SA SA INTERNATIONAL HOLDINGS LIMITED
莎莎國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 178)

Annual Results for the year ended 31 March 2021, Closure of Books and Trading Updates from 1 April to 9 June 2021

Highlights

- The Group's turnover for the continuing operations decreased by 46.8% to HK$3,043.0 million
- Sales of retail and wholesale in Hong Kong and Macau SARs reduced by 57.8% to HK$1,999.8 million
- The Group incurred a loss for the year amounting to HK$351.4 million, compared to a loss of HK$515.9 million last year
- Excluding the provision for impairment made in accordance with the HKAS 36 that applies to retail store assets (including right-of-use assets and property, plant and equipment) and the results from discontinued business, the Group's loss for the financial year was HK$301.6 million, as compared to a loss of HK$204.6 million last year
- Basic loss per share amounted to 11.3 HK cents (2020: 16.7 HK cents)
- In view of the challenging and uncertain operational environment in our operating markets, the Board does not recommend the payment of a final dividend for the financial year (2020: Nil)

The board of directors of Sa Sa International Holdings Limited (the "**Company**") presents the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2021 with comparative figures for the previous year as follows. The annual results have been reviewed by the audit committee of the Company.

Note: "Hong Kong" refers to "The Hong Kong Special Administrative Region of China" and "Macau" refers to "The Macau Special Administrative Region of China".

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 HK$'000	2020 HK$'000
Continuing operations			
Turnover	3	**3,043,029**	5,717,283
Cost of sales	5	**(1,991,198)**	(3,634,818)
Gross profit		**1,051,831**	2,082,465
Other income	4	**142,343**	64,373
Selling and distribution costs	5	**(1,325,402)**	(2,151,949)
Administrative expenses	5	**(208,533)**	(278,868)
Impairment of right-of-use assets and property, plant and equipment	11	**(57,679)**	(270,455)
Other gains - net		**5,959**	1,009
Operating loss		**(391,481)**	(553,425)
Finance income		**6,449**	17,447
Finance costs	6	**(16,449)**	(26,020)
Loss before income tax		**(401,481)**	(561,998)
Income tax credit	7	**42,183**	86,916
Loss for the year from continuing operations		**(359,298)**	(475,082)
Profit/(loss) for the year from discontinued operation	8	**7,930**	(40,854)
Loss for the year attributable to owners of the Company		**(351,368)**	(515,936)
Loss per share for loss from continuing operations attributable to owners of the Company for the year (expressed in HK cents per share)	9		
Basic		**(11.6)**	(15.4)
Diluted		**(11.6)**	(15.4)
Loss per share for loss attributable to owners of the Company for the year (expressed in HK cents per share)	9		
Basic		**(11.3)**	(16.7)
Diluted		**(11.3)**	(16.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Loss for the year		**(351,368)**	(515,936)
Other comprehensive income/(loss)			
Item that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on retirement benefit obligations		**(105)**	1,992
Items that may be reclassified to profit or loss			
Cash flow hedges, net of tax		**20**	61
Currency translation differences of foreign subsidiaries recorded in translation reserve		**16,083**	(21,732)
Other comprehensive income/(loss) for the year, net of tax		**15,998**	(19,679)
Total comprehensive loss for the year attributable to owners of the Company		**(335,370)**	(535,615)
Total comprehensive (loss)/income for the year attributable to owners of the Company arises from:			
Continuing operations		**(342,813)**	(489,769)
Discontinued operation	8	**7,443**	(45,846)
		(335,370)	(535,615)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021	2020
ASSETS		**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**246,714**	281,531
Right-of-use assets		**457,242**	761,107
Rental deposits and other assets		**74,899**	118,120
Deferred tax assets		**149,822**	115,146
		928,677	1,275,904
Current assets			
Inventories		**766,107**	1,005,900
Trade receivables	12	**76,972**	60,617
Other receivables, deposits and prepayments		**202,095**	276,237
Time deposits		**21,012**	82,122
Cash and cash equivalents		**505,392**	559,381
Income tax recoverable		**10,627**	7,026
		1,582,205	1,991,283
LIABILITIES			
Current liabilities			
Trade payables	13	**290,230**	219,246
Other payables and accruals		**201,352**	235,057
Lease liabilities		**349,603**	574,006
Income tax payable		**9,469**	35,066
		850,654	1,063,375
Net current assets		**731,551**	927,908
Total assets less current liabilities		**1,660,228**	2,203,812
Non-current liabilities			
Other payables		**28,584**	32,674
Lease liabilities		**299,513**	505,064
Retirement benefit obligations		**1,864**	1,710
Deferred tax liabilities		**124**	52
		330,085	539,500
Net assets		**1,330,143**	1,664,312
EQUITY			
Capital and reserves			
Share capital		**310,319**	310,319
Reserves		**1,019,824**	1,353,993
Total equity		**1,330,143**	1,664,312

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. Changes in accounting policies

(i) Amendment to standard mandatory for the first time for the financial year beginning 1 April 2020 and were early adopted

- HKFRS 9, HKAS 39, HKFRS 7 (Amendment), "Interest Rate Benchmark Reform"

(ii) Amendments to standards and revised conceptual framework mandatory for the first time for the financial year beginning 1 April 2020 and were not early adopted

- HKAS 1 and HKAS 8 (Amendment), "Amendments to Definition of Material"
- HKFRS 3 (Amendment), "Definition of Business"
- Conceptual Framework for Financial Reporting 2018, "Revised Conceptual Framework for Financial Reporting"

The adoption of these amendments to standards and revised conceptual framework did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

(iii) Amendments to standards, interpretation and revised accounting guideline issued but not yet effective for the financial year beginning 1 April 2020 where early adoption is permitted

The Group has early applied the following amendments to standards issued but not yet effective for the financial year beginning 1 April 2020:

- HKAS 1 (Amendment), "Classification of Liabilities as Current or Non-current" (effective for annual periods beginning on or after 1 April 2022). The amendment clarifies that the liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. The early adoption of HKAS 1 (Amendment) does not have any impact to the Group as the Group does not have any liabilities with a substantive right to defer settlement as at 31 March 2021.

- Annual Improvements Project (Amendment), "Annual Improvements to HKFRS 2018-2020" (effective for annual periods beginning on or after 1 April 2022). The Annual Improvements to HKFRS 2018-2020 contains the following amendments to HKFRS:

    - HKFRS 1 (Amendment), "Subsidiary as a First-time Adopter". HKFRS 1 allows an exemption if a subsidiary adopts HKFRS at a later date than its parent. This amendment allows entities that have taken this HKFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to HKFRS.

2. Changes in accounting policies (continued)

(iii) Amendments to standards, interpretation and revised accounting guideline issued but not yet effective for the financial year beginning 1 April 2020 where early adoption is permitted (continued)

- Annual Improvements Project (Amendment), “Annual Improvements to HKFRS 2018-2020” (effective for annual periods beginning on or after 1 April 2022). The Annual Improvements to HKFRS 2018-2020 contains the following amendments to HKFRS: (continued)

  - HKFRS 9 (Amendment), “Fees Included in the 10% Test for Derecognition of Financial Liabilities”. The amendment addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under this amendment, costs or fees paid to third parties will not be included in the 10% test.

  - HKFRS 16 (Amendment), “Illustrative Examples Accompanying HKFRS 16”. The amendment removes the illustration of payments from the lessor relating to leasehold improvements in order to remove any potential confusion about the treatment of lease incentives.

  - HKAS 41 (Amendment), “Taxation in Fair Value Measurements”. The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13 “Fair Value Measurement”.

  The early adoption of Annual Improvements Project (Amendment) does not have any impact to the Group.

- HKFRS 3 (Amendment), “Reference to the Conceptual Framework” (effective for annual periods beginning on or after 1 April 2022). The amendment has updated HKFRS 3 “Business Combinations” to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the amendment added a new exception in HKFRS 3 for liabilities and contingent liabilities. The early adoption of HKFRS 3 (Amendment) does not have any impact to the Group as the Group does not have any business combination during the year ended 31 March 2021.

- HKAS 16 (Amendment), “Property, Plant and Equipment: Proceeds before Intended Use” (effective for annual periods beginning on or after 1 April 2022). The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, and clarifies that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset. The early adoption of HKAS 16 (Amendment) does not have any impact to the Group as the Group does not have any proceeds received while the Group is preparing the asset for its intended use during the year ended 31 March 2021.

- HKAS 37 (Amendment), “Onerous Contracts – Cost of Fulfilling a Contract” (effective for annual periods beginning on or after 1 April 2022). The amendment clarifies the meaning of cost of fulfilling a contract and explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendment also clarifies that before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The early adoption of HKAS 37 (Amendment) does not have any material impact to the Group as the Group does not have any significant onerous contracts as of and during the year ended 31 March 2021.

2. Changes in accounting policies (continued)

(iii) Amendments to standards, interpretation and revised accounting guideline issued but not yet effective for the financial year beginning 1 April 2020 where early adoption is permitted (continued)

- Hong Kong Accounting Guideline 5 (Revised), "Merger Accounting for Common Control Combinations" (effective for annual periods beginning on or after 1 April 2022). The accounting guideline clarifies a common control transaction involving inserting a shell entity between a parent entity and a single subsidiary or between a parent entity and a group of subsidiaries is not a business combination, and accordingly is not a 'common control combination'. The early adoption of Hong Kong Accounting Guideline 5 (Revised) does not have any impact to the Group as the Group does not have any business combination during the year ended 31 March 2021.

- HK(IFRIC) – Int 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" (effective for annual periods beginning on or after 1 April 2023). The conclusion reached is that the loans subject to loan agreements which include a clause which gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its statement of financial position. In this regard, the probability of the lender choosing to exercise its rights to demand repayment within the next twelve months after the reporting period is not relevant. The early adoption of HK(IFRIC) – Int 5 does not have any impact to the Group as the Group does not have any liabilities with a substantive right to defer settlement as at 31 March 2021.

- HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendment), "Interest Rate Benchmark (IBOR) Reform – Phase 2" (effective for annual periods beginning on or after 1 April 2021). For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in HKFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from HKFRS 9 are also required to apply the same practical expedient. HKFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate). The early adoption of HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendment) does not have any impact to the Group as the Group did not have any IBOR-based contracts, assets or liabilities as of and during the year ended 31 March 2021.

- HKAS 1 (Amendment), "Presentation of Financial Statements" and HKFRS Practice Statement 2 (Amendment), "Making Materiality Judgements" (effective for annual periods beginning on or after 1 April 2023). The amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. To support this amendment, HKFRS Practice Statement 2 has been amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The early adoption of HKAS 1 (Amendment) and HKFRS Practice Statement 2 (Amendment) does not have significant impact on the preparation of the consolidated financial statements for the year ended 31 March 2021.

- HKAS 8 (Amendment), "Accounting Policies, Change in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 April 2023). The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The early adoption of HKAS 8 (Amendment) does not have any impact to the Group.

2. Changes in accounting policies (continued)

(iii) Amendments to standards, interpretation and revised accounting guideline issued but not yet effective for the financial year beginning 1 April 2020 where early adoption is permitted (continued)

- HKFRS 16 (Amendment), "Covid-19-Related Rent Concessions beyond 30 June 2021" (effective for annual periods beginning on or after 1 April 2021). The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The early adoption of HKFRS 16 (Amendment) does not have any impact to the Group as the Group was not granted any lease concessions for lease payments to be paid after 1 July 2021 during the year ended 31 March 2021.

3. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Group who make strategic and operating decisions.

Executive directors of the Group review the internal reporting of the Group in order to assess performance and allocate resources. Executive directors consider the business principally from a geographic perspective and assess the performance of the geographic segments based on a measure of segments results.

The business reportable segments identified are Hong Kong and Macau SARs, Mainland China, Online business and Malaysia.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, deferred tax assets, inventories, receivables, deposits and prepayments, time deposits, cash and cash equivalents and income tax recoverable. Capital expenditure comprises additions to property, plant and equipment.

3. **Segment information (continued)**

The breakdown of key segment information including total turnover from external customers is disclosed below.

	For the year ended 31 March 2021				
	Hong Kong & Macau SARs HK$'000	Mainland China HK$'000	Online business HK$'000	Malaysia HK$'000	Total HK$'000
Turnover	**1,999,822**	**289,853**	**501,305**	**252,049**	**3,043,029**
Segment results	**(352,900)**	**(12,699)**	**8,791**	**(2,490)**	**(359,298)**
Other information					
Capital expenditure	**37,904**	**15,470**	**170**	**3,851**	**57,395**
Finance income	**4,846**	**187**	**15**	**1,401**	**6,449**
Finance costs	**14,116**	**782**	**-**	**1,551**	**16,449**
Income tax credit	**(40,335)**	**-**	**(706)**	**(1,142)**	**(42,183)**
Depreciation of property, plant and equipment	**70,836**	**4,700**	**408**	**10,993**	**86,937**
Depreciation of right-of-use assets	**380,842**	**12,252**	**-**	**35,091**	**428,185**
Provision/(reversal of provision) for slow moving inventories and shrinkage	**43,709**	**(3,843)**	**3,266**	**185**	**43,317**
Impairment of property, plant and equipment	**4,235**	**-**	**-**	**597**	**4,832**
Impairment of right-of-use assets	**52,183**	**-**	**-**	**664**	**52,847**

3. Segment information (continued)

	For the year ended 31 March 2020				
	Hong Kong & Macau SARs HK$'000	Mainland China HK$'000	Online business HK$'000	Malaysia HK$'000	Total HK$'000
Turnover	4,739,382	243,013	344,671	390,217	5,717,283
Segment results	(413,559)	(37,987)	(39,736)	16,200	(475,082)
Other information					
Capital expenditure	71,300	4,488	8,299	6,907	90,994
Finance income	15,458	173	50	1,766	17,447
Finance costs	23,553	498	-	1,969	26,020
Income tax (credit)/ expense	(80,954)	-	(11,126)	5,164	(86,916)
Depreciation of property, plant and equipment	93,360	4,142	2,591	17,187	117,280
Depreciation of right-of-use assets	698,918	10,510	-	39,412	748,840
Provision for slow moving inventories and shrinkage	84,026	7,162	3,257	2,691	97,136
Impairment of property, plant and equipment	22,162	2,003	-	351	24,516
Impairment of right-of-use assets	243,180	2,274	-	485	245,939

3. Segment information (continued)

	Hong Kong & Macau SARs HK$'000	Mainland China HK$'000	Online business HK$'000	Malaysia HK$'000	Total HK$'000
At 31 March 2021					
Non-current assets	**822,663**	**49,633**	**3,235**	**53,146**	**928,677**
Current assets	**1,080,588**	**149,461**	**166,947**	**185,209**	**1,582,205**
Total assets as per consolidated statement of financial position					**2,510,882**
At 31 March 2020					
Non-current assets	1,174,950	21,919	1,706	77,329	1,275,904
Current assets	1,540,945	124,153	95,195	184,455	1,944,748
Total segment assets					3,220,652
Discontinued operation					46,535
Total assets as per consolidated statement of financial position					3,267,187

4. Other income

	2021 HK$'000	2020 HK$'000
Slide display rental income	**23,526**	64,373
Government subsidies (Note)	**118,817**	-
	142,343	64,373

Note:

Wage subsidies of HK$112,409,000 were granted from the Hong Kong SAR government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to November 2020 during the year ended 31 March 2021.

Government subsidies of HK$3,400,000 were granted from the one-off Retail Sector Subsidy Scheme, and Beauty Parlours, Massage Establishments and Party Rooms Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong SAR. The Group has complied all attached conditions before 31 March 2021 and recognised in the consolidated income statement.

Remaining subsidies of HK$3,008,000 were granted from other subsidy schemes launched by government of Macau SAR and Malaysia. The Group has complied all attached conditions before 31 March 2021 and recognised in the consolidated income statement.

5. Expenses by nature

	2021 **HK$'000**	2020 HK$'000
Cost of inventories sold	**1,947,881**	3,537,682
Employee benefit expenses (including directors' emoluments)	**646,008**	964,624
Depreciation expenses		
- right-of-use assets	**428,185**	748,840
- property, plant and equipment	**86,937**	117,280
Building management fees, government rent and rates	**88,505**	102,425
Lease rentals in respect of land and buildings		
- lease rental for short-term leases	**67,675**	47,970
- contingent rent	**28,563**	37,402
- rent concession related to COVID-19 (Note)	**(88,461)**	(29,031)
Advertising and promotion expenses	**48,675**	75,711
Provision for slow moving inventories and shrinkage	**43,317**	97,136
Transportation, storage and delivery charges	**38,952**	40,315
Outsource warehouse handling expense	**31,249**	20,799
Utilities and telecommunication	**28,070**	49,803
Bank and credit card charges	**25,763**	45,919
Repair and maintenance	**25,731**	35,268
Packaging expenses	**9,023**	35,584
Postage, printing and stationery	**8,579**	12,372
Auditors' remuneration		
- audit services	**2,568**	3,289
- non-audit services	**996**	1,369
Donations	**1,809**	2,188
Write-off of property, plant and equipment	**1,126**	9,712
Others	**53,982**	108,978
	3,525,133	6,065,635
Representing:		
Cost of sales	**1,991,198**	3,634,818
Selling and distribution costs	**1,325,402**	2,151,949
Administrative expenses	**208,533**	278,868
	3,525,133	6,065,635

Note:
Rent concession related to COVID-19 amounted to HK$88,461,000 (2020: HK$29,031,000) has been included in selling and distribution costs.

6. Finance costs

	2021 **HK$'000**	2020 HK$'000
Interest expenses on lease liabilities	**16,449**	26,020

7. Income tax credit

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2021 **HK$'000**	2020 HK$'000
Current tax:		
Hong Kong profits tax		
Current	**2,277**	4,967
Over-provision in previous years	**(10,013)**	(506)
Overseas taxation		
Current	**251**	14,960
Over-provision in previous years	**(340)**	(139)
Total current tax	**(7,825)**	19,282
Deferred tax:		
Increase in net deferred tax assets	**(34,358)**	(106,198)
Income tax credit	**(42,183)**	(86,916)
Income tax credit is attributable to:		
Loss from continuing operations	**(42,183)**	(86,916)
Profit from discontinued operation	**-**	-
	(42,183)	(86,916)

8. Discontinued operation

During the year ended 31 March 2020, the Group discontinued the business of retailing of cosmetic products in Singapore. The results of Singapore retail operation for the years ended 31 March 2021 and 2020 are presented below:

	2021 **HK$'000**	2020 HK$'000
Turnover	-	253,222
Other income and gains - net	**7,930**	184
Cost of sales and expenses	-	(294,260)
Profit/(loss) before income tax	**7,930**	(40,854)
Income tax expense	-	-
Profit/(loss) from discontinued operation	**7,930**	(40,854)
Currency translation differences of foreign subsidiaries recorded in translation reserve	**(487)**	(4,992)
Total comprehensive income/(loss) from discontinued operation	**7,443**	(45,846)

8. Discontinued operation (continued)

Profit/(loss) for the year of Singapore retail operation has been arrived at after (crediting)/ charging:

	2021	2020
	HK$'000	HK$'000
Government subsidies	**(5,901)**	-
Depreciation of property, plant and equipment	-	3,713
Depreciation of right-of-use assets	-	33,471
Write-off of property, plant and equipment	-	5,416
Reversal of provision for slow moving inventories and shrinkage	-	(686)
Interest expenses on lease liabilities	-	822

Earnings/(loss) per share for profit/(loss) from discontinued operation attributable to owners of the Company for the year are as follows:

	2021	2020
	HK cents	HK cents
Basic earnings/(loss) per share from discontinued operation	**0.3**	(1.3)
Diluted earnings/(loss) per share from discontinued operation	**0.3**	(1.3)

9. Loss per share

From continuing operations

(a) Basic loss per share from continuing operations is calculated by dividing the loss from continuing operations attributable to owners of the Company by the weighted average number of ordinary shares in issue less the total number of shares held under the Share Award Scheme during the year.

	2021	2020
Loss from continuing operations attributable to owners of the Company (HK$'000)	**(359,298)**	(475,082)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,101,209**	3,096,414

(b) For the years ended 31 March 2021 and 2020, diluted loss per share from continuing operations equals to basic loss per share from continuing operations as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

9. Loss per share (continued)

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2021	2020
Loss from continuing operations attributable to owners of the Company (HK$'000)	**(359,298)**	(475,082)
Profit/(loss) from discontinued operation attributable to owners of the Company (HK$'000)	**7,930**	(40,854)
Loss for the purpose of basic and diluted loss per share from continuing and discontinued operations (HK$'000)	**(351,368)**	(515,936)
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme during the year (thousands)	**3,101,209**	3,096,414

10. Dividends

The Board has not recommended the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

11. Impairment of right-of-use assets and property, plant and equipment

As at 31 March 2021, net book amount of retail store assets represented property, plant and equipment and right-of-use assets amounting to HK$64,155,000 (2020: HK$79,514,000) and HK$345,088,000 (2020: HK$619,328,000) respectively. The Group regards each individual retail store as a separately identifiable cash-generating unit. Management carried out an impairment assessment for the retail store assets, including property, plant and equipment and right-of-use assets, which have an impairment indicator.

The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rate, percentage change of running costs and gross profit margin. As a result, an impairment loss of property, plant and equipment and right-of-use assets of HK$4,832,000 (2020: HK$24,516,000) and HK$52,847,000 (2020: HK$245,939,000) respectively were recognised in selling and distribution costs.

Key assumptions used in the value-in-use calculations for the recoverable amount of retail store assets in Hong Kong and Macau SARs market are as follows:

Revenue growth rate:	based on the estimated timing of easing quarantine restrictions at the borders and the recovery of Mainland tourist arrivals and the consequential effect on the foot traffic of the Group's retail stores
Percentage change of running costs:	based on the estimated change related to the Group's cost saving plan and measures
Gross profit margin:	based on the historical data and change in product mix

12. Trade receivables

The Group's turnover comprises mainly cash sales and credit card sales. Certain wholesale customers are granted credit terms ranging from 7 to 120 days. The ageing analysis of trade receivables by invoice date is as follows:

	2021	2020
	HK$'000	HK$'000
Within 1 month	**53,418**	30,952
1 to 3 months	**13,887**	14,396
Over 3 months	**9,667**	15,269
	76,972	60,617

The carrying amounts of trade receivables approximate their fair values.

13. Trade payables

The ageing analysis of trade payables by invoice date is as follows:

	2021	2020
	HK$'000	HK$'000
Within 1 month	**175,997**	79,430
1 to 3 months	**76,668**	84,716
Over 3 months	**37,565**	55,100
	290,230	219,246

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION & ANALYSIS

During FY2020/21 ("year under review", "year" or "financial year"), the Group's turnover decreased by 46.8% to HK$3,043.0 million for the continuing operations. Sales of retail and wholesale in Hong Kong and Macau SARs reduced by 57.8% to HK$1,999.8 million. The Group's retail outlets for the continuing operations decreased from 235 last year to 232 as of 31 March 2021.

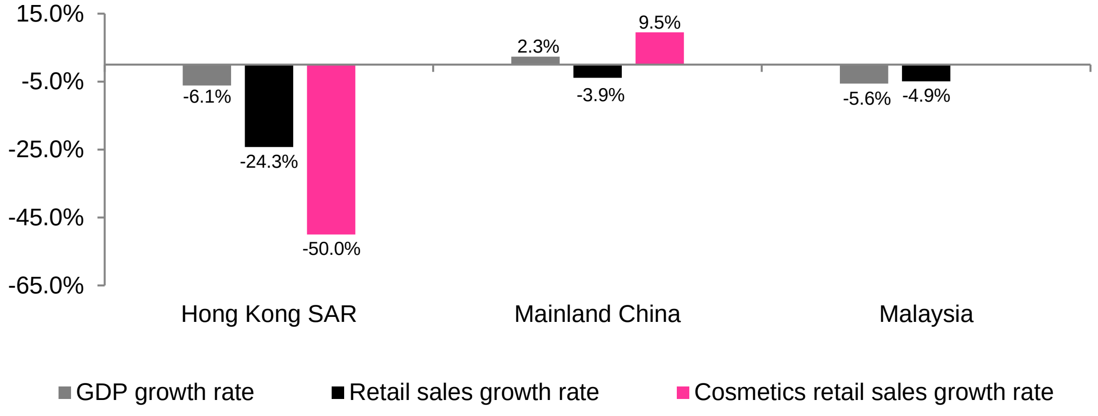
The Group incurred a loss for the year amounting to HK$351.4 million, compared to a loss of HK$515.9 million last year. Excluding the provision for impairment made in accordance with the HKAS 36 that applies to retail store assets (including right-of-use assets and property, plant and equipment) and the results from discontinued business, the Group's loss for the financial year was HK$301.6 million, as compared to a loss of HK$204.6 million last year.

Basic loss per share amounted to 11.3 HK cents (2020: 16.7 HK cents). In view of the challenging and uncertain operational environment in markets where we operate, the board does not recommend the payment of a final dividend for the financial year in accordance with the Group's policy to pay dividends out of profits and for the reason of responsible risk management under the current operating environment (2020: Nil).

The Group is included in the FTSE World Index Series, MSCI Index Series and S&P Index Series. We have been a constituent member of the Hang Seng Corporate Sustainability Benchmark Index since 2011.

Market Overview

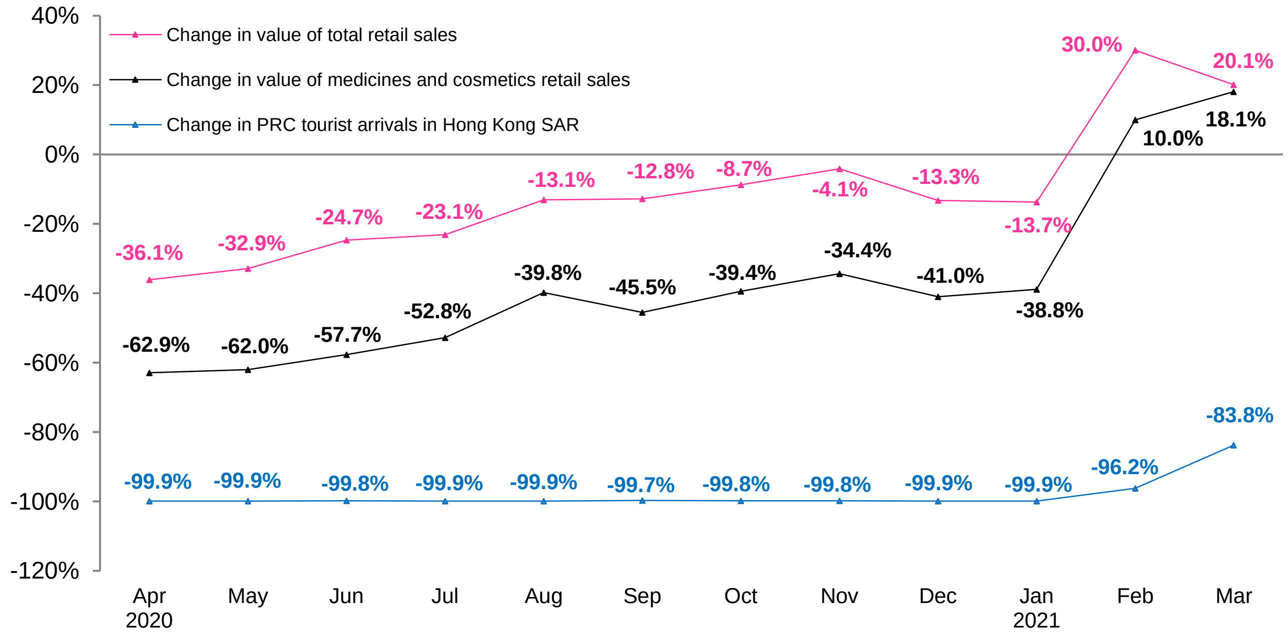
GDP/ Retail Sales / Cosmetics Retail Sales in 2020 (year-on-year change)



Note:

1. *There were no cosmetics retail sales statistics provided by the Malaysian Government.*
2. *All of the above data were sourced and estimated from statistics published by corresponding governments' statistics bureaus.*
3. *There are some inconsistencies in definition and survey methodology for cosmetics retail sales by different government statistics bureaus.*

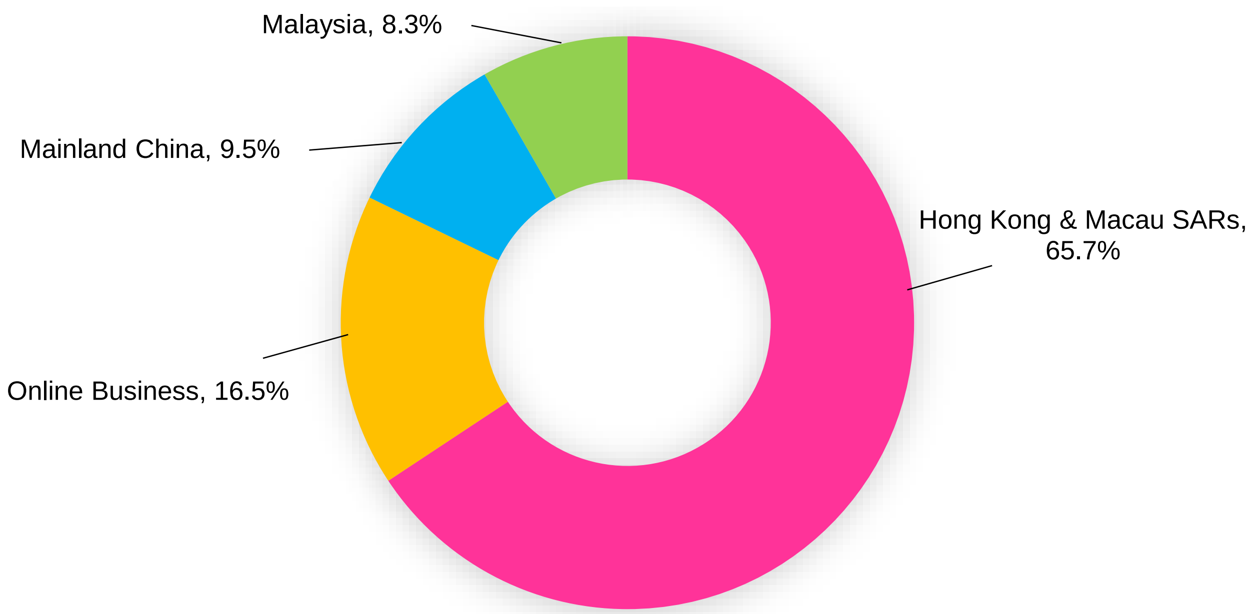
Retail Sales Performance in Hong Kong SAR and Mainland Tourist Arrivals in Hong Kong (year-on-year change)



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

Retail and Wholesale Business

FY2020/21 Turnover Mix by Market



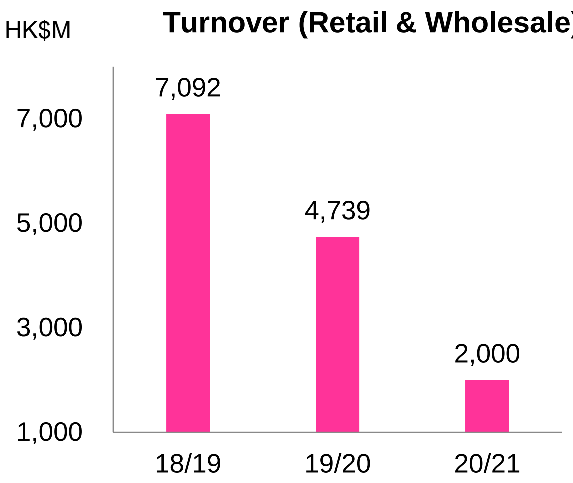
Store Network by Market

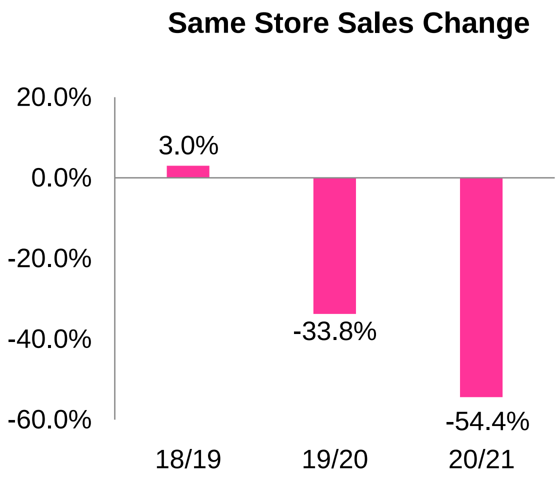
Market (Continuing operations)	**As of 31 Mar 2020**	Opened*	Closed*	**As of 31 Mar 2021**
Hong Kong & Macau SARs	112	2	14	100
Mainland China	44	17	4	57
Malaysia	79	2	6	75
Total	235	21	24	**232**

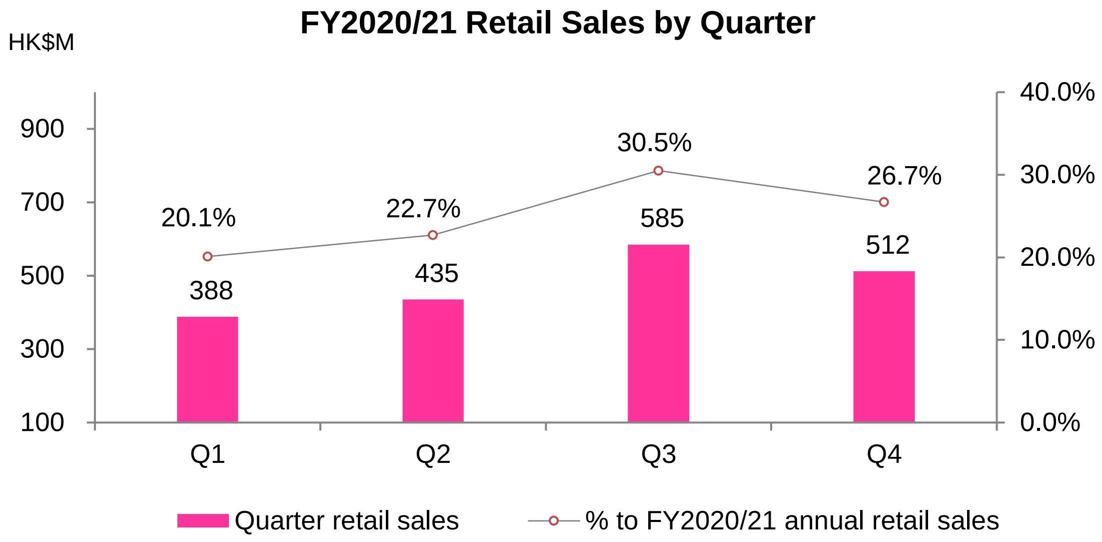
**Note:*

- *The number of stores opened and closed within 12 months between 1 April 2020 and 31 March 2021.*

Hong Kong and Macau SARs







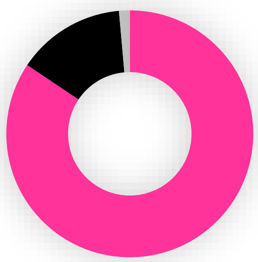
During the year under review, Novel Coronavirus Disease ("COVID-19" or "pandemic") alongside uncertain geopolitical risks dealt an unprecedented blow to the economies in Hong Kong and Macau SARs.

In order to contain the spread of the pandemic, many countries implemented stringent border control measures during the year. Data from the Hong Kong Tourism Board showed that the cumulative number of visitors from Mainland China plummeted to nearly zero in 2020, severely hindering the sales of the Group contributed by Mainland Chinese visitors. Several stores of the Group that were temporarily closed for at least 14 days when diagnosed cases of frontline staff were found also affected operations and sales. Meanwhile, local customers dominating the Group's sales during the year was affected by various levels of gathering bans and social distancing initiatives imposed by the Hong Kong SAR government. The market downturn amidst the pandemic led to high underemployment and unemployment rates, leading residents to become more prudent in spending due to growing concerns about job security and economic prospects. Consequently, consumption sentiment remained sluggish despite cash subsidies provided by the government in the middle of 2020.

In Macau SAR, subsequent to the suspension of the Individual Visit Scheme for Mainland Chinese visitors in January 2020, quarantine measures for inbound travellers were tightened in late March, resulting in near-zero tourist arrivals to the city in the first half of the year. That battered the Macau SAR market where tourists used to heavily dominate sales. With the pandemic gradually being brought under control, Macau SAR resumed the Individual Visit Scheme for Mainland Chinese visitors in mid-August 2020, and extended the scheme to the entire Mainland China at the end of September. With consistent increase of Mainland Chinese visitors, sales of the Group from these customers saw a gradual recovery thereafter with the year-on-year decline narrowing down in the second half of the year. Moreover, Macau SAR government successively launched two phases of consumer subsidy scheme, the Group leveraged on these opportunities to further drive sales of local customers. As a result, the proportion of sales from Macau SAR out of the total in Hong Kong and Macau SARs increased from 12.6% in the first quarter to 37.1% in the fourth quarter. The Group expects that the trend is likely to continue until Hong Kong SAR re-opens its border as tourist arrivals from Mainland China continue to pick up in Macau SAR.

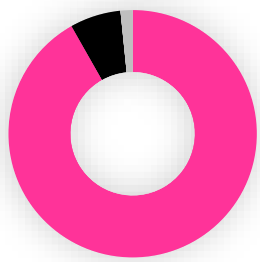
Sales Mix (FY2020/21 Retail Sales)

Customer Mix - By Sales Value



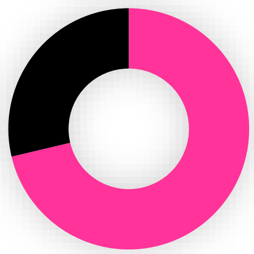
Local Customers	84.4% (LY: 37.6%)
Mainland Customers	14.2% (LY: 60.3%)
Others	1.4% (LY: 2.1%)

Customer Mix - By No. of Transactions



Local Customers	91.8% (LY: 57.5%)
Mainland Customers	6.6% (LY: 39.7%)
Others	1.6% (LY: 2.8%)

Geographical Mix



Hong Kong SAR	70.1% (LY: 72.6%)
Macau SAR	29.9% (LY: 27.4%)

Overall, same-store sales in Hong Kong and Macau SARs declined by 54.4% year-on-year in the financial year, while retail sales witnessed decreases of 58.1% and 72.6% as compared to FY2019/20 and FY2018/19 respectively. The decrease in sales narrowed notably following the re-opening of border in Macau SAR, coupled with the low base effect in the fourth quarter, the decline in sales in Hong Kong and Macau SARs narrowed from 70.8% in the first half of the year to 38.0% in the second half. When compared with FY2018/19, sales recorded a decrease of 68.8% in the second half of the year, demonstrating improvement from the 76.4% decline in the first half of the year.

Retail stores in Macau SAR started to record profits from the second half of the year and turned the whole year into profits while Hong Kong SAR's retail stores remained loss making. For the combined Hong Kong and Macau SARs markets, despite government subsidies received in the first half of the year exceeded that of the second half, losses in the second half of the year were lowered by 52.1% (or HK$124.3 million) compared to that in the first half of the year. This market incurred a loss of HK$352.9 million for the year under review, compared to a loss of HK$413.6 million last year. Excluding the provision for impairment made in accordance with the HKAS 36 that applied to retail store assets (including right-of-use assets and property, plant and equipment), the Group recorded a loss of HK$296.5 million in this market compared to a loss of HK$148.2 million last year.

Following the launch of COVID-19 vaccination programme, we hope that the worst of the pandemic is behind us. However, Hong Kong SAR's operating environment will remain uncertain until the border re-opens, and local consumption sentiment will continue to be affected by the pandemic. The Group is determined to manage costs and optimise cost structure, in order to expedite a profit turnaround and enhance its long-term profitability.

Rationalising Store Network to Streamline Cost Structure

The substantial decline in tourist arrivals brought a drastic impact to the retail stores in tourist areas. The Group continued to streamline its store network and close heavily-overlapping stores in tourist districts based on the premise of retaining its customers while lowering rental and other costs of physical retail stores. As of 31 March 2021, total number of Sa Sa's retail stores in Hong Kong and Macau SARs was reduced from the peak of 118 two years ago to 100, with a net decrease of 12 as compared to previous year. All closed stores were located in Hong Kong SAR, among which over 80% were located in tourist districts such as Tsim Sha Tsui, Causeway Bay and Mong Kok, etc.

For the stores remaining in operation, the Group negotiated for temporary rental concessions and rental reduction upon renewals, in an effort to cut rental costs in accordance with the respective stores' sales performance and business demand in the districts. Together with store closures, total savings from actual rental expenses amounted to HK$238.4 million in the year as compared to previous year. In addition to rental costs, store closures also reduce other store expenses including staff costs, as well as water and electricity bills.

There will be 38 retail leases expiring in the financial year ending 31 March 2022 in Hong Kong SAR. Given that landlords have pushed back from offering temporary rental relief, the Group will focus on rationalising its store network and reducing store expenses to pursue its long-term goal of optimising cost structure. It is expected to close 15 to 20 stores throughout the year.

In view of the increasing pace of consumer traffic moving towards online platforms, the Group has re-doubled its efforts to expand its online business and further integrate online to offline ("O2O") operations (For details, please read the Online Business section), to serve customers who now turn to shop online. The Group actively reduced its reliance on brick-and-mortar stores by adopting O2O operating model, thereby lowering fixed overheads and overall operating costs, and arriving at a more flexible cost structure. Such approach helps lower the breakeven point of Hong Kong and Macau SARs' businesses, so that Sa Sa can promptly return to profitability.

Retaining Working Capital

The Group has implemented strict inventory and cost management policies to cater for operating needs and future development. The inventory level and shelf-lives of products are reviewed in a timely manner. During the year, we conducted clearance sales accordingly in the first half of the year to cater for excessive inventory. As we resumed replenishment in the third quarter, a stringent inventory control was still in place. As of 31 March 2021, the Group's inventory was HK$766.1 million, representing a decrease of HK$239.8 million from last year.

In response to the unprecedented influence of the pandemic, the Group applied for the Hong Kong SAR government's "Employment Support Scheme" during the year to alleviate the burden of labour costs. The Group received subsidies of a total of HK$112.4 million and used them entirely for paying wages. In addition, the Group executed a host of cost control measures, including salary reduction, furlough, as well as encouraging staff to clear outstanding leaves. Furthermore, the Group sped up digitalisation and automation to optimise operational process to further reduce operating costs and enhance operational efficiency. Unnecessary and non-productive expenses were also cut, allowing us to reduce office expenses by approximately one-third as compared to previous year.

As of 31 March 2021, the cash and bank balances stood at HK$526.4 million, a reduction of HK$115.1 million as compared to previous year. This is adequate for the current operating needs of the Group. The Group is increasing its revolving loan facilities as working capital reserve in light of market uncertainty. Such facilities remained unused as of 31 March 2021.

Catering to Market Driven by Local Customers

During the year, the Group adapted to the evolving trend of local customers and expanded product categories that address their needs and preferences, such as protective products as well as personal care. The Group also improved the in-store product display to impress local customers, with the aim to drive sales and effectively enhance customer loyalty.

In order to further attract local customers, stimulate consumption and effectively reduce inventory, the Group launched a wide variety of promotional activities, such as VIP offers, clearance sales, collaboration with payment solution providers and local credit card companies, and strengthened promotions through social media. The promotions, however, put pressure on our gross profit margin, which dropped to 29.6% in the first half of the year.

The Group ceased aggressive price reduction after the inventory has reached a reasonable level since the end of September. Gross profit margin gradually recovered to 34.9% in the fourth quarter. Nevertheless, it could not completely cancel out the impact of clearance sales that took place in the first half of the year. The Group recorded a gross profit margin of 32.5% in the year, compared to 35.4% in previous year.

Online business

Turnover of the Group's online business in the financial year reached a record high of HK$501.3 million, representing increases of 45.4% and 27.9% as compared to FY2019/20 and FY2018/19, respectively. Its contribution to the Group's total turnover for the continuing operations jumped from 6.0% last year to 16.5%.

With sales from its third-party platforms and O2O business showing year-on-year growth, the Group's online business achieved a profit in the second half of the year, outweighing the loss in the first half of the year and resulting in a turnaround for the whole year. The pandemic has driven more online consumption across the globe, including that of local consumers in Hong Kong SAR. The Group will invest more resources in expanding online business and take full advantage of our physical stores through accelerating the collaboration of online platforms and offline store network, with a view to providing customers with seamless O2O shopping experience in the future.

Sales of online business in the second half of the year increased by 80.5% year-on-year, and grew 52.6% as compared to the same period of FY2018/19. Such growth was powered by third-party platforms in Mainland China and was much higher than the 9.5% year-on-year growth in the first half of the year. Driven by shopping festivals such as "Double 11", "Double 12" and "Black Friday" in the second half of the year, sales in third-party platforms in the third quarter increased by 63.8% year-on-year. For the fourth quarter, with the low base resulting from the disruption of delivery caused by the pandemic last year, a substantial year-on-year increase of 116.5% was witnessed. In addition, the Group deepened its collaboration with Shopee and established a collaborative partnership with Lazada at the end of the financial year. By partnering with these well-known e-commerce platforms in Southeast Asia, the Group is able to broaden its customer base and revenue source. Sales contribution from third-party platforms for the year was approximately 71.2%.

The accelerated growth in the second half of the year was also attributable to the O2O business launched in the second half of 2019. While the Group's WeChat mini-programme was drawing more sales in Mainland China, the Group extended its O2O business to customers in Hong Kong SAR at the end of May last year, driving sales of O2O business in the second half of the year to jump by close to 14 times year-on-year. Turnover contribution from O2O business to the overall online business increased from 1.8% last year to 18.4%.

In response to changes in consumers' online shopping behaviour, the Group strategically closed its own shopping website that served Mainland Chinese consumers last April, redirecting these customers to the WeChat mini-programme. In May last year, the Group launched protective products on its Hong Kong SAR website and successfully boosted website traffic, increasing sales of Hong Kong SAR website by nearly five times year-on-year. Overall, sales of the Group's own channel fell by 47.1% year-on-year, and turnover contribution from own channel decreased from 28.6% last year to 10.4%.

Mainland China

During the financial year, turnover of the Group's Mainland China business increased by 15.9% in local currency terms to HK$289.9 million, while same store sales increased by 5.4% in local currency terms. As of 31 March 2021, total number of stores operated by the Group in Mainland China was 57, representing a net increase of 13 year-on-year.

The pandemic has been well managed in Mainland China as compared to the rest of the world. Although some stores were temporarily closed or otherwise affected by the sporadic outbreak in several cities, the consumption in the post-pandemic era fuelled the Group’s positive growth in the third quarter and supported the Group’s process of opening new stores. Retail sales in the second half of the year increased by 46.4% year-on-year, and increased by 12.4% as compared to the same period of FY2018/19.

Following the successful restructuring of the Group’s product procurement team in Mainland China, the product portfolio becomes more competitive. Average basket size in the financial year increased by 8.0% year-on-year. The Group introduced a new personnel management system and optimised the structure of human resources and training teams to further enhance management efficiency and strengthen the service and sales capabilities of frontline employees, aligning with its strategy of rapid development in Mainland China.

Building on the established foundation of the management team, the Group grasped the opportunities to speed up new store openings. During the year, the Group opened 17 new stores, among which seven are located in Southern China, the Group’s core development region. Five of the new stores are located in Western China, mainly in Chongqing and Chengdu. In addition, the office and logistics centre in Chengdu commenced operation in the financial year to support the Group’s business development in Western China. By strategically concentrating resources on opening new stores in key city clusters, the Group benefits from effective centralised management, higher store cost effectiveness and operational efficiency, resulting in a narrowed loss of HK$12.7 million during the year.

Malaysia

The Group’s turnover from the Malaysian market decreased by 34.9% year-on-year in local currency terms to HK$252.0 million, while same store sales in local currency terms decreased by 29.4%. As of 31 March 2021, the Group operated 75 stores, as compared to 79 stores last year.

In response to the COVID-19 outbreak, the Malaysian government has implemented a number of different movement control orders over time, starting from March last year. Being classified as non-essential business, all our stores were required to close temporarily during the most difficult period. During the year, the Group's stores were temporarily closed for nearly 100 days in total.

In face of the unprecedented challenges, the Group continued to carry out a series of cost reduction measures, including seeking rental reduction, adjusting manpower and postponing shop decoration, achieving reduction of store and office expenses by around 30% year-on-year. The Group received a subsidy of RM1.1 million (approximately HK$2.0 million) from the Malaysian government, which further alleviated our cost burdens for operation. To avoid over-stocking, clearance sales were introduced and successfully lowered the inventory level by 18.3% year-on-year.

To address the pressing local demand for protective and personal care products during the pandemic outbreak, the Group strategically switched its focus to popular product categories including food, healthcare and sanitising products. During the year, the Group offered various shopping discounts and collaborated with different third parties such as shopping malls, telecom companies and banks to boost foot traffic and sales. As more citizens are shifting towards online shopping under the pandemic, the Group launched an online home delivery service in March last year and collaborated with seven online platforms during the year, allowing customers across Malaysia to purchase Sa Sa's beauty products while staying home.

OUTLOOK AND STRATEGIES

Management believes that online business will continue to gain prominence after the pandemic subsides as consumers' adoption of online shopping has been hastened significantly. The Group strives to accelerate the development of both its brick-and-mortar and online businesses with additional emphasis on digital marketing techniques and enhance the complementary aspects between them, to provide customers with seamless O2O customer experience to capitalise on the unrelenting and fast-growing online shopping extravaganza.

In FY2021/22, the Hong Kong SAR market will continue to face great uncertainties, with its prospects highly dependent on the successful management of COVID-19 locally and the timing of the re-opening of the border with Mainland China. The high rental cost of the running retail leases in tourist areas means that it is unlikely that the Group can realise a fiscal balance during the year. Fortunately, the Group expects that the Macau SAR business will continue to improve and increase its profit growth after turning profitable in the second half of the year under review. Our online business has made significant progress, and is expected to further improve on its positive profit contributions. The Mainland China market is anticipated to gradually increase in profitability during its current active development stage. As regards the Malaysian market, the business is expected to rebound quickly and achieve a breakeven once the pandemic is over.

Setting its sights on achieving a more diversified and sustainable business and capitalise on market opportunities, the Group will expedite its market development beyond Hong Kong and Macau SARs, especially the online business and Mainland China market, which both possess promising growth potential. The Group's long-term vision is to grow businesses beyond the brick-and-mortar businesses in Hong Kong and Macau SARs from approximately 35% in the financial year to above 50%.

Hong Kong & Macau SARs

In Macau SAR, tourist arrivals from Mainland China have been picking up gradually since the re-opening of border for Mainland Chinese visitors last September. According to the Macao Government Tourism Office, the city strives to attract more Mainland Chinese visitors given the easing of the pandemic in Mainland China and the roll-out of vaccination. The Macau SAR government has also brought forward a new phase of local consumption stimulation scheme, which includes distribution of consumption e-vouchers, in the hope of stimulating further economic pick-up and stabilising the local employment, thus creating a favourable business environment for the recovery of the retail sector.

Although the COVID-19 vaccination plan has already started in Hong Kong SAR in February this year, the pandemic is still not fully under control. As a result, the inbound tourism industry has continued to experience a complete cessation of activities. The Hong Kong SAR government predicts that the inbound tourism industry will remain sluggish in the short term. Assuming that the vaccination programme achieves its intended results, local economic activities will steadily recover in the second half of 2021. While uncertainties surrounding the pandemic outbreak will dictate how fast the economy can recover, and the erratic US-China relations and rising geopolitical tensions also needs a watchful eye, the worst of winter has, hopefully, passed.

To revive local consumption and support local businesses amid current adversities, the Hong Kong SAR government has announced the launch of the consumption voucher scheme. Sa Sa expects that the voucher scheme will repeat the success of the similar programme in Macau SAR, and will invigorate local consumption, thus helping to stabilise the economy and employment.

The management anticipates that the Hong Kong SAR business will continue to be driven by local customers in the short term. Meanwhile, the Group will prepare and position itself for the opportunities brought by the return of Mainland Chinese visitors. In adapting to changes in the customer base and latest product trend, the Group will adjust its product mix in a timely manner, while bolstering the loyalty of our customers by utilising its customer relationship management systems currently under development, thus improving Sa Sa's business performance.

The Group will also actively accelerate the development of its online business, which can broaden its customer base, reduce operating risks and allow greater flexibility for operations. The O2O business model has the added advantage of saving expensive rents for physical stores; its fees and operating costs are also generally lower than that of e-commerce platforms while offering the advantage of direct customer contact.

Growing share of sales from online platforms can help the Group reduce its reliance on brick-and-mortar stores. Through persistently adjusting and rationalising the store network, in particular the stores located in Hong Kong SAR's tourist districts that have endured substantial losses, the Group could improve its overall cost structure and lower the breakeven point for the traditional retail business, thus reinforcing its competitiveness and profitability in the long term.

The role of offline physical stores will change in the new retail era. Instead of being merely traditional points of sales, physical stores will also play a pivotal role in improving customer experience in Sa Sa's O2O operating model by complementing the online business. Currently, the decline in rents creates favourable conditions for Sa Sa to improve customer experience at store level. At similar or lower costs, Sa Sa can develop customer experience zones in designated physical stores, where customers can try out beauty and healthcare products, and enjoy more personal services and exclusive in-store experience. By extending the time customers spend in store, the Group would be able to effectively boost sales by stimulating consumption inclination. The Group is currently deploying pilot stores in Hong Kong and Macau SARs, which are expected to be opened in FY2021/22.

Looking ahead, the Group plans to enhance customer experience by pushing forward retail technologies in its stores. That includes the roll-out of mobile checkout devices, which allows frontline staff to complete the checkout process anywhere and anytime at stores, freeing customers from hassles of waiting at specific checkout counters. If the trial succeeds, the Group will explore the possibility of replacing the specific checkout counters by customer experience or introducing product display zones in certain stores. It will add value to the space and reduce the proportion and related costs of non-sales staff in stores. The checkout devices are expected to enhance the stores' operating efficiency and empower our operations in Hong Kong and Macau SARs to better serve customers including Mainland Chinese visitors when they return.

Human capital is vital to the Group's sustainable development and plays an important role in business transformation. In order to support the Group's social commerce and O2O business expansion, the Group will double its efforts in training frontline and back-office employees of our traditional retail team, in aspects like social media livestreaming, online interaction with customers, and so on. Commission and reward system will also be improved to enhance the employees' performance and productivity, so as to keep pace with Sa Sa's O2O development.

Online Business

We expect that consumers' online shopping behaviour will persist beyond the pandemic and this structural change tends to be irreversible.

Sa Sa has made good progress in its O2O business during the year, thanks to the collaborative efforts of frontline and back-office employees across the board. For customers, this has meant better shopping experience and for Sa Sa, the O2O business offers more favourable gross margin and basket size due to the added personal service element when compared to customers' unassisted online browsing. It also saves the Group rent and online platform fees. All these mean a more attractive profit margin for the O2O business, an area that the Group will wish to develop to its fullest potential.

The Group will work to further realise the complementary effects of combining advantages of online business and physical stores to improve both customer experience and the Group's profitability. Further integration of online and offline operations, improvements in inventory and logistic arrangements will all help to provide a seamless O2O customer experience. Our revamped shopping website in Hong Kong SAR which was launched this January enables Sa Sa's frontline staff to engage with customers for offering personalised services, whilst providing click-and-collect service offers customers with more flexibility and convenience. The Group plans to centralise and consolidate online and offline customer databases in the Hong Kong and Macau SARs utilising the membership management function of our new shopping website, enabling the Group to provide personal services more effectively, and with the aim of raising customers' loyalty and repurchase rate.

Our beauty consultants will be able to engage Mainland Chinese visitors when they visit our physical stores upon the re-opening of border at Hong Kong SAR, and by doing so, allowing us to quicken the growth of the online customer base of our O2O business. The Group seeks to get prepared to attract this batch of Mainland Chinese visitors as we speed up our development of the new retail model.

Third-party platforms have their own healthy and fast-growing ecosystems and currently account for the highest proportion of our online sales. Sa Sa will continue to leverage on the popularity and customer base of e-commerce platforms, collaborating with existing ones and entering new ones to gain extra market exposure and broaden our customer base.

Mainland China

Mainland China is an enormous market which is diversified and fast-growing. Further growth in domestic demand is expected riding on accelerated recovery of market activities as the pandemic remains under control and the economy continues to manifest its tremendous potential. According to the "Report of Market Prospect and Investment Analysis on China Cosmetics Industry (2021)" of The Chinese Academy of Industry Economy Research, the cosmetics industry is in a phase of rapid growth. It is estimated that the market size of cosmetics industry in Mainland China will exceed RMB800 billion in 2024, with a compound annual growth rate of about 11.6% from 2019 to 2024.

Sa Sa will continue to improve internal management and product procurement to capitalise on the opportunities in Mainland China. Meanwhile, we will also take the opportunity of a weaker rental market to negotiate for more reasonable rent in the post-pandemic era, thereby progressively increasing our coverage in Mainland China. The Group will focus its resources on expanding in core city clusters (especially cities in the Greater Bay Area) and strategic regions with the aim to realise local management effectiveness and efficiency in these key clusters. The Group will also target to develop O2O integration in Mainland China, optimising our mapping of online and offline businesses through adopting a dual-track model, thus maximising our coverage in Mainland China as well as serving our customers with seamless shopping convenience.

Our persistent business expansion will deepen our collaboration with local suppliers which is also conducive to enlisting cooperation with new suppliers. The Group will focus on accommodating customer demand by tracking the latest market trends and improve the attractiveness and competitiveness of our products. This will lay a solid foundation for the overall growth in sales and profitability.

Malaysia

Considering that the pandemic is yet to be over, uncertainties continue to curtain the retail industry. The Group remains prudent in store opening in the near term, and will focus on improving store efficiency by optimising its existing store network. In the short term, since it takes time for the shop traffic to return to the normal level, the Group will focus resources on boosting basket sizes, including offering discounts in collaboration other third parties in order to stimulate sales. The Group will closely monitor the market trend and customer preferences, so as to introduce new popular items and adjust product mix in a timely manner, thus attracting customer traffic and boosting sales.

In response to the evolving market trend, the Group will further develop its online platform and enhance its delivery services, so that customers can shop from home. Also, the Group will continuously carry out digital marketing on platforms that have proved to be effective, and actively launch new promotions on social media, in order to attract our target customer base which is young and possesses greater potential in terms of consumption.

FY2021/22 Q1 Operational Sales Data (Continuing Operations)

For the first quarter from 1 April to 9 June 2021, the Group's retail and wholesale turnover increased by 55.1 % compared to the same period of last year. The year-on-year changes of retail sales and same store sales are shown in the table below.

In local currencies	YoY Change (%)	
	Retail Sales	Same Store Sales
HK & Macau SARs	53.5%	56.3%
Mainland China • *Excluding CRM impact*	30.7% *40.1%*	6.7% *13.9%*
Malaysia	3.5%	Not applicable
Online business	131.2%	[redacted]
Group Turnover	55.1%	

Human Resources

As at 31 March 2021, the Group had closed to 3,200 employees. The Group's staff costs for the year under review were HK$646.0 million. Details on our human resources programs, training and development will be set out in the environment, social and governance report and the enterprise risk management report sections of the annual report for the year ended 31 March 2021.

Financial Review

Capital Resources and Liquidity

As at 31 March 2021, the Group's total equity funds amounted to HK$1,330.1 million including reserves of HK$1,019.8 million. The Group continued to maintain a strong financial position with cash and bank balances of HK$526.4 million. The Group's working capital amounted to HK$731.6 million. Based on the Group's steady cash inflow from operations, coupled with sufficient cash and bank balances and readily available banking facilities and considering the potential impact of COVID-19 outbreak on the Group's operation, the Group has adequate liquidity and financial resources to meet its working capital requirements 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, Malaysian Ringgit, Macau Pataca, Renminbi, US dollar and Swiss Franc 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 2021 were HK$1,330.1 million, representing a 20.1% decrease over the funds employed of HK$1,664.3 million as at 31 March 2020.

The gearing ratio, defined as the ratio of total borrowings to total equity, was zero as at 31 March 2021 and 2020.

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 with no borrowings during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong dollar, US dollar, Euro or Renminbi. 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-US dollar denominated purchases. These hedging policies are regularly reviewed by the Group.

Charge on Group Assets

As at 31 March 2021, no asset of the Group was under charge to any financial institution.

Contingent Liabilities

The Group had no significant contingent liability as at 31 March 2021.

Capital Commitments

As at 31 March 2021, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK$13.6 million.

Conclusion

COVID-19 has brought about untold human disaster and unprecedented medical, social and business challenges to the world, Sa Sa is no exception and has been under tremendous pressure. With rapid adaptation becoming the new normal in the industry, the Group adopts various reform measures, with a view to enhancing its business to better cater for consumers' current shopping behaviour. The Group also continues to exercise stringent cost control and strives to establish a leaner cost structure in the long term to increase profitability, while reducing losses in the short term.

Online business has become the new focus of retail industry as consumers continue to shift to online shopping. The Group is dedicated to expediting its development in the new retail landscape by investing more resources in online business and accelerating the integration of O2O operations, thereby creating seamless O2O shopping experience for our customers and effectively improving Sa Sa's overall O2O business effectiveness.

The Group will keep abreast of the evolving market trend and extensively analyse market demand, while unceasingly strengthening its brand and adjusting product portfolio. The Group will also proactively propel businesses beyond its core markets in Hong Kong and Macau SARs and promote the online business, thus diversifying and expanding the Group's revenue portfolio and customer base.

The road to recovery for the retail industry is expected to be bumpy ahead. As a leading beauty product retailing group in Asia, Sa Sa will continue to capitalise on its solid business foundation, excellent products and flexible business strategies. Through relentlessly implementing strategic reform plans and responding to market changes quickly and flexibly, the management believes that Sa Sa will be able to navigate through adversity, creating long-term value to its stakeholders.

FINAL DIVIDEND

The Board has not recommended the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the annual results for the year ended 31 March 2021. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2021 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

BUY-BACK, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2021, there was no buy-back, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

The Company believes that its business can only be sustainable and beautiful to its stakeholders in the broadest sense when guided by a strong corporate governance culture. The Company is committed to maintaining high standards of corporate governance and strives to integrate the principles of good corporate governance practices into our operations, making corporate governance part of our culture.

Compliance with the Corporate Governance Code ("CG Code")

Throughout the year ended 31 March 2021 and up to the date of this announcement, we have complied with all but one of the code provisions under the CG Code.

Code Provision A.2.1

The roles of chairman and chief executive should be separate and should not be performed by the same individual under code provision A.2.1 of the CG Code. We have deviated from the code in that Dr KWOK Siu Ming Simon is both the chairman and CEO of the Company. The division of responsibilities between the two roles are, however, clearly established and set out in writing in the respective terms of reference for the chairman and the chief executive officer. Dr Kwok, being one of the founders of the Group, has superior knowledge of our business and is a veteran of the retail industry. The Board is therefore of the view that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximises the effectiveness of our operations. We will, nevertheless, periodically review the Board's structure going forward in light of the evolving needs of the Group and consider segregation of the two roles if and when appropriate.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted its own written policy regarding securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (Model Code). The Model Code is extended to certain "relevant employees" who, because of their office or employment, is likely to possess inside information in relation to the Company or its securities. The Company has received confirmation from all directors and relevant employees that they have complied with the policy throughout the period under review.

The annual report of the Company for the year ended 31 March 2021 containing more information on its corporate governance practices will be dispatched to the shareholders on or around Monday, 19 July 2021, and published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Wednesday, 15 September 2021, the Register of Members of the Company will be closed in accordance with the following timetable:

For determining shareholders' eligibility to attend and vote at the AGM:

● Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 9 September 2021
● Closure of Register of Members	Friday, 10 September 2021 to Wednesday, 15 September 2021 (both dates inclusive)
● Record date	Wednesday, 15 September 2021

During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all valid documents for the transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than the time set out above.

On behalf of the board of directors, I would like to extend my thanks and appreciation to all our staff for their hard work and commitment and to all of our customers, suppliers and shareholders for their continued support.

By order of the board of directors
Sa Sa International Holdings Limited
KWOK Siu Ming Simon
Chairman and Chief Executive Officer

Hong Kong, 16 June 2021

As at the date of this announcement, the directors of the Company are:-

Executive Directors
Dr KWOK Siu Ming Simon, *SBS, JP* (Chairman and Chief Executive Officer)
Dr KWOK LAW Kwai Chun Eleanor, *BBS, JP* (Vice-chairman)
Dr LOOK Guy (Chief Financial Officer)
Ms KWOK Sze Wai Melody

Non-executive Director
Ms LEE Yun Chun Marie-Christine

Independent non-executive Directors
Ms KI Man Fung Leonie, *GBS, SBS, JP*
Mr TAN Wee Seng
Mr CHAN Hiu Fung Nicholas, *MH*