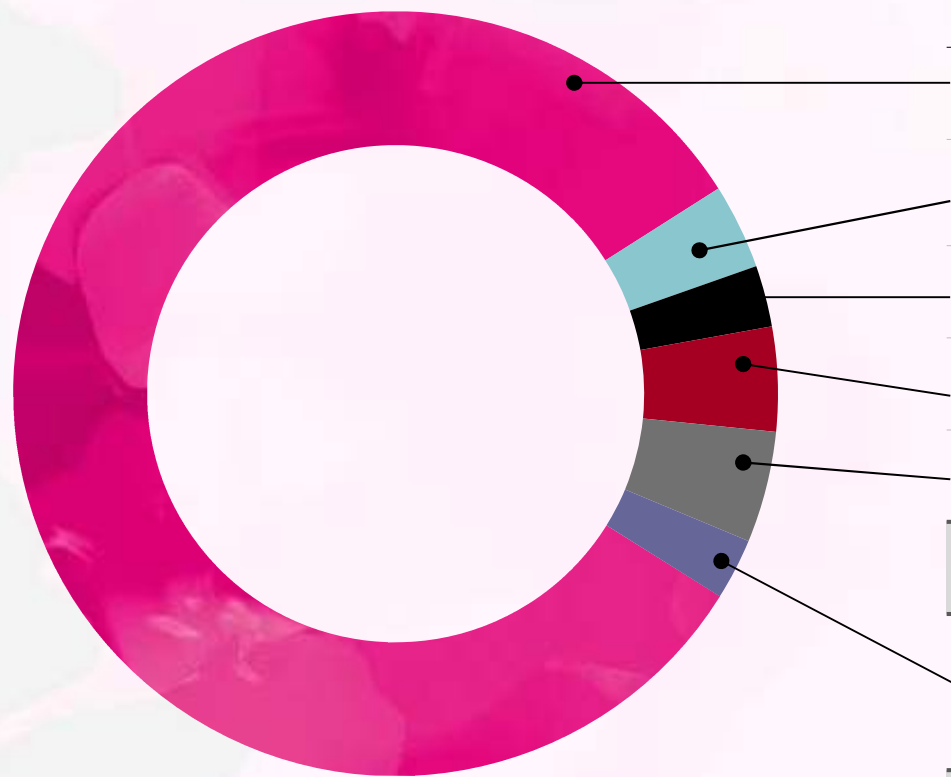
*The final dividends will be payable in cash, with a scrip dividend alternative. To facilitate shareholders' reinvestment of their dividends into the Company's shares, the Board has resolved to offer a 5% discount on the subscription price for eligible shareholders who elect to receive the dividends in scrip.



Group Geographical Sales Mix

Total Turnover (Excluding Taiwan): HK\$8,017.6 M (+6.2 %)

Year ended 31 Mar 2018



	Turnover (HK\$M)	% to Group Turnover
HK & Macau	6,761.6	84.3% (LY:83.0%)
Mainland China	298.7	3.7% (LY:3.7%)
Singapore	211.5	2.7% (LY:2.7%)
Malaysia	362.5	4.5% (LY:4.4%)
E-commerce	383.3	4.8% (LY:6.2%)
Subtotal	8,017.6	100.0% (LY: 100.0%)
Taiwan (Discontinued operations)	213.2	--
Total	8,230.8	--



Group: Sound Financial Position

<i>(HK\$M)</i>	Apr 2018	2018 <i>Year ended 31 Mar</i>	2017 <i>Year ended 31 Mar</i>	+/- Change
CAPEX (Taiwan excluded)		166.1	77.0	+89.1
Net cash generated from operating activities		748.2	356.7	+391.5
Dividend for the year		531.3	506.0	+25.3
Net cash and bank balance	1,394.9	1,365.4	968.7	+396.7



Business Review by Market



HK & Macau: Sales Growth Recovering Throughout the Year

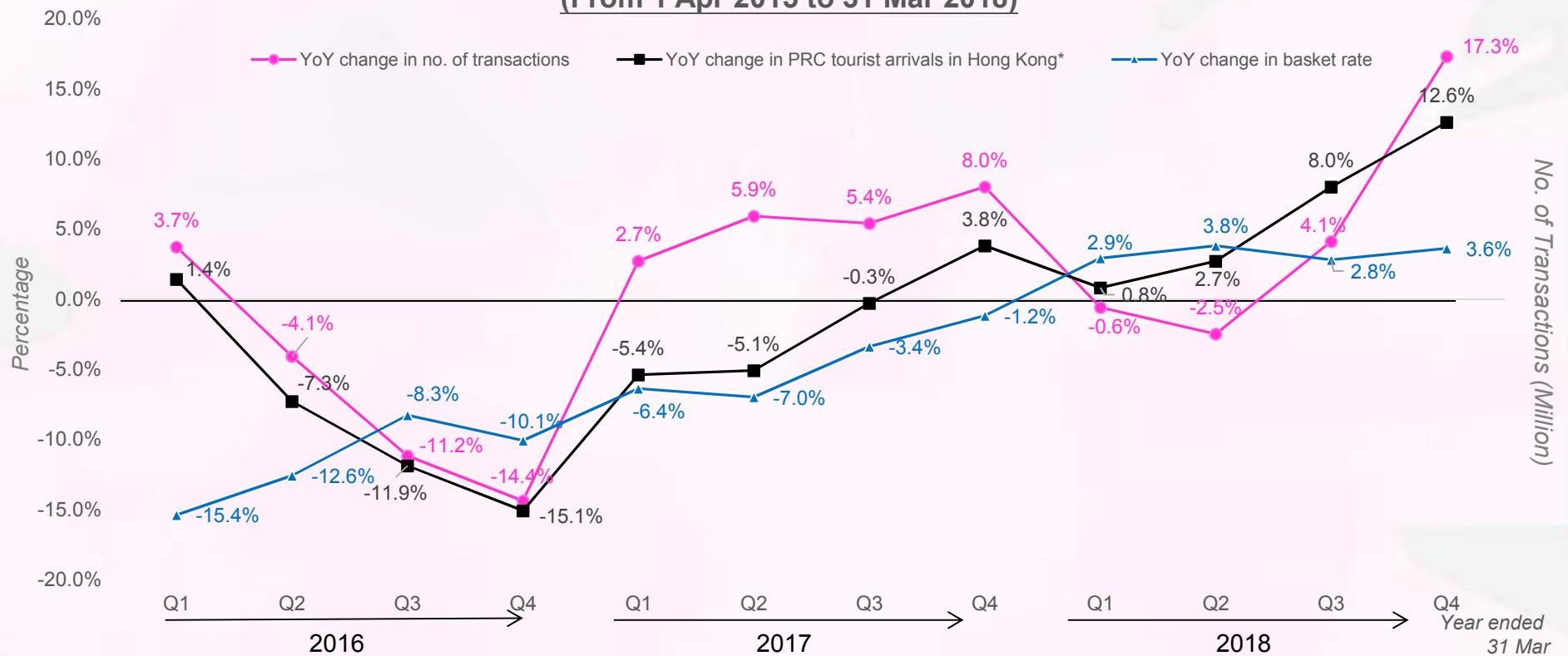
	1H	2H	FY <i>(Year ended 31 Mar 2018)</i>
Retail sales (YOY change%)	+2.2%	+13.0%	+8.0%
Same store sales (YOY change%)	-2.1%	+9.1%	+3.9%
Total no. of transactions (Million / YoY change%)	8.9/ -1.1%	10.3/ +8.5%	19.2/ +3.8%
Avg. ticket size (HK\$ / YoY change%)	329/ +3.4%	365/ +4.2%	349/ +4.1%

Remarks: The above data includes the impact of Deferred Income Adjustment for VIP bonus points

- Sales performance showed clear signs of growth during 2H:
 - Number of transactions has been the most notable growth driver in 2H
 - Ticket size improved steadily and consistently throughout the year for both local consumers and mainland tourists

HK & Macau : Improving Volume Driving Sales Growth

**Volume and ASP Changes of PRC Customers in HK & Macau Market
(From 1 Apr 2015 to 31 Mar 2018)**



Remarks: The above data includes the impact of Deferred Income Adjustment for VIP bonus points
*Source: Hong Kong Tourism Board

- Clear and strong underlying current of growth in Mainland tourist arrivals
 - Wealth effect of 3rd and 4th tier city residents in China and a strong RMB
- Sa Sa transaction volume growth once again outperformed Mainland tourist growth in Q4
 - Following completion of our warehouse relocation
 - More weight on trendy products

Mainland China: Consistent Improvements Over Last 3 years



Year ended 31 Mar (RMB 000')	2018	2017	2016	YoY Change
Avg number of multi-brand "Sasa" stores*	54	55	57	-1
Retail sales	252,478	240,470	250,197	12,008
YoY sales change	5.0%	-3.9%	-9.6%	N/A
Total operating loss	-8,947	-12,947	-32,660	+4,000

*** Remarks:**

As at 1 Apr 2015, there were 62 multi-brand "Sasa" stores; as at 31 Mar 2016, there were 57 multi-brand "Sasa" stores;
 As at 1 Apr 2016, there were 57 multi-brand "Sasa" stores; as at 31 Mar 2017, there were 56 multi-brand "Sasa" stores;
 As at 1 Apr 2017, there were 56 multi-brand "Sasa" stores; as at 31 Mar 2018, there were 55 multi-brand "Sasa" stores;
 The average no. of stores during the stated period (Apr – Mar)

Mainland China: Improvements in Store Level and Overall Profitability



- Improvements due to:
 - Stabilisation of management team
 - Closure of underperforming stores in remote cities and opening of new stores in major cities and nearby areas
 - Building clusters of stores and management team in well managed provincial capitals :
Improve overall store management effectiveness
 - Reduction of supply chain delivery time by nearly half and reduction of logistics costs by 1/3





E-commerce: Significant Progress

<i>Year ended 31 Mar (HK\$M)</i>	2018	2017	YoY Change
Total sales	383.3	475.2	-19.3%
Net loss	(28.3)	(67.1)	38.8M

Remarks: The above data includes the impact of Deferred Income Adjustment for VIP bonus points.

Focused on core competence and profitability

- Increased GP margin
- Reduced logistic cost as % of sales
- Reduced weighted average delivery time to Mainland China to 7 days (LY: 10 days)
- Launched a brand new mobile App in 2H
- Improved market exposure through major e-commerce platforms
- Started to merge online/offline product sourcing teams



Other Markets: Focus on Singapore & Malaysia

Retail (in local currencies)	2018 (Year ended 31 Mar)			2017 (Year ended 31 Mar)
	1H	2H	FY	FY
Singapore				
Average no. of stores*	20	19	20	22
YoY sales change	-2.3%	+5.9%	+1.9%	-9.7%
YoY same store change	+7.0%	+10.2%	+8.7%	-7.6%
Malaysia				
Average no. of stores*	72	74	73	69
YoY sales change	+9.1%	+3.4%	+6.1%	+12.5%
YoY same store change	+1.1%	-3.1%	-1.2%	+6.2%
Taiwan(Discontinued operations)				
Average no. of stores*	23	19	21	28
YoY sales change	-8.9%	+15.6%	+3.3%	-23.0%
YoY same store change	+0.8%	+26.9%	+14.3%	-16.8%
Singapore & Malaysia				
Profit for the year			4.7	(7.9)
Taiwan(Discontinued operations)				
Profit for the year			(25.1)	(15.8)

- Singapore management team stabilised, performance significantly improved in 2H
- Malaysia operating environment challenging: many new malls, political uncertainty before and after election affects consumer sentiments
- In strong position to adapt to market changes
- Last store in Taiwan now closed

*The average no. of stores during the stated period
 Remarks: The above data includes the impact of Deferred Income Adjustment for VIP bonus points.



Outlook And The Way Forward

Clear Signs of Sustained Growth in Hong Kong and Macau



Short and medium term prospects

- Strong and improving local consumer sentiment
- Wechat: Hong Kong is the most popular travel destination for Mainland China travelers
- Wealth effect of 3rd and 4th tier cities residents and the strength of RMB drive outbound travel and consumption

Long term prospect

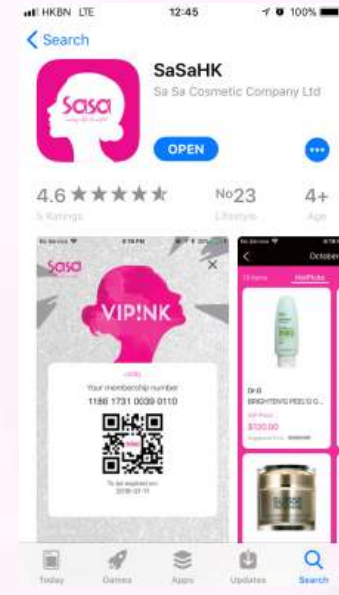
- Greater Bay infrastructure developments will be in service this current year
- Hong Kong and Macau economies will benefit from the Greater Bay strategic developments
- Retail will enjoy major benefits as economies grow in the Greater Bay



Hong Kong & Macau

- Continue to develop store network and scale in the Greater Bay Area
 - Increase the number of stores in residential areas, transport hubs and near the Mainland border
 - Increase size of stores with high traffic
- Invest in technologies and adopt New Retail practices for better customer experience
 - Improve POS and adopt in store technologies
 - Implement New E-commerce Solution
 - Integrate online/offline customer database
 - Improve logistics effectiveness and efficiency for both online and offline operations
- Continue to improve product offerings to maximise market share and gross profit \$

“New Retail is the integration of online, offline, logistics and data across a single value chain”



making life beautiful

Mainland China



- “New Retail” boosts consumption and improve prospects of both online and offline retail
- Weaker rental market offers wider choices of stores and with lower costs, favourable conditions for expanding store network
- Expand cautiously in regions with strong management to build critical mass in existing clusters
- Greater Bay Area: Target to open about 4 new stores in mainland cities in the coming FY, initially confirmed to be located in Dongguan, Zhuhai and Jiangmen
- Adopt new technologies to enhance in store customer experience and improve product offerings to draw traffic
- Benefit from improving logistics function and integration of online/offline customer data base



E-commerce : Improve System, Enhance Customer Experience

- Invest in technology
 - Integrate online/offline customer data base (Salesforce SaaS Solution) and use Business Intelligence ("Big Data BI/AI Data Analysis System") for better customer experience
 - Implement new E-commerce Solution
 - Optimise backend infrastructure for mobile App
- Collaboration with other well-known third-party e-commerce platforms, acquire new customer base and increase exposure at reasonable cost
- Enhance operating efficiency
 - Improving logistics function
 - Start to integrate Category management and Product Development teams to improve new product launches, inventory management and coordination.

Singapore, Malaysia and Taiwan Market



Singapore market

- Improve incentives to boost staff morale and effectiveness
- Improve store display and space to enhance shopping experience and broaden young customer base
- Open more stores in suburban centres
- Launch mobile app



Malaysia market

- Consumer sentiment affected by political uncertainties before and after election and new government's innovation
- Plan to establish online elements to increase competitiveness



Taiwan market

- Exploring avenues to distribute house brand products through third party retail networks



Brand Management & Product Development Strategies

- Strategically offer trendy and popular products with high volume on timely basis
- Fill product gaps by function and price points
- Strengthen makeup product portfolio and display
- Strengthen house brands through digital media
- Build closer partnerships with suppliers
- Utilise big data and provide multiple touch points and personalised products and services to customers





Store Network Strategy Varies Between Markets

No. of Retail Outlets (Continuing operations)	As of 31 Mar 17	Opened	Closed	As of 31 Mar 18
HK & Macau	116	13*	11**	118
Mainland China	56	10	11	55
Singapore	20	1	1	20
Malaysia	71	6	5	72
Total	263	30	28	265

- HK & Macau: Rationalise stores in tourist locations, build stores in residential locations, and modify size of specific stores to enhance productivity and profitability
- Malaysia: Expansion mode (increase penetration)
- Mainland China and Singapore: Optimisation mode (enhance store contribution)

* Opened: Tourist stores: 6 ; Non-tourist stores: 7
 ** Closed: Tourist stores: 6 Non-tourist stores: 5

Remarks: "Tourist stores" are defined as the traditional tourist area stores, which are different from the Group's internal definition
 As at 31 March 2018, the Group operated a total of 265 retail outlets for its continuing operations, including 1 single-brand store/ counter in Hong Kong & Macau.
 (LY: 1 single-brand store/counter each in Hong Kong & Macau and Malaysia) and 264 "Sasa" multi-brand stores (LY: 261 "Sasa" multi-brand stores).
 25 retail shops were in operation in Taiwan as of 31 March 2017. All retail shops have been closed as at the date of this announcement.



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