



CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 116



2020 Annual Results Presentation

March 2021

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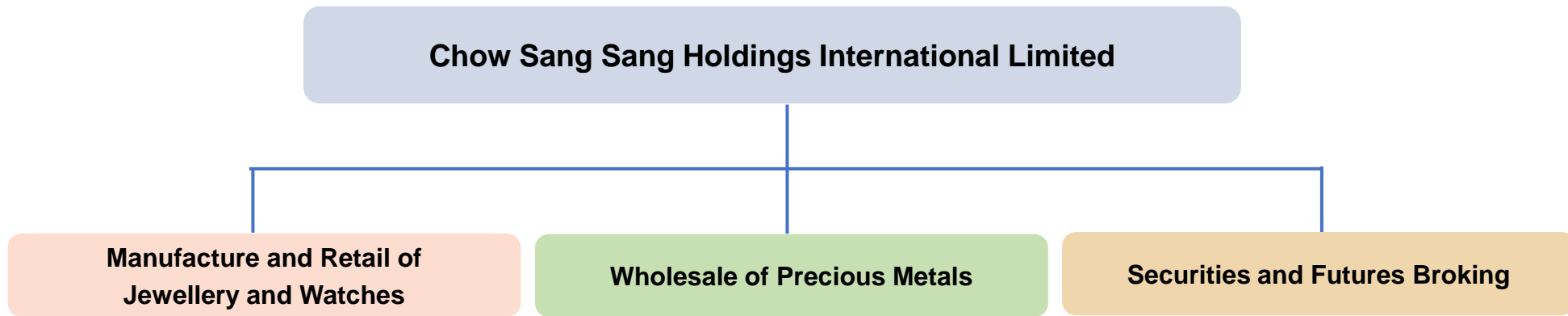
Potential investors and shareholders should exercise caution when dealing in the securities of the Company.

Presentation Outline

- I. Business Overview**
- II. Financial Highlights**
- III. Business Review**
- IV. Strategy Outline**
- V. Q&A Session**
- VI. Appendix**

Business Overview

Business Segments



Retail Store Brand Category

周生生 (how Sang Sang)

- Our mainline store brand whose stores are fully scaled, carrying all our lines of merchandise

周生生
生生·活宇
(Oasis by Chow Sang Sang)

- A new line of stores as a subtext to Chow Sang Sang. Stores are fitted out in a relaxed, “corner-store” style designed to blend into residential neighbourhoods

點晴品

- Our mainline store brand name in Macau and Taiwan

Retail Store Brand Category

PROMESSA

- Originated from the name of our signature collection of engagement rings and wedding bands, which we now promote on its own in a specialty store designed to evoke an atmosphere suited for making a marriage proposal

EMPHASIS

- Aims to define the new daily wear jewellery with bold designs

MINTYGREEN

- An affordable daily wear brand that makes items suitable for younger generation to wear every day

MARCO BICEGO

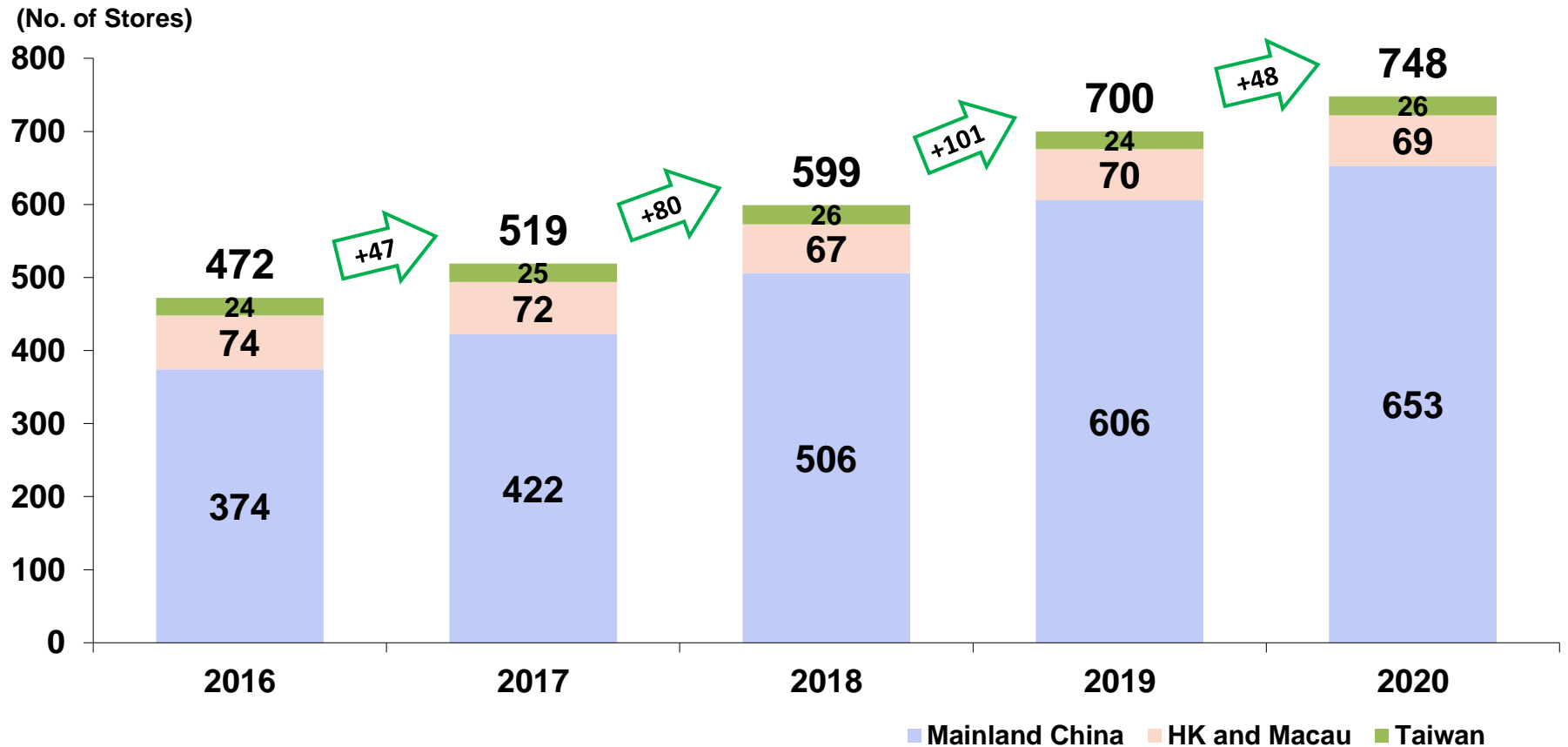
- An Italian jewellery brand featuring artisanal craftsmanship and contemporary design concepts

Store Count by Brand

Region		As at 31 Dec 2019	Opening	Closure	Net change	As at 31 Dec 2020
Mainland China	Chow Sang Sang	561	62	32	+30	591
	周生生					
	生生·活字	0	10	0	+10	10
	(Oasis by Chow Sang Sang)					
	Rolex/Tudor	13	0	1	-1	12
	MINTYGREEN	25	3	3	0	25
	EMPHASIS	7	6	1	+5	12
	PROMESSA	0	2	0	+2	2
	MARCO BICEGO	0	1	0	+1	1
Sub-total:		606	84	37	+47	653
Hong Kong	Chow Sang Sang	49	0	1	-1	48
	Rolex/Tudor	12	0	0	0	12
	EMPHASIS	4	1	1	0	4
	PROMESSA	0	1	0	+1	1
Sub-total:		65	2	2	0	65
Macau	點睛品	5	1	2	-1	4
Sub-total:		5	1	2	-1	4
Taiwan	點睛品	24	1	0	+1	25
	PROMESSA	0	1	0	+1	1
Sub-total:		24	2	0	+2	26
Total		700	89	41	+48	748

Jewellery and Watch Store Expansion

Increasing no. of stores in Mainland China



Jewellery and Watch Store Network as at 31 Dec 2020



Hong Kong and Macau
69 stores

Taiwan
26 stores

Mainland China			
Region	Number of stores	City tier	Number of stores
North	84	1	164
East	125	2	279
South	222	3	145
West	104	4	65
Beijing Surrounding Provinces	118		
Total	653	Total	653

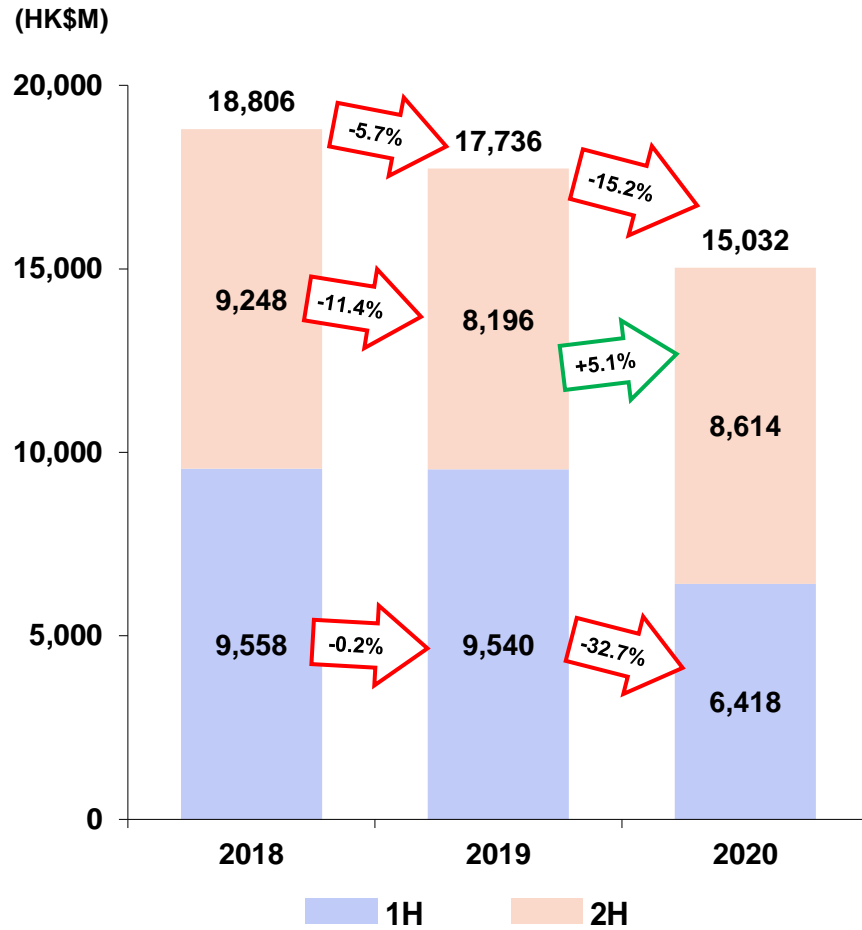
e-shop

- chowsangyang.com
- Tmall
- JD
- VIP
- other e-Commerce platforms

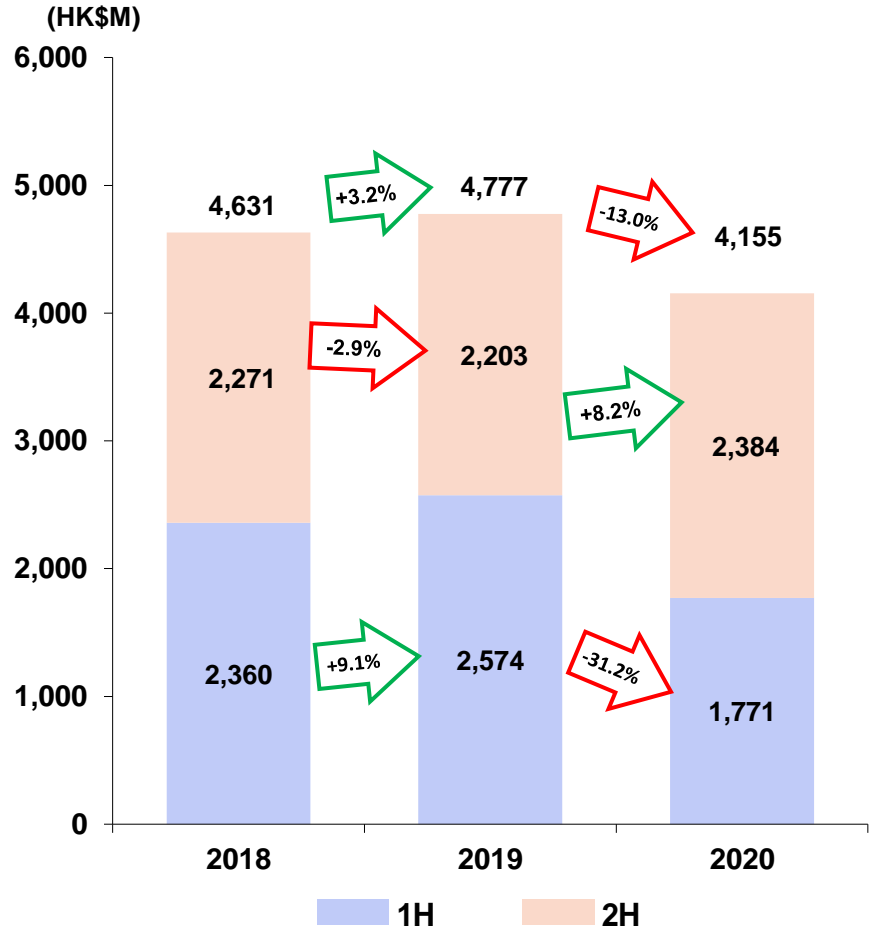
Financial Highlights

Group Operating Performance

Turnover

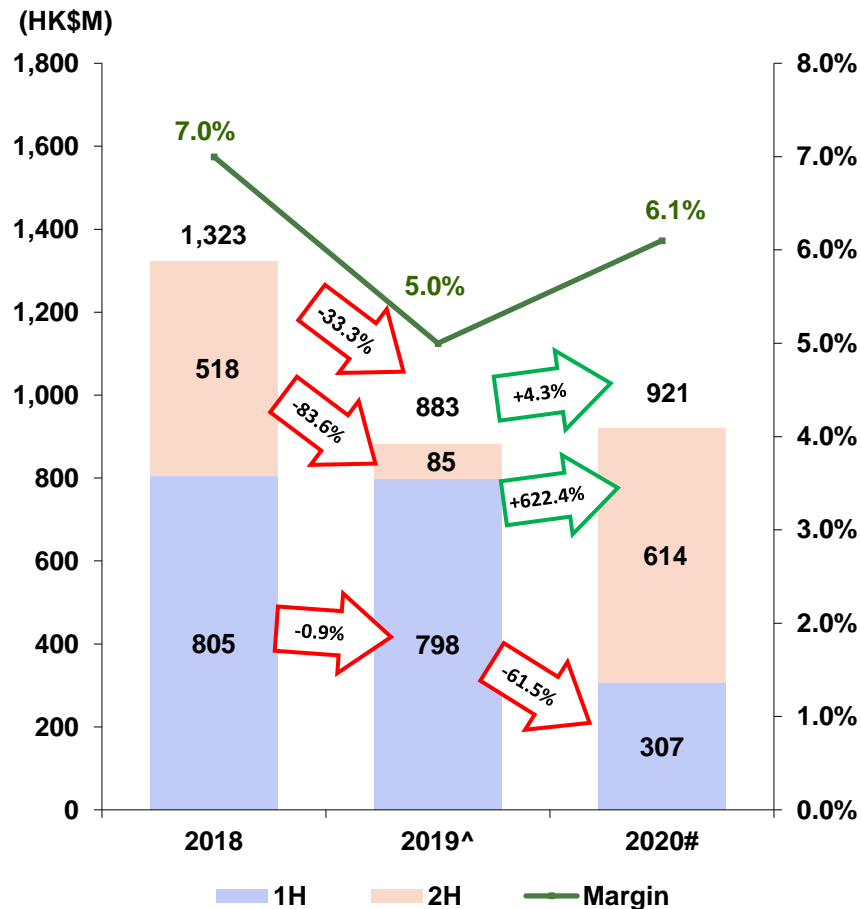


Gross profit

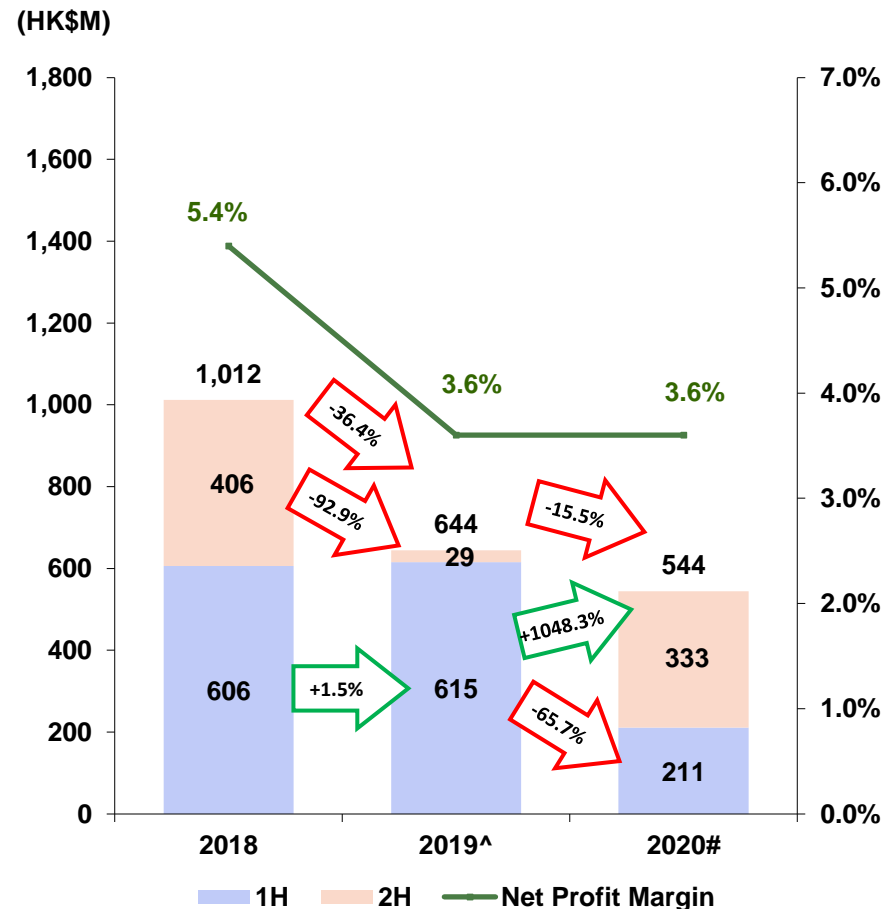


Group Operating Performance (Cont'd)

Profit before tax



Profit attributable to equity holders

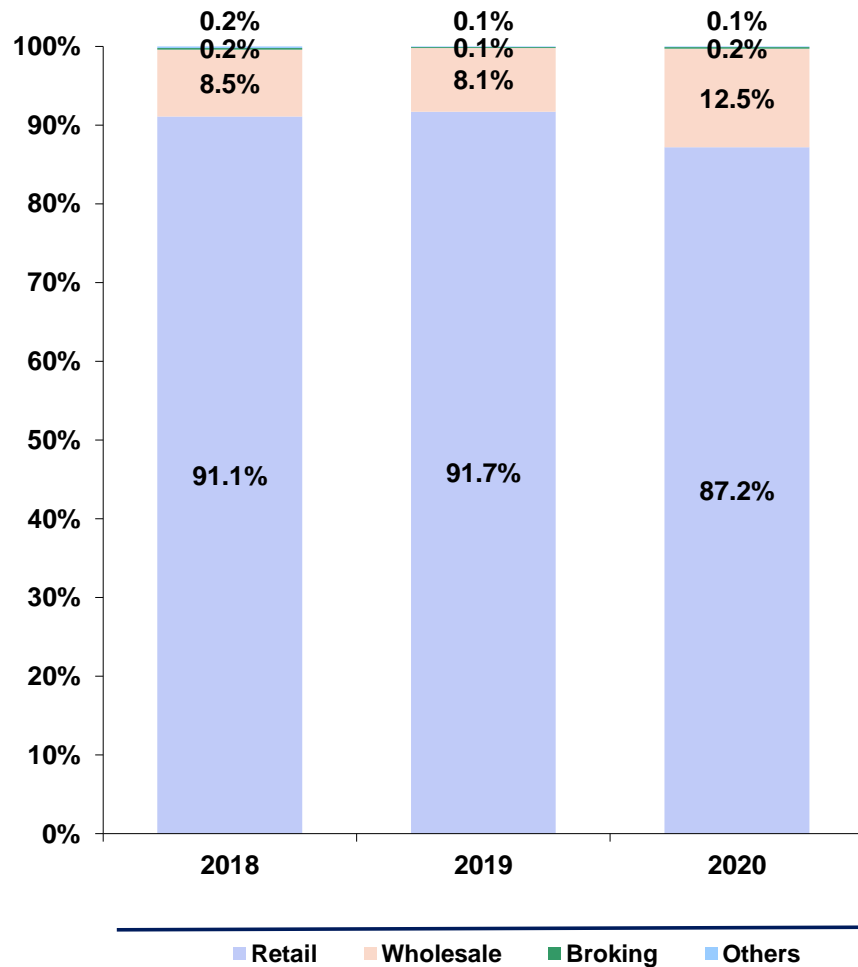


[^] Included margin loan provision (HK\$446M)

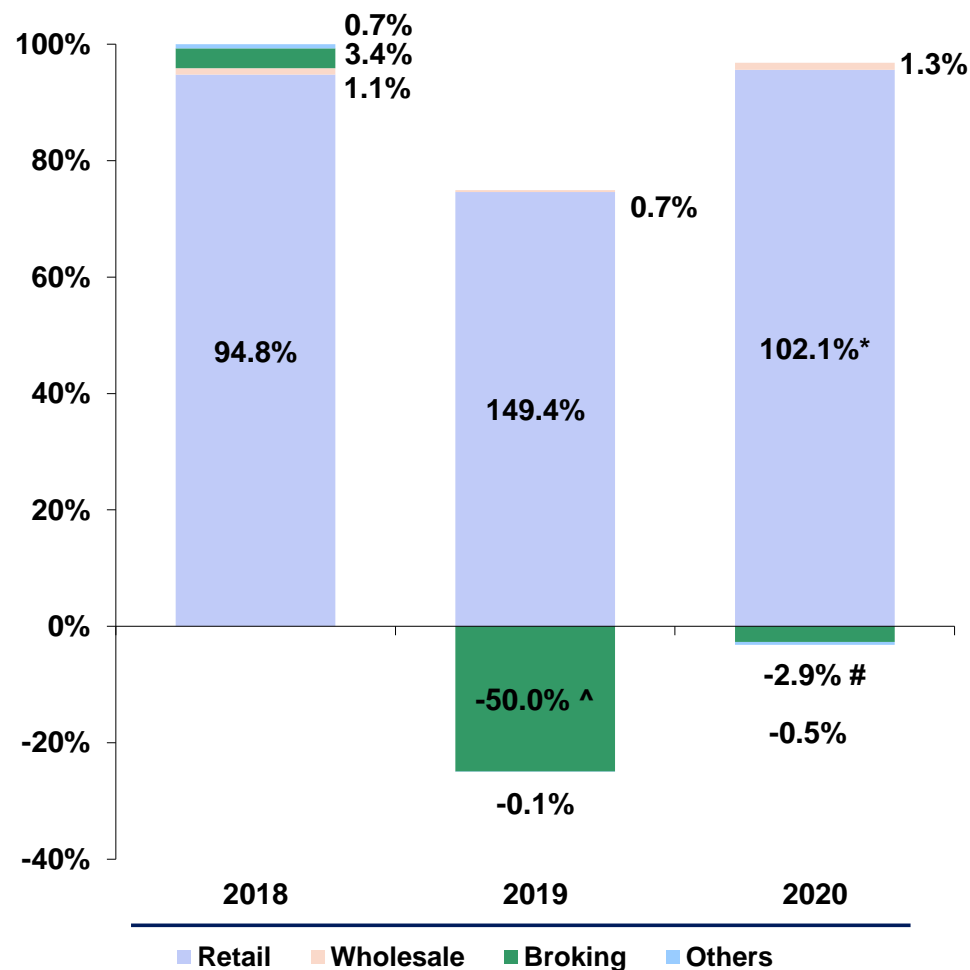
[#] Included margin loan provision (HK\$44M) and impairment of right-of-use assets (HK\$170M)

Group Operating Results by Segment

Turnover breakdown



Results breakdown



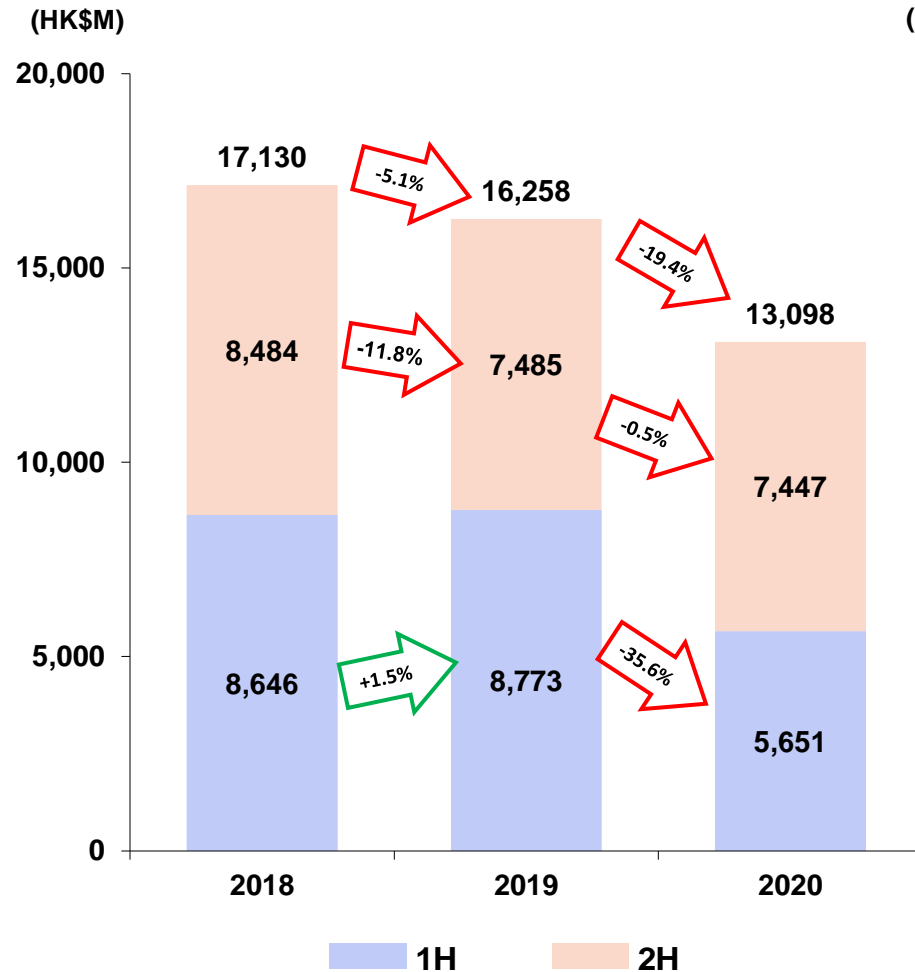
^ Included margin loan provision (HK\$446M)

Included margin loan provision (HK\$44M)

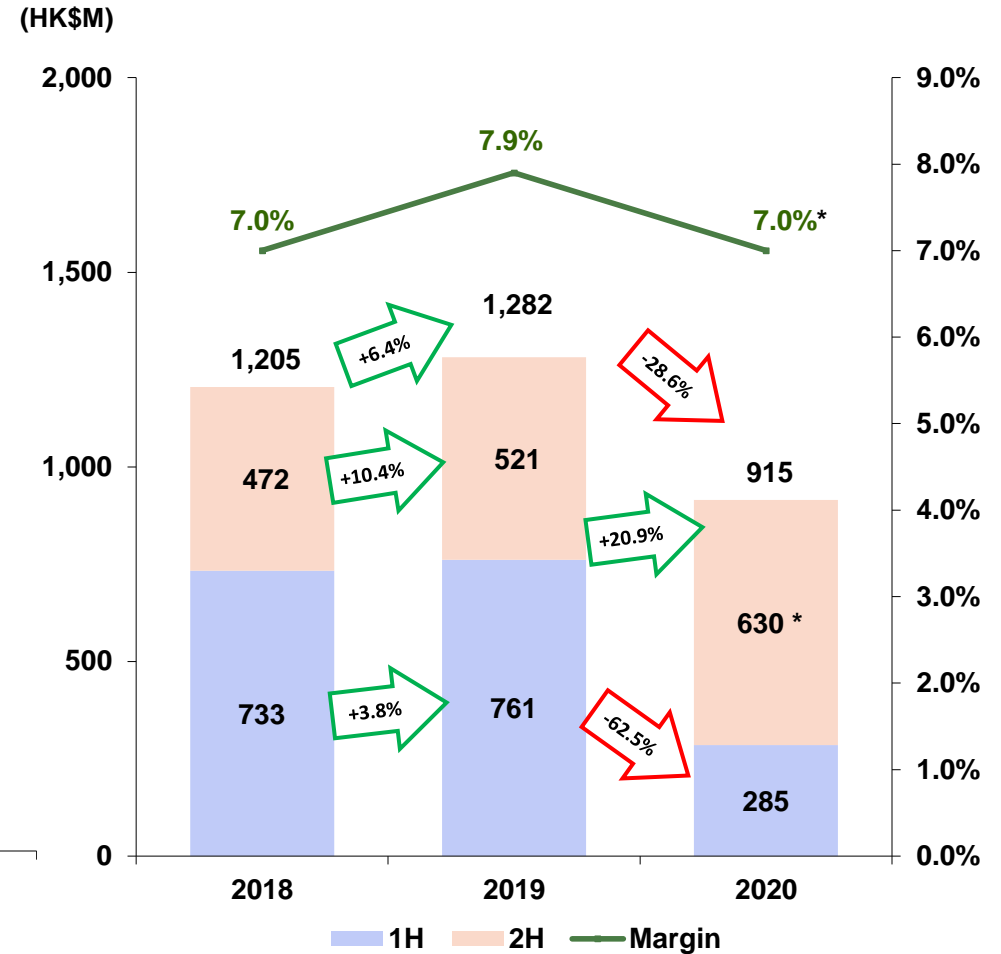
* Included impairment of right-of-use assets (HK\$170M)

Jewellery and Watch Retail Performance

Turnover



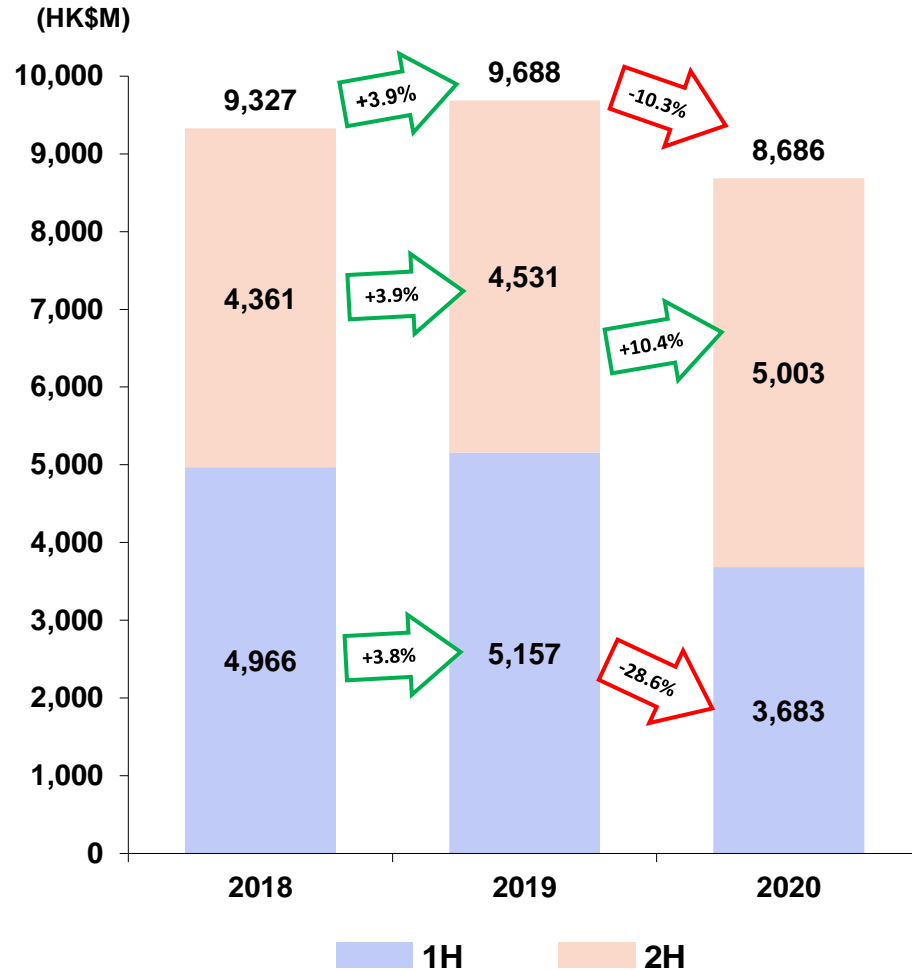
Operating results



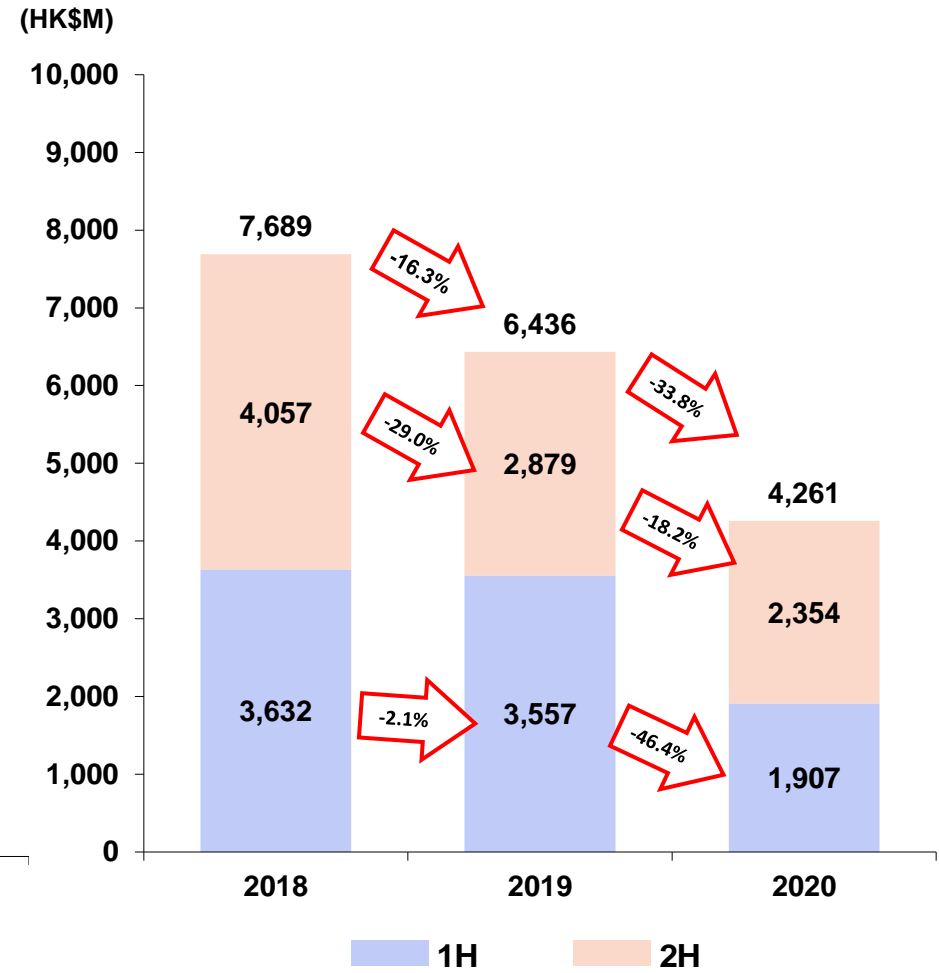
* Included impairment of right-of-use assets (HK\$170M)

Jewellery and Watch Retail Performance

Mainland China retail turnover



HK & Macau retail turnover

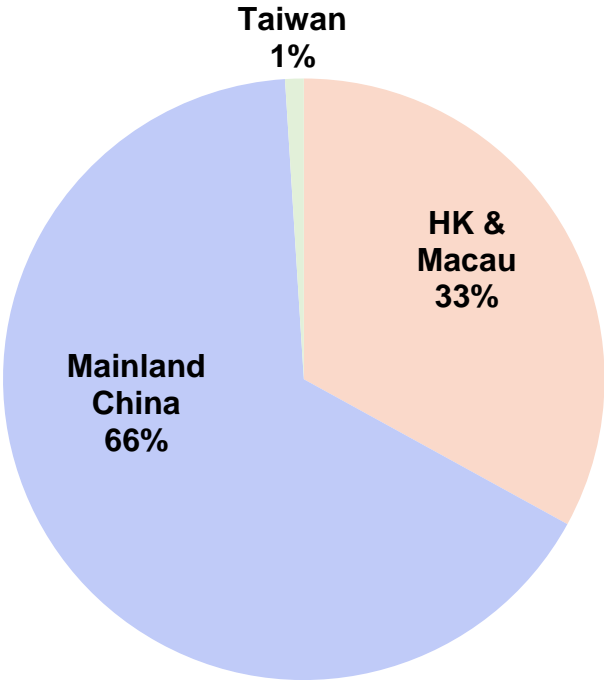
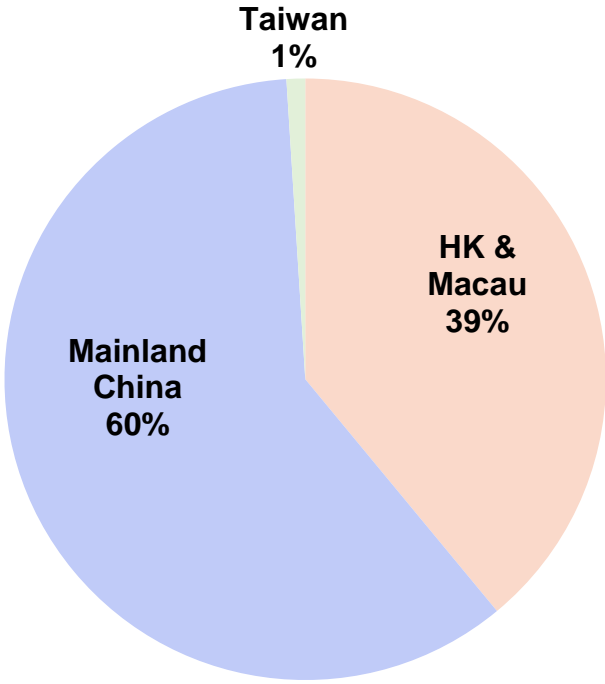
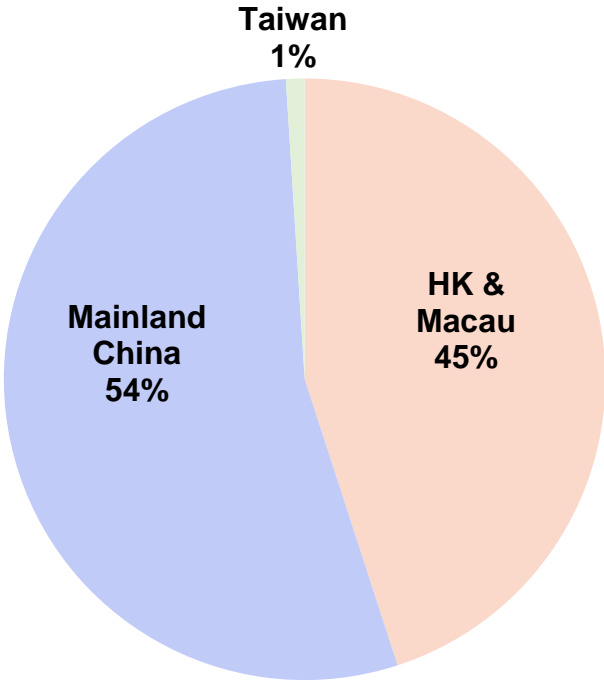


Retail Turnover by Geographical Area

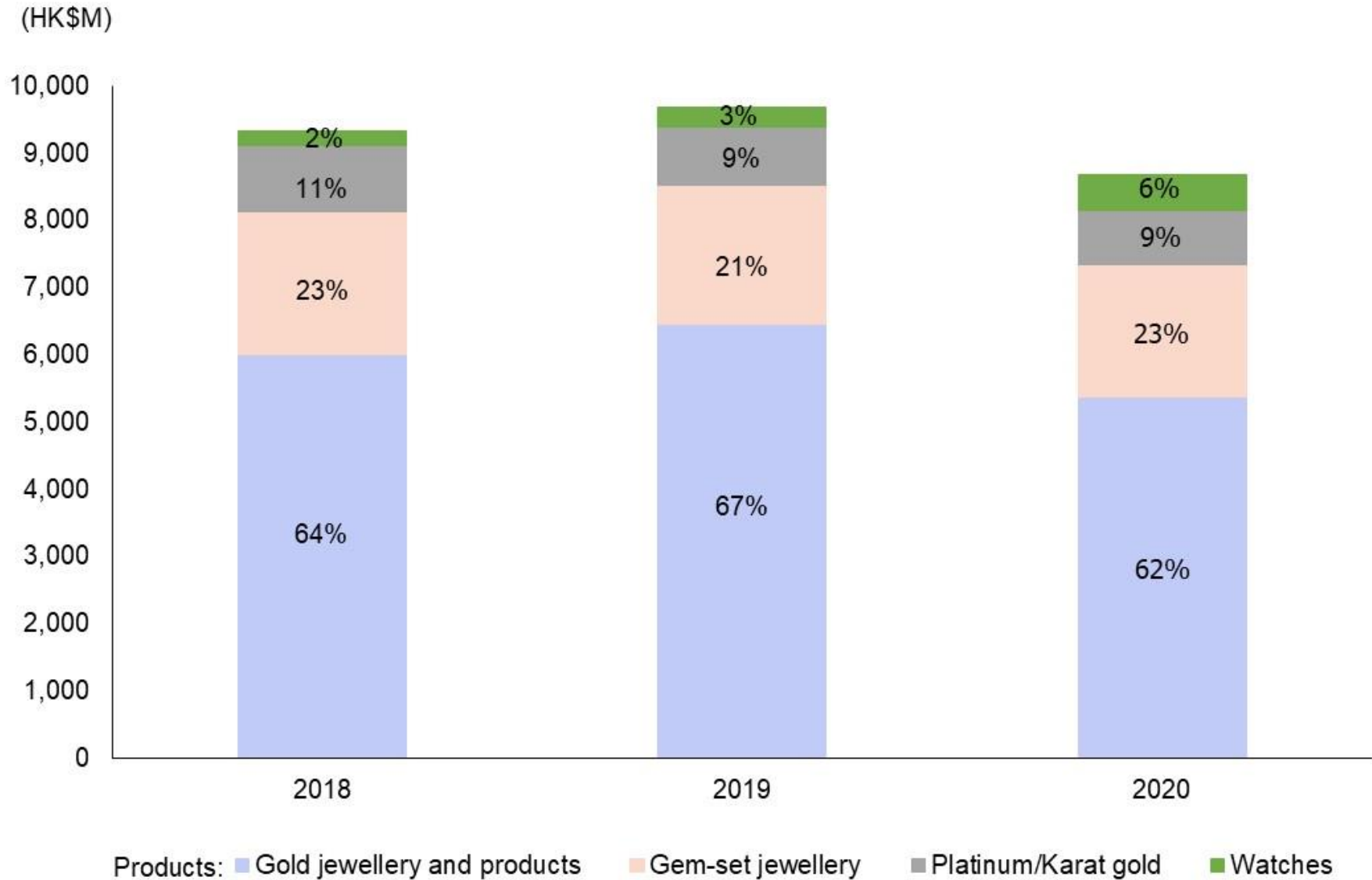
2018

2019

2020

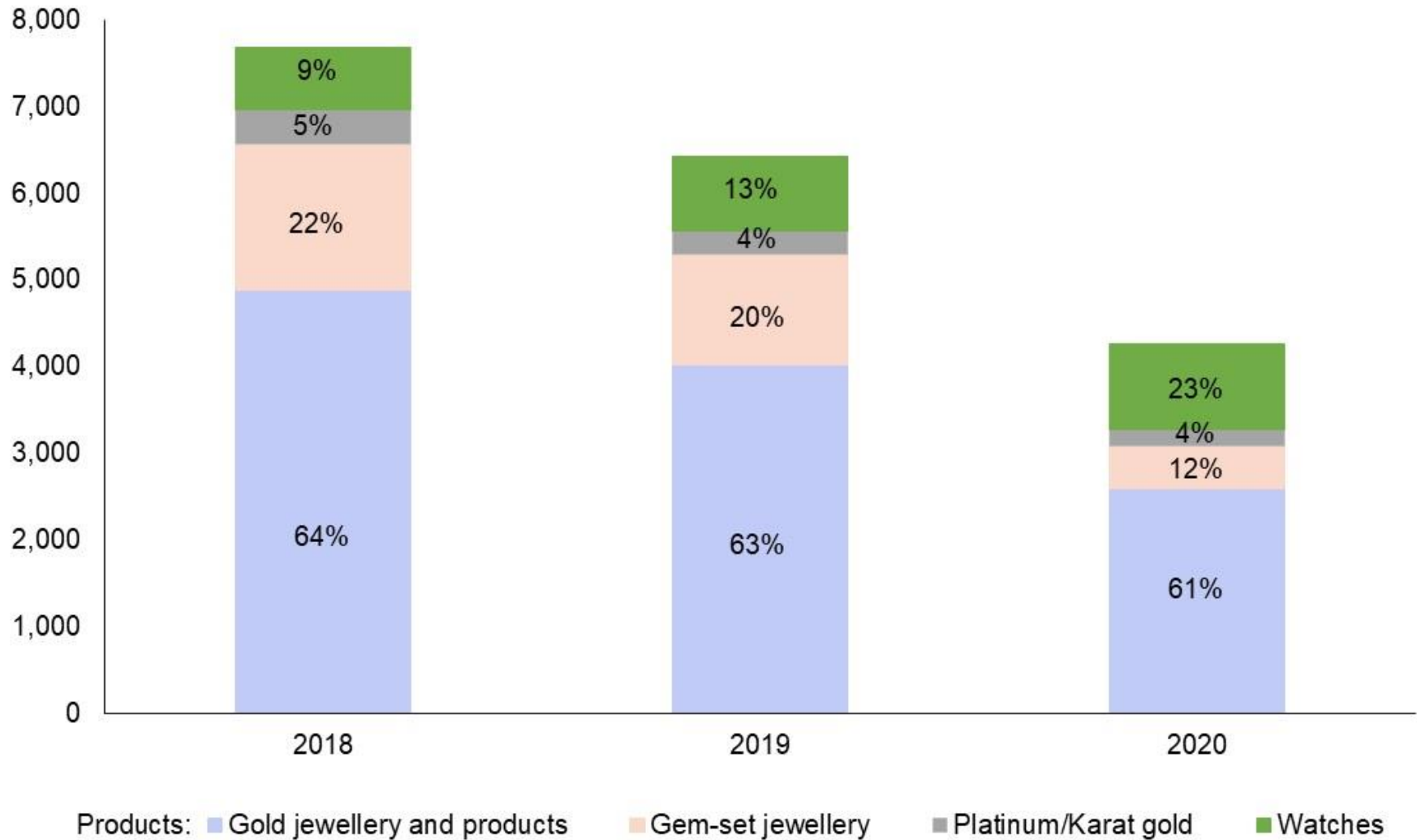


Mainland China Retail Sales Mix

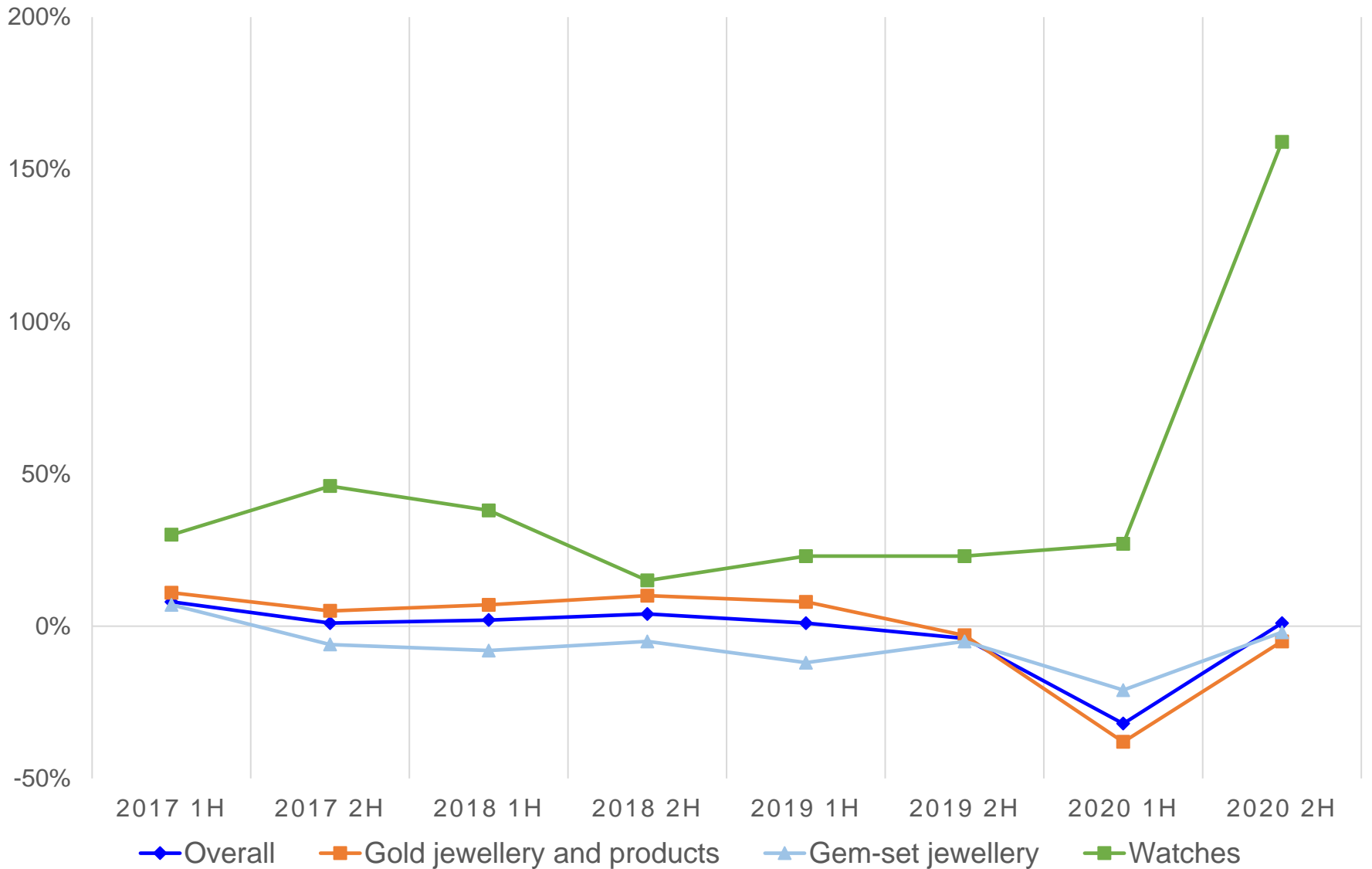


Hong Kong and Macau Retail Sales Mix

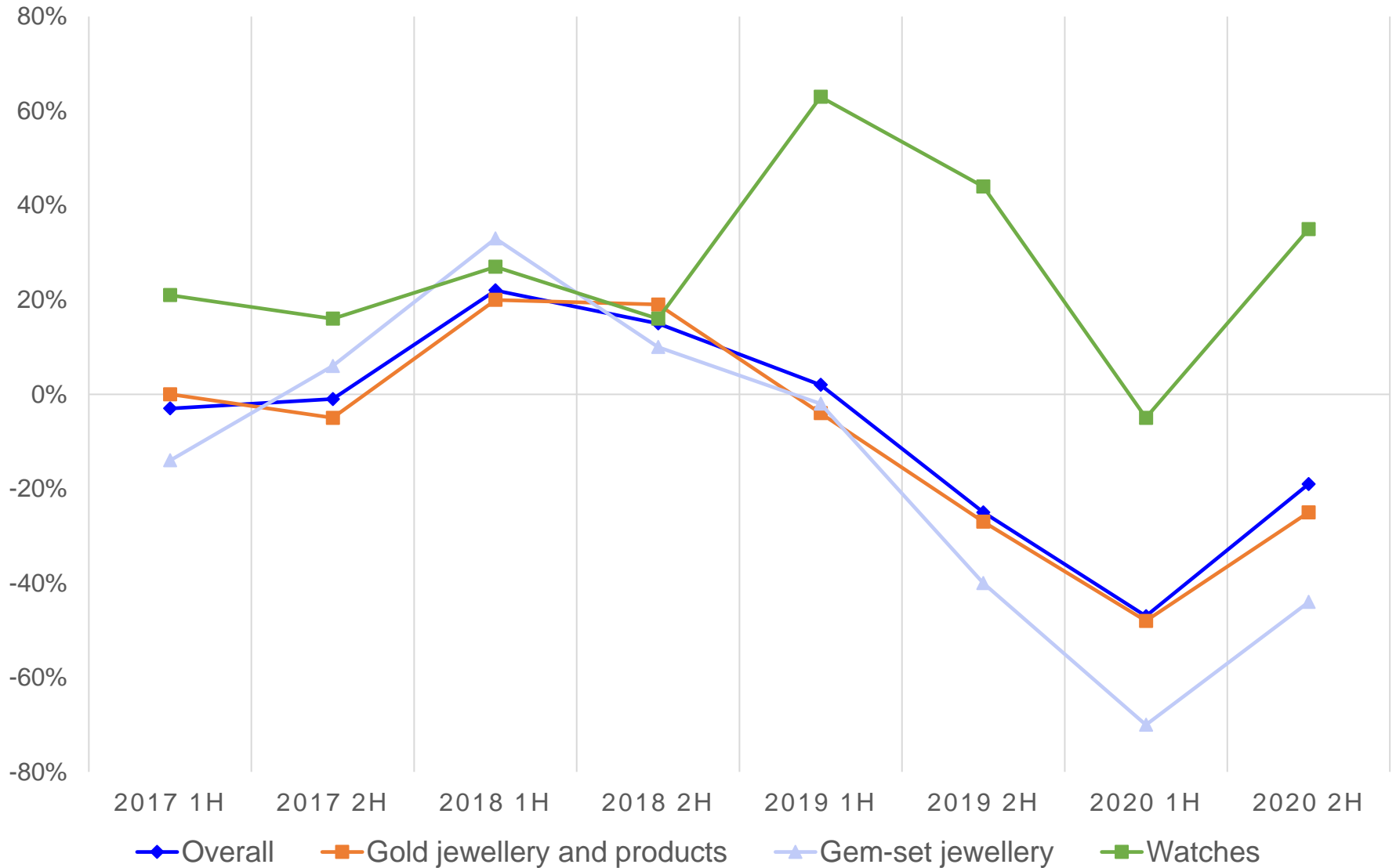
(HK\$M)



Mainland China Retail SSSG

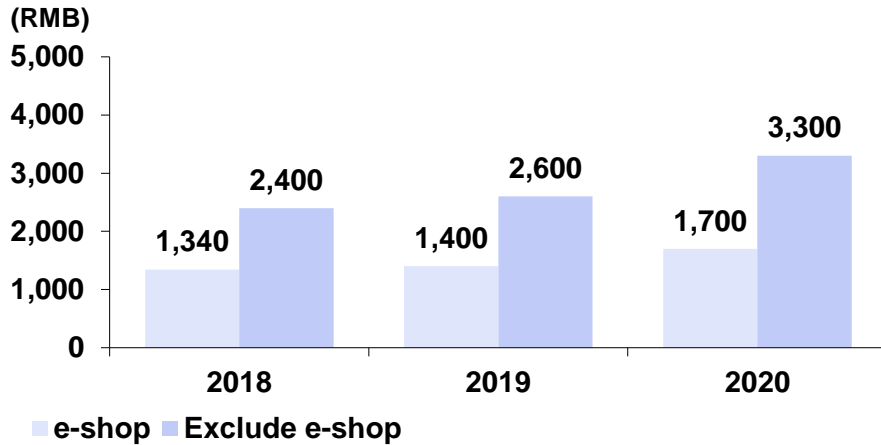


Hong Kong and Macau Retail SSSG

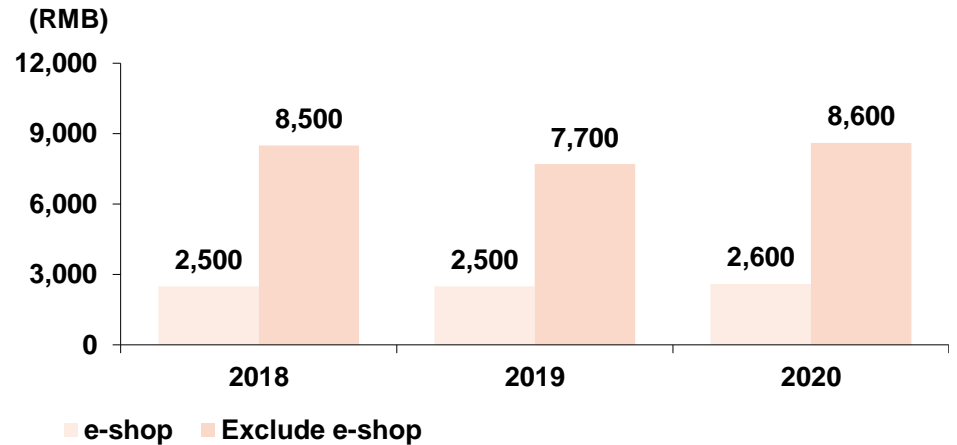


Retail: Change of Average Selling Price

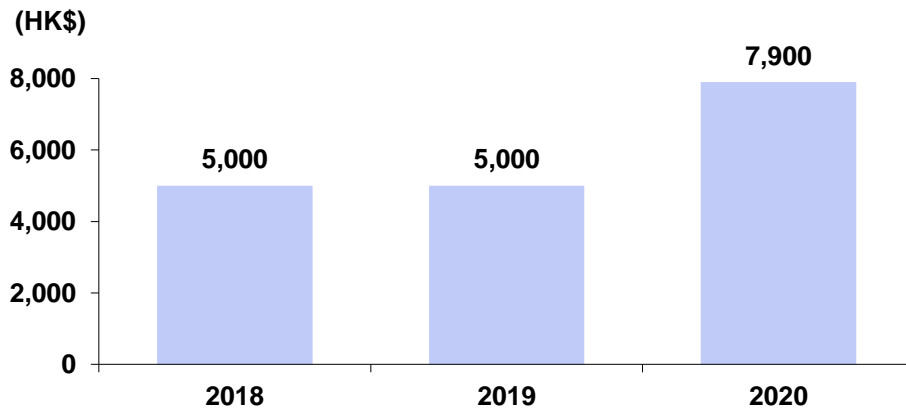
**Mainland China
- Gold jewellery and products**



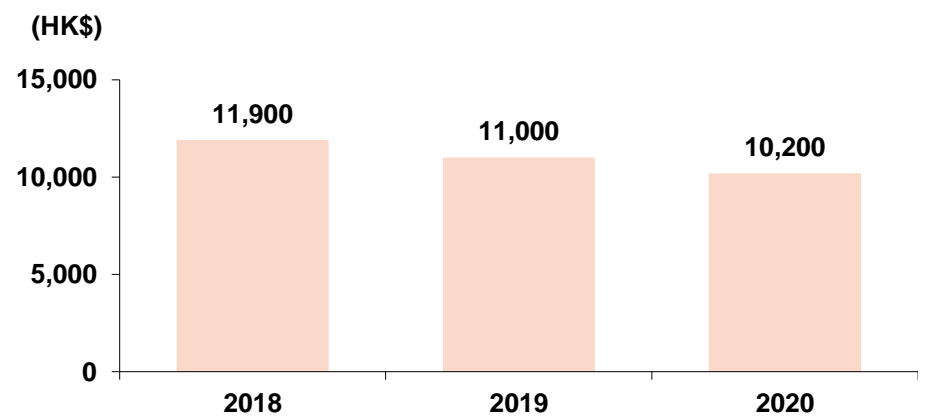
**Mainland China
- Gem-set jewellery**



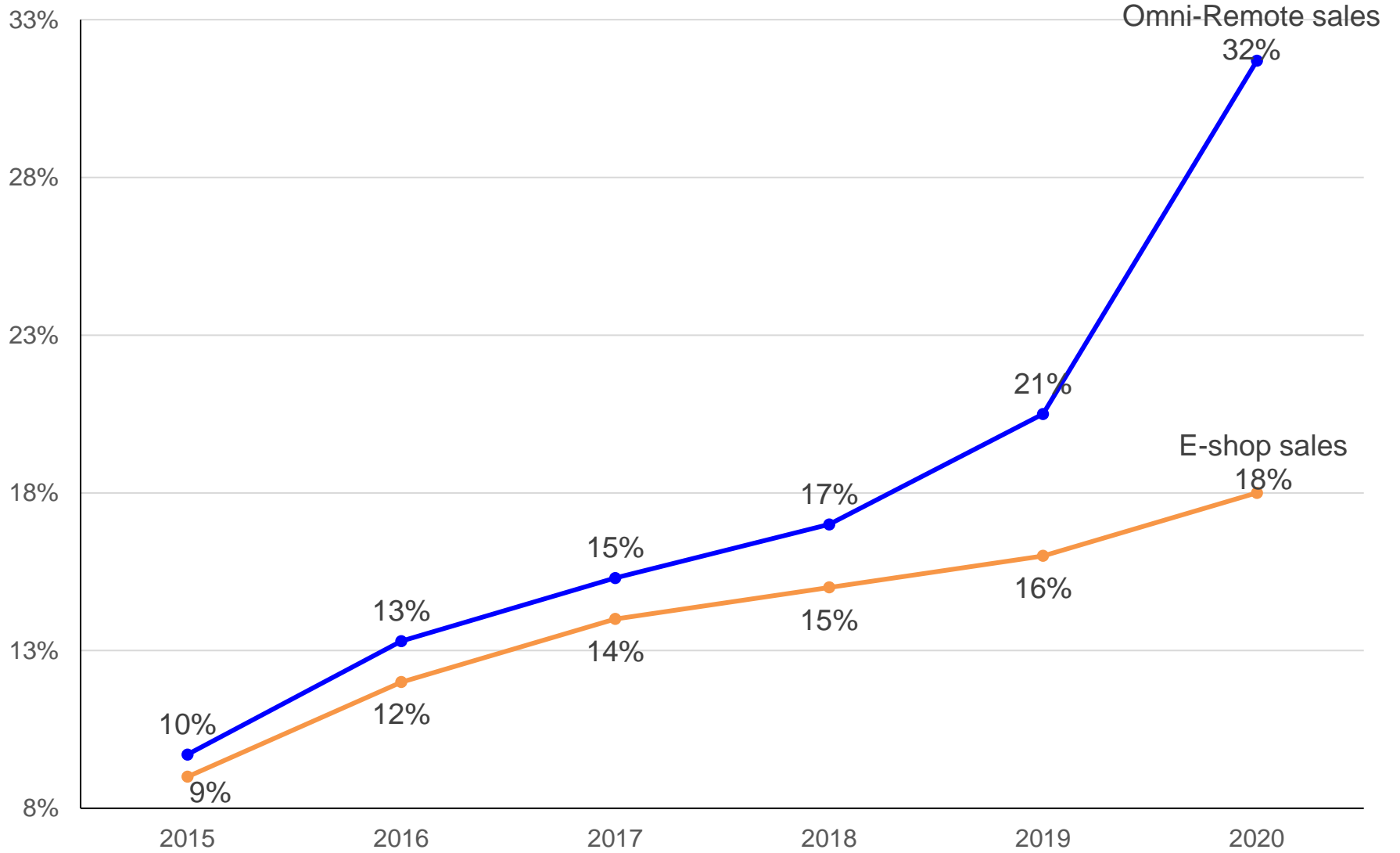
**Hong Kong and Macau
- Gold jewellery and products**



**Hong Kong and Macau
- Gem-set jewellery**

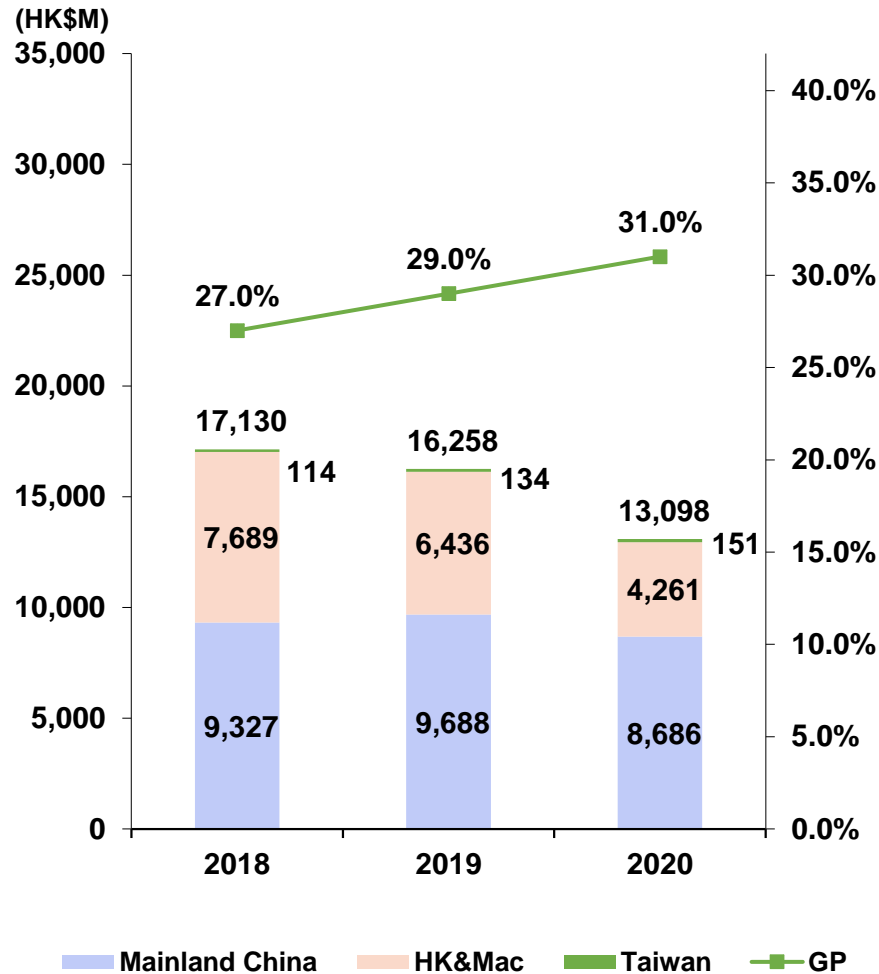


Omni-Remote Sales as a Percentage of Mainland China Sales

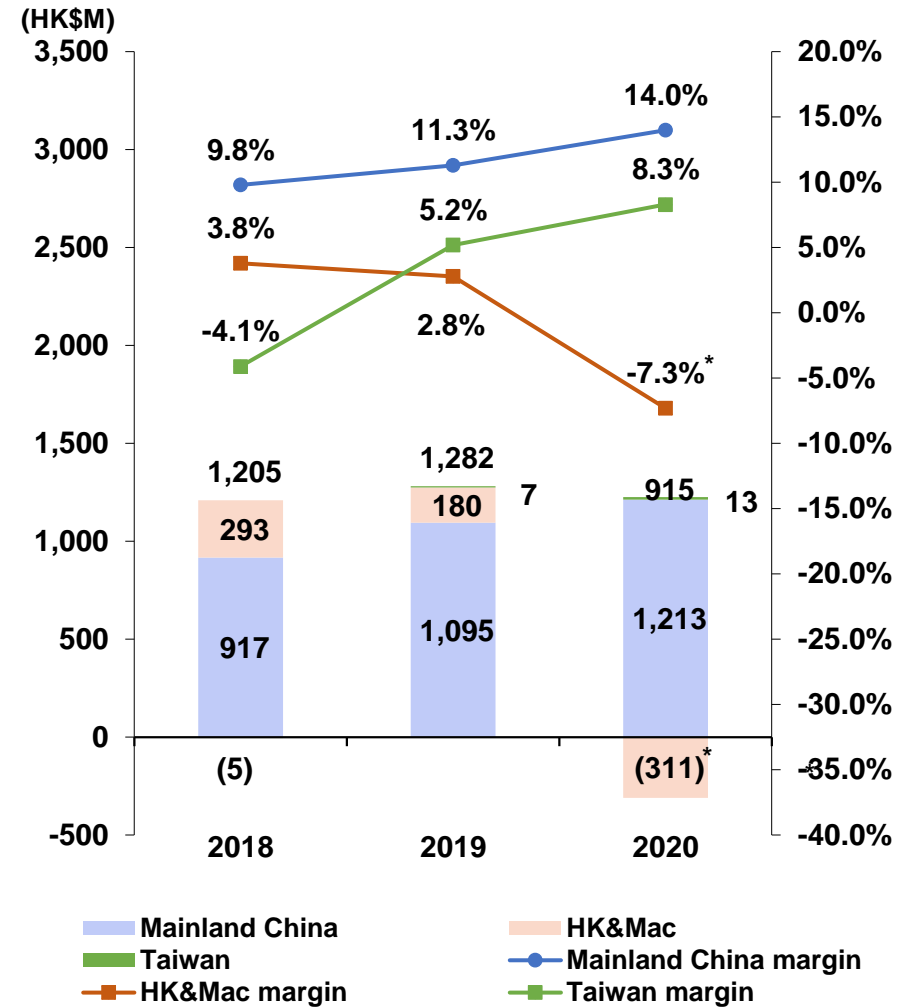


Retail Performance by Geographical Area

Retail segment turnover and GP margin



Retail segment results and margin

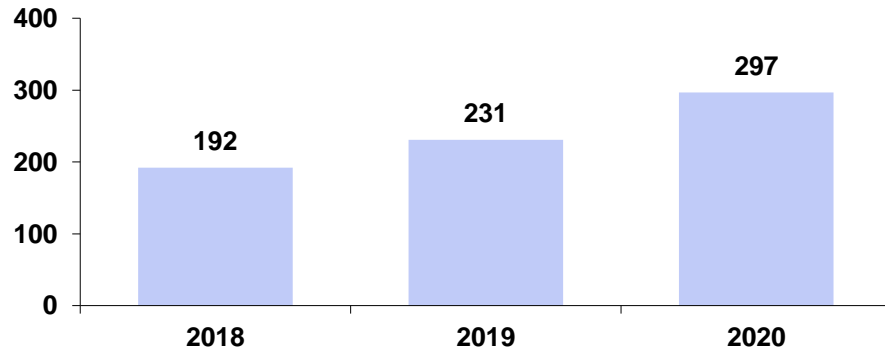


* Included impairment of right-of-use assets (HK\$170M)

Working Capital Trends

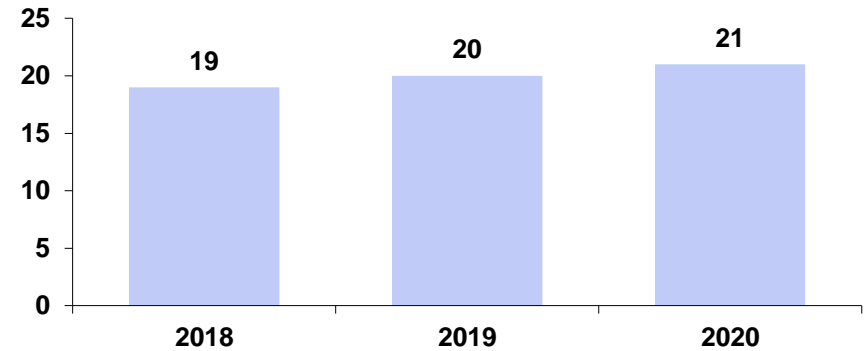
Average inventory turnover days

(No. of Days)



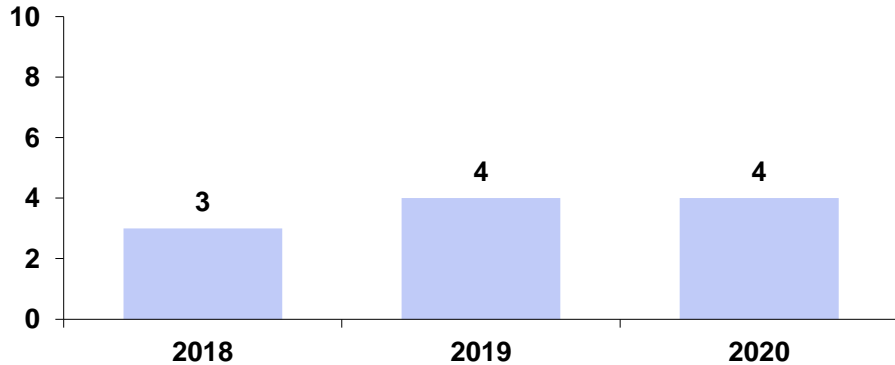
Average receivables turnover days

(No. of Days)



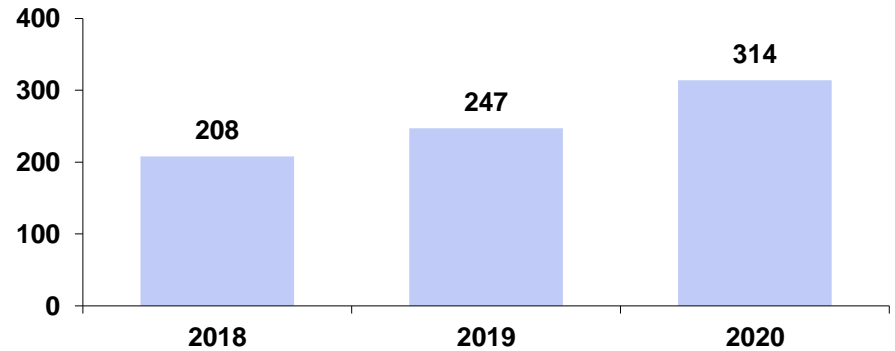
Average payables turnover days

(No. of Days)



Cash conversion cycle

(No. of Days)



Financial Highlights

(HK\$M)

	For the 12 months ended			% change
	2018	2019	2020	20 vs 19
Turnover	18,806	17,736	15,032	-15.2%
<i>Retail of jewellery and watches</i>	17,130	16,258	13,098	-19.4%
<i>Wholesale of precious metals</i>	1,603	1,436	1,885	+31.3%
<i>Others</i>	73	42	49	+16.7%
Gross profit	4,631	4,777	4,155	-13.0%
Gross profit margin	24.6%	26.9%	27.6%	
Profit before tax*	1,323	883	921	+4.3%
Profit attributable to equity holders*	1,012	644	544	-15.5%
Basic EPS (HK cents)	149.4	95.0	80.4	-15.4%
Dividend per share (HK cents)	59.0	39.0	47.0	+20.5%
Capital expenditure	338	415	244	-41.2%

* Profit is arrived after charging margin loan provisions (2020:HK\$44M; 2019:HK\$446M) and impairment of right-of-use assets (2020:HK\$170M)

Other Financial Information

(HK\$M)

As at Dec-31

	2018	2019	2020
Cash and cash equivalents	1,303	1,028	1,654
Long term listed investments*	807	901	1,414
Gearing[#]	18.6%	25.3%	17.3%
Unused banking facilities	4,080	3,992	4,083

* Long term listed investments represents HKEX shares which valued at quoted market prices

[#] Total borrowings to total equity holders' equity. Total borrowings includes interest-bearing bank borrowings, bullion loans and interest-bearing bank borrowings arising from securities and futures broking

Business Review

Business Review

Retail - Analysis by Geographic Area

Mainland China

- Revenue fell 29% YOY in 1H, but rebounded 10% in 2H. Sales were down 10% YOY.
- Rising gold price deterred buyers in 1H. Sales were stabilised in 2H as gold price retreated after its August peak.
- Personalised Jewellery Service business continued to grow strongly, supporting gem-set jewellery sales.
- Watch sales delivered solid performance with +159% SSSG in 2H.
- On-line sales were steady and accounted for 18% of sales.
- Segment results were up 11%, benefiting from store expansion, margin enhancement brought by surge in gold price and accelerated growth from Personalised Jewellery Service business.

Hong Kong and Macau

- Business was greatly influenced by covid-19 and absence of tourist. 2020 revenue was down 34% YOY.
- Sales were hit hard in 1H and eased slightly in 3Q. Outbreak of 4th wave of the pandemic in late Nov and tightened crowd control measures hit local consumptions again.
- Sales across most product types took a major downturn except watch.
- The negative segment results were primarily due to operating deleverage on lower sales volume and impairment losses of HK\$170m recognised on right-of-use assets.

Business Review

Retail - Analysis by Geographic Area

Taiwan

- The pandemic has had a smaller impact than in other regions where our retail stores were operating.
- Turnover increased by 13% to HK\$151 million, benefitting from solid internal consumptions.
- Segment results were increased by 71% to HK\$12m.

Business Review

Retail - Store Network

- There was net increase of 47 stores in Mainland China in 2020.
- In Hong Kong, we have been realigning our store network aiming at reducing rental and strengthening our service to local customers.
- We introduced 3 new lines of stores, namely 周生生 生生·活字 (Oasis by Chow Sang Sang), PROMESSA and MARCO BICEGO.
- 10周生生 生生·活字 (Oasis by Chow Sang Sang) stores were launched in order to blend into residential neighbourhoods. They are generally smaller than the mainline stores and they typically carry products following one of three themes: culture, lifestyle and romance.
- 4 PROMESSA stores were added. PROMESSA wedding specialty store targets to provide made-to-order personalised jewellery together with ceremonial type of service for the younger generation.



周生生 生生·活字

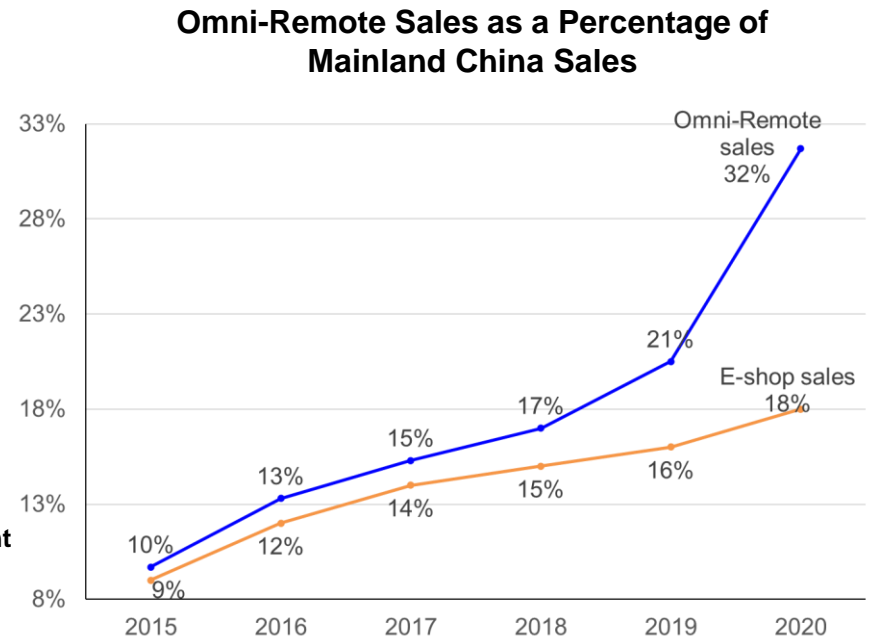
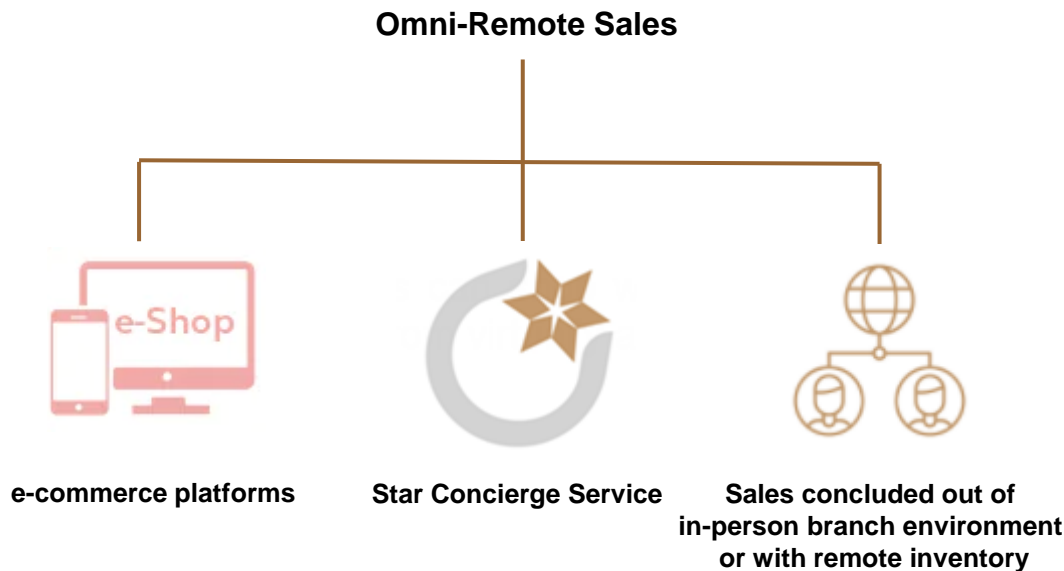


PROMESSA

Business Review

Retail - Omni-Channel Retailing

- **Omni-channel retailing has become the new phenomenon: customers browse and purchase products online, and shop across physical stores and e-commerce platforms.**
- **Mainland China online sales were steady in spite of covid-19 and accounted for about 18% of our Mainland China sales (2019: 16%).**
- **Personalised Jewellery Service is ideal model which is complementary to and synergistic with omni-channel retailing.**
- **In February 2020, we introduced our Star Concierge Service.**
- **Our Omni-Remote Sales as a percentage to total sales in Mainland China surged to 32% (2019: 21%).**



Business Review

Retail - Products and Marketing

- Diamond jewellery sales from Personalised Jewellery Service (“PJS”) surged over 300% to HK\$536m, representing 23% of corresponding sales (2019: 5%).
- We have continued to optimise our PJS product offering and enhance customer experience, including launch of more variety of products, introduction of patented ring with adjustable shank for try-on and addition of sales mini-programs in various e-commerce platforms.
- Collections steeped in Chinese heritage and aesthetics have been well-received by the market.
- Customers are eager for value-preserving and hard-to-find consumer products on the market. Rolex sales growth in 2020 has been remarkable.
- The Group participated in 10 wedding Expos in Mainland China, Hong Kong and Taiwan in 2020 to attract young couple clientele.
- We organised over 4,600 hours of live streaming shows on various e-commerce platforms in 2020.



Personalised Jewellery Service



Cultural Blessings Collection

Business Review

Securities and Futures Broking and Other Investment

Securities and Futures Broking

- **The Board came to the decision to wind down the operations of the securities and futures broking business in Jan 2021.**
- **It is expected that it will cease its operations in May 2021.**
- **The Board believes that the cessation will have no material adverse impact on the operations of the Group, but will conserve resources for the better development of its jewellery business.**
- **The Group has initiated legal proceedings against some default margin loan customers, guarantors and introducer in Feb 2021.**
- **Provisions for impairment losses totalling HK\$44m and HK\$446m were made in 2020 and 2019 respectively.**
- **Corresponding total receivables before and after provisions amounted to HK\$711m and HK\$211m respectively as at 31 Dec 2020.**

Other Investment

- **The Group holds 3,326,800 shares or 0.26% of Hong Kong Exchanges and Clearing Limited as at 31 Dec 2020 for strategic investment purpose.**
- **The Group received dividends of HK\$24 million and disposed 235,000 shares generating net proceeds of HK\$101m during 2020.**

Strategy Outline

Strategy Outline

Jewellery and Watch Store Expansion

- Speed up the expansion of our network's geographical coverage and deepen our penetration of the lower-tiered cities in Mainland China
- Continue to adjust our store network in Hong Kong to better serve local customers
- Multi-brand strategy to focus product offering to specific segments of the clientele
- Plan to open a total of some 100 stores in 2021

Chow Sang Sang Omni-channel Retailing

- Target to serve our customers online and offline seamlessly: allow them to shop as they like and to take delivery at their convenience
- Leverage on integration of our non-franchised physical shops and our strong e-commerce presence
- Offer a wide variety of products via Omni-Remote Sales
- Optimise our Personalised Jewellery Service to complement and synergise with our omni-channel retailing
- Upgrade retail management system and related marketing software

Products and Marketing

- For our Personalised Jewellery Service, continue to add product assortments, introduce more sales tools and enhance shopping experience in various e-commerce platforms
- Enhance collections of Chinese heritage portrayed with modern aesthetics
- Engage customers through streaming shows, pop-up stores and participation in wedding expos

Q&A Session

Appendix


Personalised Jewellery Service

High Level of Personalisation and Seamless Omni-channel Experience

Personalise and design your own jewellery with more than 24,000+ exquisite combinations

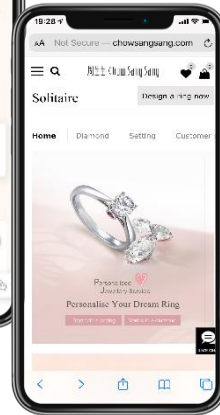
Freely pair up your own choice of diamond and design setting
Engrave and set your birthstones to express your personal message

Diamond **3,000+**
Setting Design **80+**
Combination **24,000+**

Personalised 
Jewellery Service



Wechat Mini-program



Official eshop



Shop visit online reservation



Store
Experiencing Personalised and Professional Service

- Solitaire Try-on
- One-to-One shopping experience
- Collect order via in-store pickup or door-to-door delivery

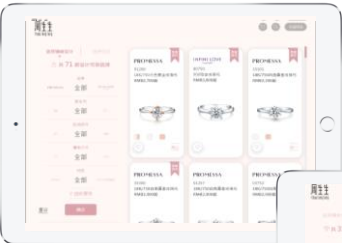
Online Platform
Social Media Marketing

Monthly Page View **145,000+**

- Interactive online browsing and design your own jewellery
- Online order



My Design Code - to retrieve your own design in various online and shop order platform




Collect and analyse customer design and preference to improve the offerings

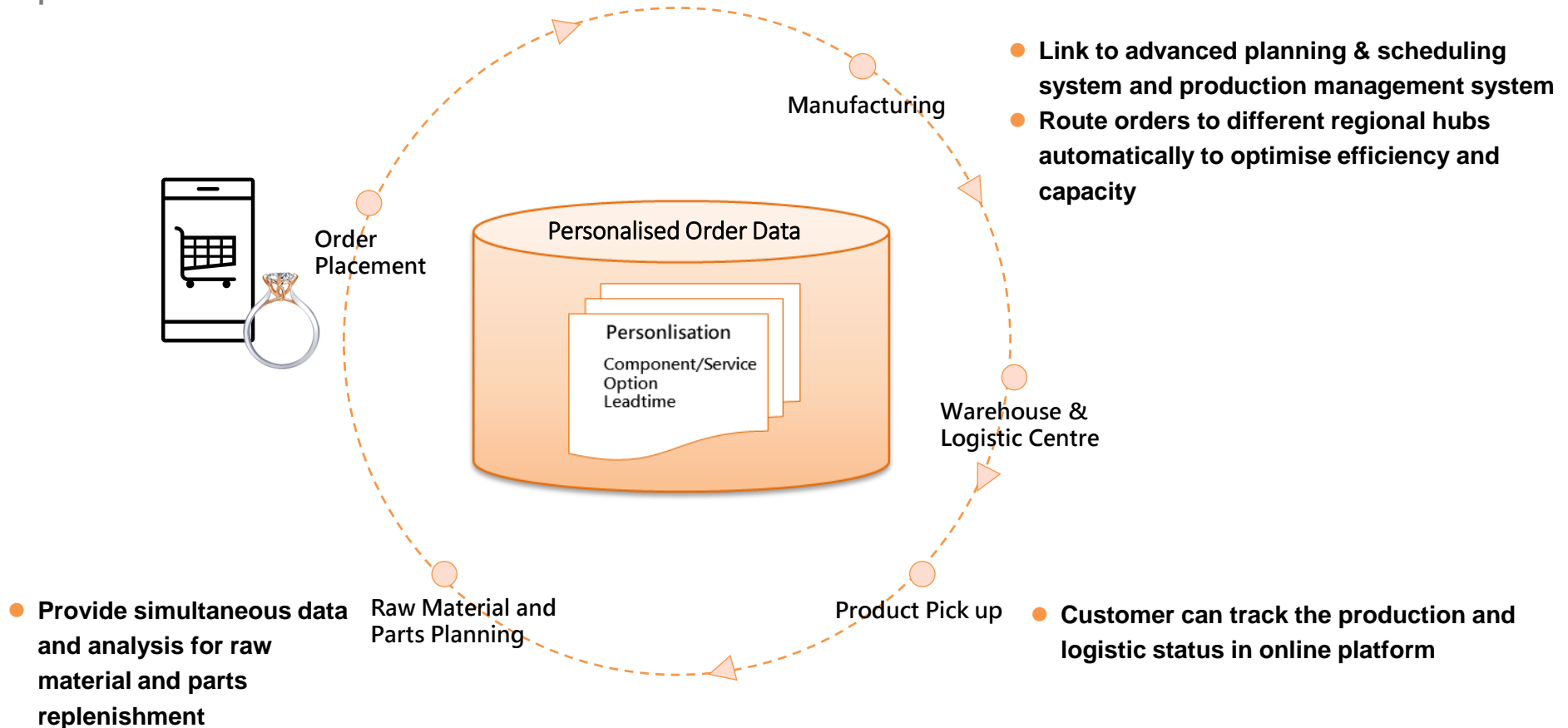


Personalised Jewellery Service

C2M · Customer-driven Manufacturing

Personalised 
Jewellery Service

- One ordering platform connects customer frontend to backend production management system
- Manufacturing is driven by customer demand and preference



Star Concierge Service

- In February 2020, the one-on-one jewellery sales service was launched.
- We empower our store staff with the communication tools to judiciously approach their customers.
- Customers can shop whenever they want, from wherever they are, and take delivery at home or from virtually any store.



STAR C★NCIERGE

星 導 賞

Star Concierge Service

Star Concierge Service is designed to fit into social and communication ecosystems, making distance shopping convenient and easy for every customer

Mainland China and Hong Kong



One-on-One Sales Advisor Recommendation

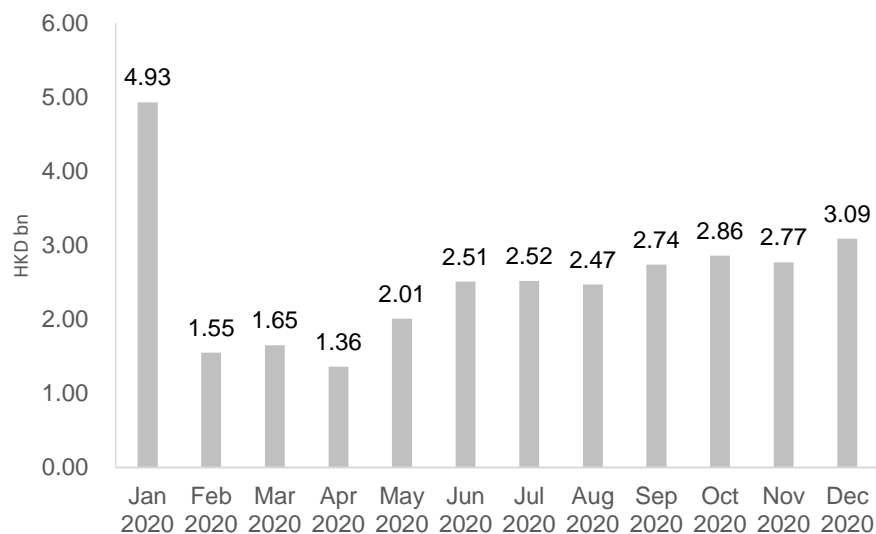
Engagement & Purchase

Delivery



Industry Analysis – Hong Kong and Mainland China

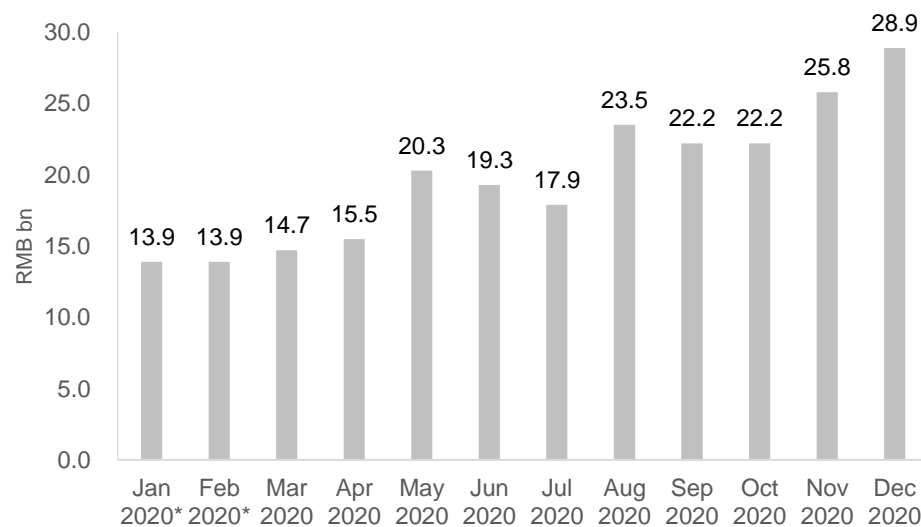
**Value of retail sales of FY 2020
Hong Kong Jewellery, Watches and Clocks, and Valuable Gifts**



Source: HK Census & Statistics

The value of retail sales of jewellery, watches and clocks, and valuable gifts in FY2020 was HKD30.47 billion, drop of 53.97% compared with HKD66.20 billion in FY2019, according to Hong Kong Census and Statistics Department.

**FY 2020
Mainland China Gold, Silver and Jewellery Sales**



Source: National Bureau of Statistics of People's Republic of China

Retail sales for jewellery products in Mainland China were RMB260.6 billion and RMB238.1 billion for FY2019 and FY2020, decreased 8.63%, according to the data from National Bureau of Statistics of People's Republic of China.

* In order to eliminate the impact of the different date of the "Chinese New Year" (CNY) each year, and enhance the comparability of data, in accordance with the national statistical system, the data in January and February 2020 were investigated and released together. Here the data is evenly divided as RMB13.9 billion.

Thank you