



For the 6 months ended 30 September 2019
Interim Results FY2019/20

Press Conference

21 November 2019

Sa Sa International Holdings Limited
Stock Code: 178

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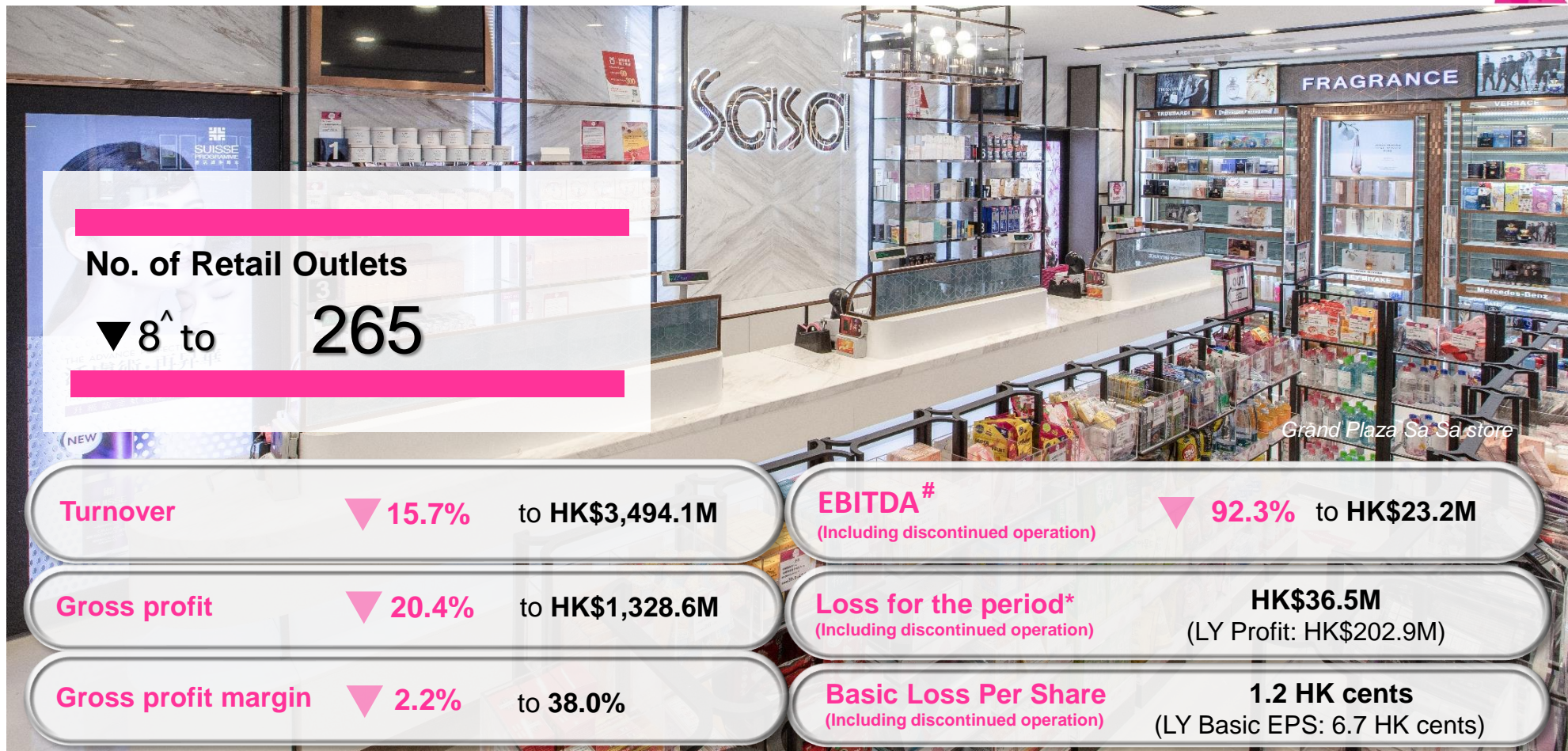
19 **FY2019/20 Q3 Performance**





Group's Financial Performance

FY2019/20 Interim Results Performance Highlights



Remarks: In view of the challenging and uncertain operating environment in our core market in Hong Kong, the Board does not propose an interim dividend for this reporting period 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. (LY Interim dividend per share: 7.0 HK cents).

*Excluding the impact from the adoption of HKFRS16, the Group's loss for the period was HK\$34.9 million.

#Earnings Before Borrowing Interest, Taxes, Depreciation and Amortization (property, plants & equipment)

^ YoY change

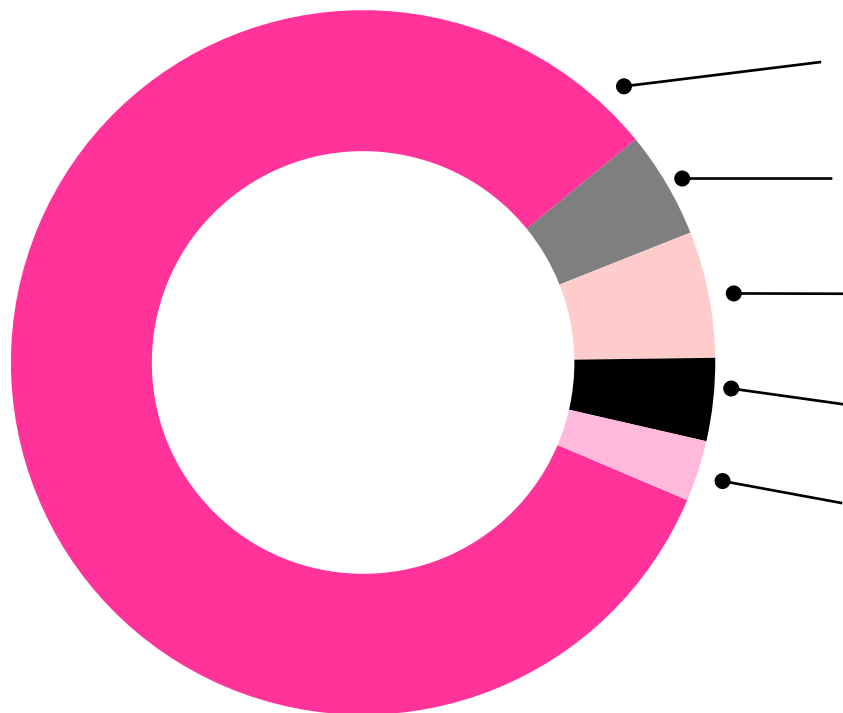
Group Market Sales Mix



Total Turnover

(Continuing operations)

HK\$3,494.1M ▼ 15.7%



Six months ended 30 Sep 2019

	Turnover (HK\$M)	% to Group Turnover
HK & Macau	2,890.5	82.7% (LY: 85.0%)
E-commerce	170.0	4.9% (LY: 4.5%)
Malaysia	201.9	5.8% (LY: 4.6%)
Mainland China	132.3	3.8% (LY: 3.3%)
Singapore	99.4	2.8% (LY: 2.6%)
Total	3,494.1	100.0%

Group's Sound Financial Position



Six months ended 30 Sep (HK\$M)	2019	2018	YoY Change
CAPEX (Excluding discontinued Taiwan operation)	68.7	70.5	-1.8
Net cash used in operating activities	-289.6*	-122.2	-167.4
Dividend for the period	--	216.5	-216.5
Cash and bank balance	788.7	1,159.2	-370.5
Stock on hand	1,491.8	1,713.7	-221.9
Inventory turnover (days)	117 days	123 days	-6 days
Accounts payable (\$)/(days)	231.4 / 18 days	561.0 / 40 days	-329.6 / -22 days
Net working capital (\$)/(days)	1,342.8 / 103 days	1,249.8 / 87 days	+93.0 / +16 days
Effective tax rate (%) (Excluding discontinued Taiwan operation)	4.5%	16.8%	-12.3 p.p.

Remarks: *Including payment for lease liabilities. Lease payment was deducted in Net cash used in operating activities before the adoption of HKFRS16, which was classified as cash used in financing activities after this adoption.



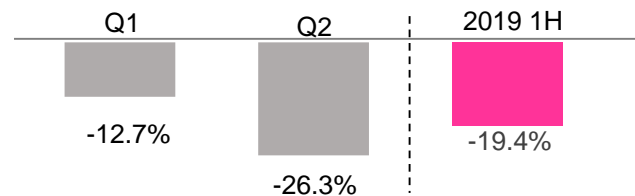
Business Review

HK & Macau: 1st Half Performance



Retail Sales Growth

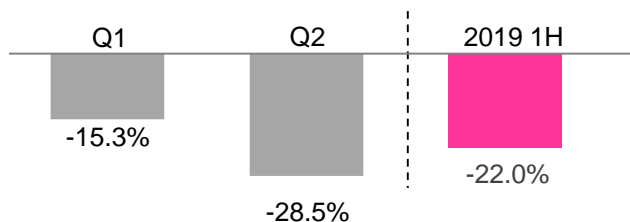
YoY Change %



Six months ended 30 September 2019

Same Store Sales Growth

YoY Change %



Six months ended 30 September 2019

Six months ended 30 Sep 2019

Total no. of transactions
(Million/ YoY change %)

4.5/-8.0%

3.9/-21.9%

8.4/-14.9%

Avg. ticket size (ASP)
(HK\$/ YoY change%)

341/-5.2%

326/-5.6%

334/-5.2%

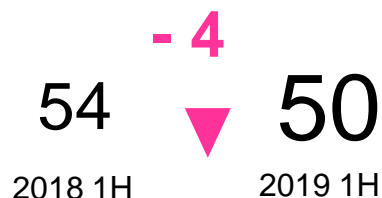
- ❑ 1H : Retail sales and SSS declined by 19.4% and 22.0% respectively
- ❑ Q1 : Transaction volume and ASP dipped
 - Sino-US trade war and RMB depreciation affected consumption sentiment
 - High base
- ❑ Q2 : Transaction volume decreased but ASP of Mainland and local customers rebounded despite difficult operating environment
 - Product strategy started to take effect
 - Hong Kong sales declined 35.4%: transaction volume of mainland customers fell 51.2% and early store closures
 - Macau sales increased by 11.3%: transaction volume increased across the board, including Mainland, Hong Kong and Macau customers

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

Mainland China: Healthy SSS Growth Recovery



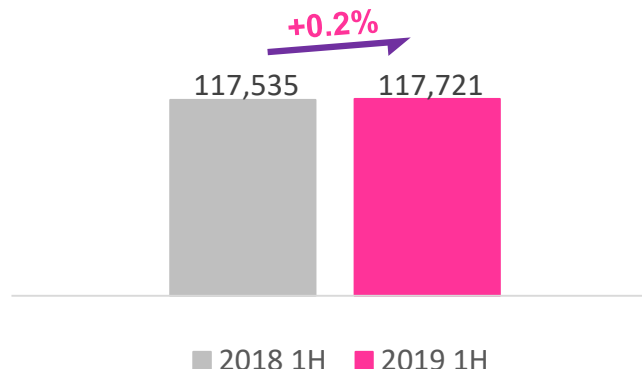
Average Number of Stores*



Six months ended 30 Sep

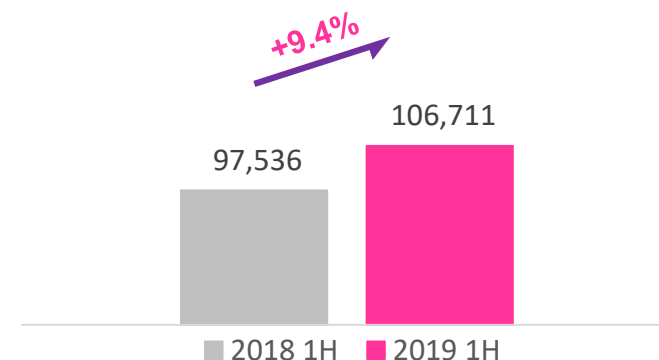
Retail Sales

(in RMB '000) YoY change



Same Store Sales

(in RMB '000) YoY change



- Retail sales slightly increased by 0.2% due to the net closure of 8 stores
 - Expect net increase of stores in 2H
- SSSG increased 9.4% in 1H
 - New product sourcing team introduced more trendy products to attract traffic and to boost spending
 - New VIP programme with lower entrance fee and member-centric promotions improved VIP conversion rate

*Average no. of stores during the stated period

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

Mainland China: Growth in Store Level Contribution



Six months ended 30 Sep (RMB '000)	2019	2018	2017	YoY Change
Retail sales	117,721	117,535	119,735	+186
Store level profits	10,409	7,445	9,285	+2,964
Recurring losses	10,529	13,628	6,762	-3,099
Non-recurring costs & provisions	-980	82	175	-1,062
Total operating losses	11,509	13,546	6,587	-2,037

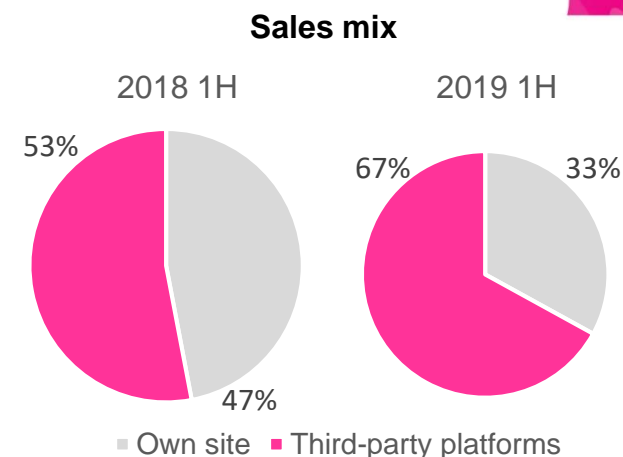
- Store level contribution rose by 39.8%
- Recurring and total losses fallen by RMB3.1M and RMB2.0M respectively

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

Online Operations: 3rd Party Platforms Main Sales Driver



Six months ended 30 Sep (HK\$M)	2019	2018	YoY change
Total sales	170.0	185.3	-8.2%
Sales in third-party platforms	113.1	98.2	+15.1%
Recurring losses	15.4	12.8	+2.6
Non-recurring costs & provisions	1.2	4.2	-3.0
Total operating losses	16.6	17.0	-0.4



- ❑ Third-party platforms sales increased 15%, contributing 67% of sales
- ❑ Own website and mobile app reported sales decline
- ❑ Integrated the warehouses for HK & Macau retail markets with e-commerce operations in April
 - Logistics expense: reduced from 12.9% to 9.4% of sales
 - Delivery time: shortened from 6.0 days to 5.6 days
- ❑ Total losses reduced by \$0.4M but recurring losses increased by \$2.6M due to investment in human resources

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

Malaysia: Continue Penetration into Malay Market



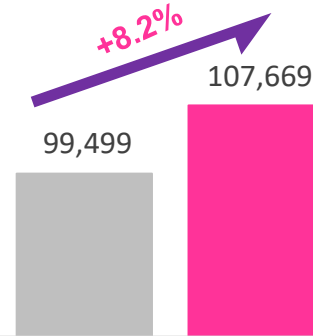
Average Number of Stores*

+ 6
75 ▲ 81
2018 1H 2019 1H

Six months ended 30 Sep

Retail Sales

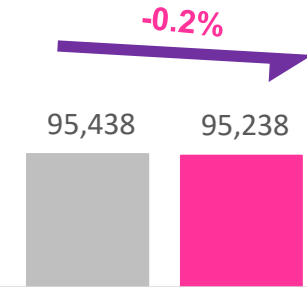
(in RM '000) YoY change



■ 2018 1H ■ 2019 1H

Same Store Sales

(in RM '000) YoY change



■ 2018 1H ■ 2019 1H

- Average store number expanded to 81, retail sales grew by 8.2%
 - Partnerships with shopping malls and third party platforms extended reach
 - KOL engagement and strengthened make-up category drove Malay market penetration
 - VIP membership base ↑ 24%

*Average no. of stores during the stated period

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

Singapore: Poor Local Consumer Sentiment Affected Sales



Average Number of Stores*

21

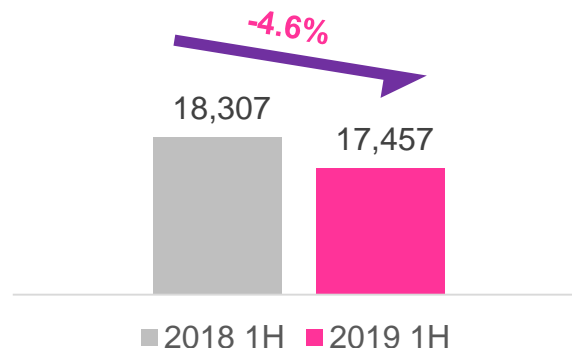
2018 1H

2019 1H

Six months ended 30 Sep

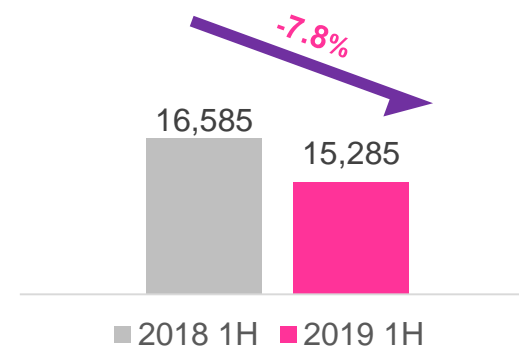
Retail Sales

(in SGD '000) YoY change



Same Store Sales

(in SGD '000) YoY change



- ❑ The Singapore Retail Sales Index recorded negative growth in 1H
- ❑ New mall openings have affected traffic of existing malls
- ❑ Upgraded the mobile app with new features
- ❑ Launched more member-centric promotions
- ❑ Gross profit margin and transaction volume both improved

*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 Future Plans

HK & Macau: Aim to Recover Profitability Soonest



Stringent Cost Management

- ❑ Save all non-productive expenses
- ❑ Streamline work processes to improve operational and cost effectiveness

Improve Overall Store Profit Contribution

- ❑ Reduce shop number especially in tourist locations
- ❑ Rental reduction and other cost savings
- ❑ Reduce store area
- ❑ Optimising operating hours and shifts

Enhance Inventory Management and Product Portfolio

- ❑ Continue to eliminate low productivity SKUs
- ❑ Reduce excess inventory of other SKUs
 - Save stockholding costs
 - Reduce risks
 - Preserve cash
- ❑ Create room for
 - Accelerate product launches
 - Introduce products with high sales volume
 - Drive revenue growth

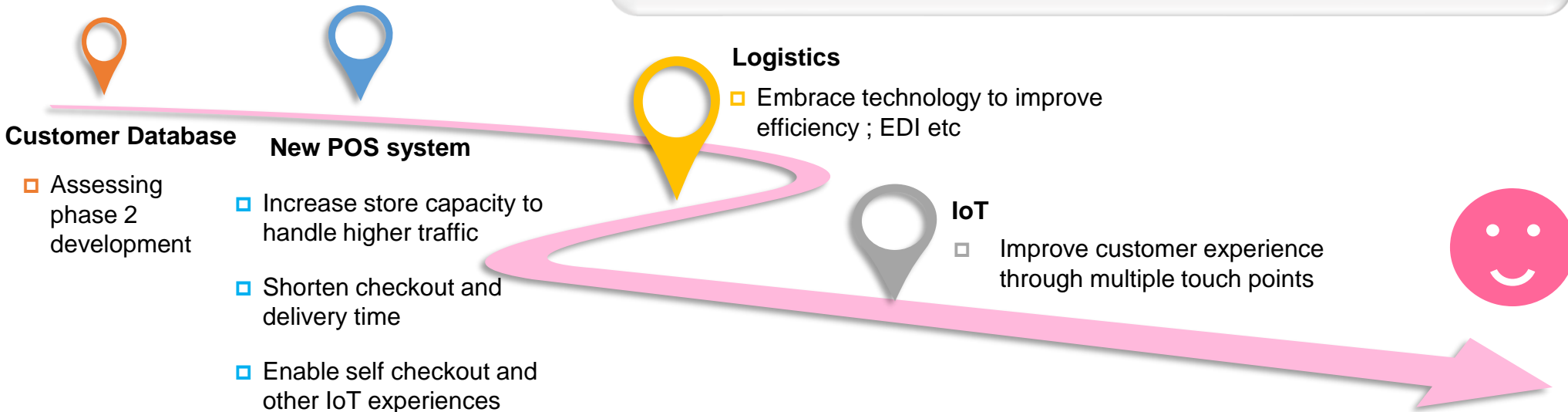
HK & Macau: Online Element and Technology are the Future



- ❑ Commenced pilot run of **WeChat mini-programme** in Hong Kong market in October
- ❑ Enable beauty consultants to engage customers and promote products online
- ❑ Contribute to physical store sales and frontline staff income



- ❑ Exploring partnerships with platforms and payment service providers to develop O2O



Mainland China: Expedite Store Expansion in Southern China



Improve Product Offerings

- Work closely with local suppliers
- Introduce more popular new products to boost traffic

Continuously Optimise Store Network

- Open stores in areas with high strategic value
- Southern China is one of the key development regions

Improve Store Productivity & Cost Effectiveness

- Recruit and train frontline staff
- Stimulate sales and reinforce customer relationship through WeChat mini-programme

Brand-new CRM System

- Foster repeat purchases
- Target new members
- Collect data for analysis

E-commerce: Focus on 3rd Party Platforms



01 Focus on 3rd Party Platforms Development

- ◆ Leverage strength of current and new platforms
- ◆ Explore more cooperation opportunities

02 Product Strategy

- ◆ Popular brands to drive traffic
- ◆ Focus on developing Sa Sa's own brands and exclusively distributed brands with potential

Singapore & Malaysia Markets



Singapore

- ❑ Consumer sentiment weak as GDP growth forecast is downgraded to a range of 0.0%-1.0%
- ❑ Improve product portfolio and drive sales growth for house brands and exclusive brands
- ❑ Focus on the organic growth of existing stores

Malaysia

- ❑ Challenges include: uncertainties in external economies, declining stock market and a weak local currency
- ❑ Product strategy is market/trend oriented to attract target customers
- ❑ Targeting Malay consumers
 - Engage local Malays as spokespersons or ambassadors
 - Improving make-up segment in the market

"Click-and-collect" service

Mobile app and shopping site attract customers to physical stores to drive sales



FY2019/20 Q3 Performance

(QTD: 1 October – 18 November 2019)



<i>In local currencies</i>	YoY Change (%)	
	Retail Sales	Same Store Sales
HK & Macau	-39.4%	-39.1%
Mainland China	-0.3%	13.0%
Singapore	-11.8%	-11.0%
Malaysia	9.5%	1.8%
E-commerce	-12.8%	
Group turnover	-31.6%	

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



Thank You

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