



CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司

Stock code: 116

2020 Interim Results Presentation

August 2020

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Presentation Outline

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

Business Overview

Business Segments

Chow Sang Sang Holdings International Limited

Jewellery

- **Manufacture of jewellery**
- **Retail of jewellery**
(Gold, Gem-set, Platinum, Karat Gold and Watch)
- **Branded stores:**

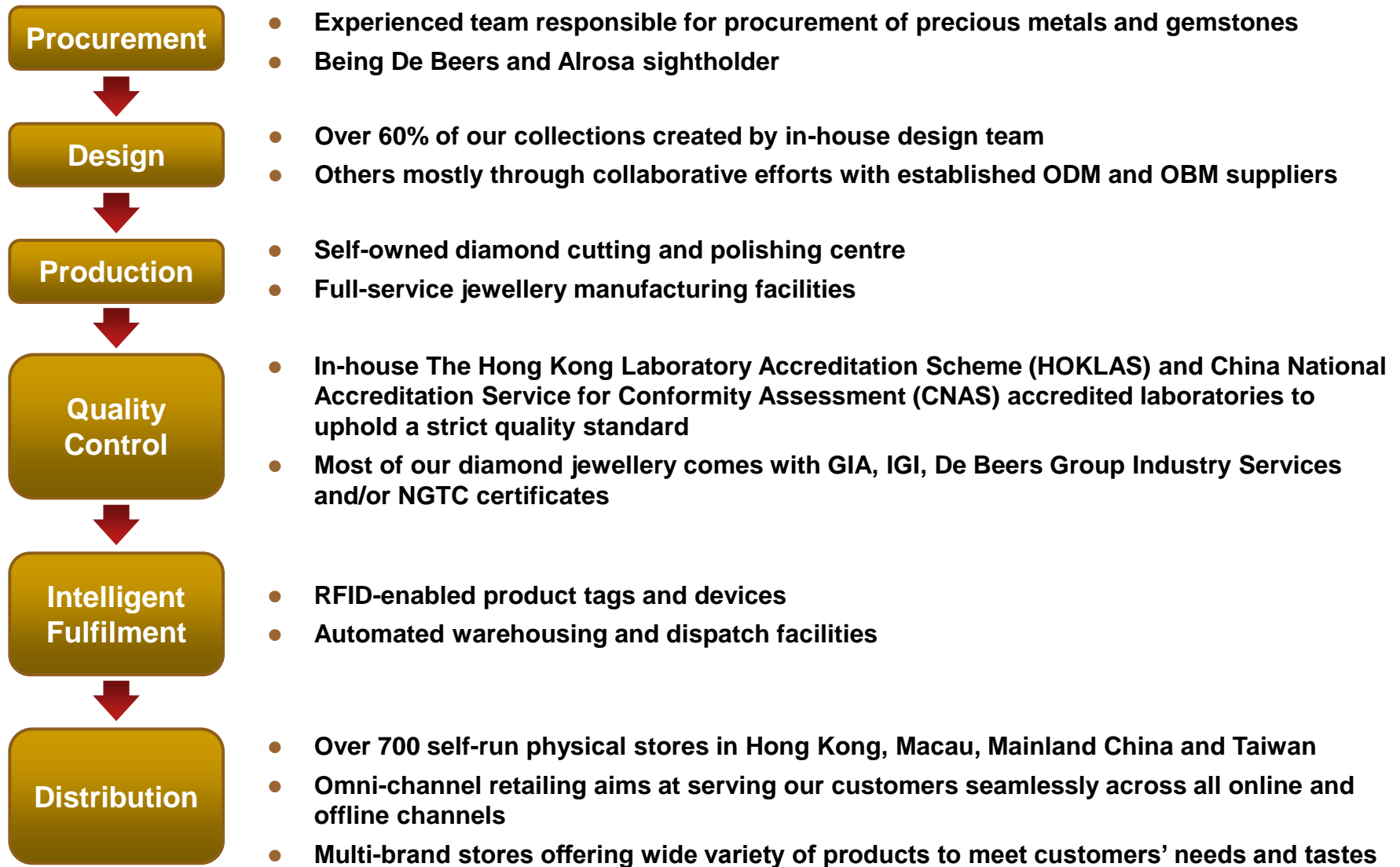
周生生 (Chow Sang Sang)
點睛品
EMPHASIS
MINTYGREEN
PROMESSA
MARCO BICEGO

- **Watch boutique: Rolex and Tudor**

Wholesale of
Precious Metals

Securities and
Futures Broking

Chow Sang Sang Jewellery Business Model



Distribution Network as at 30 Jun 2020

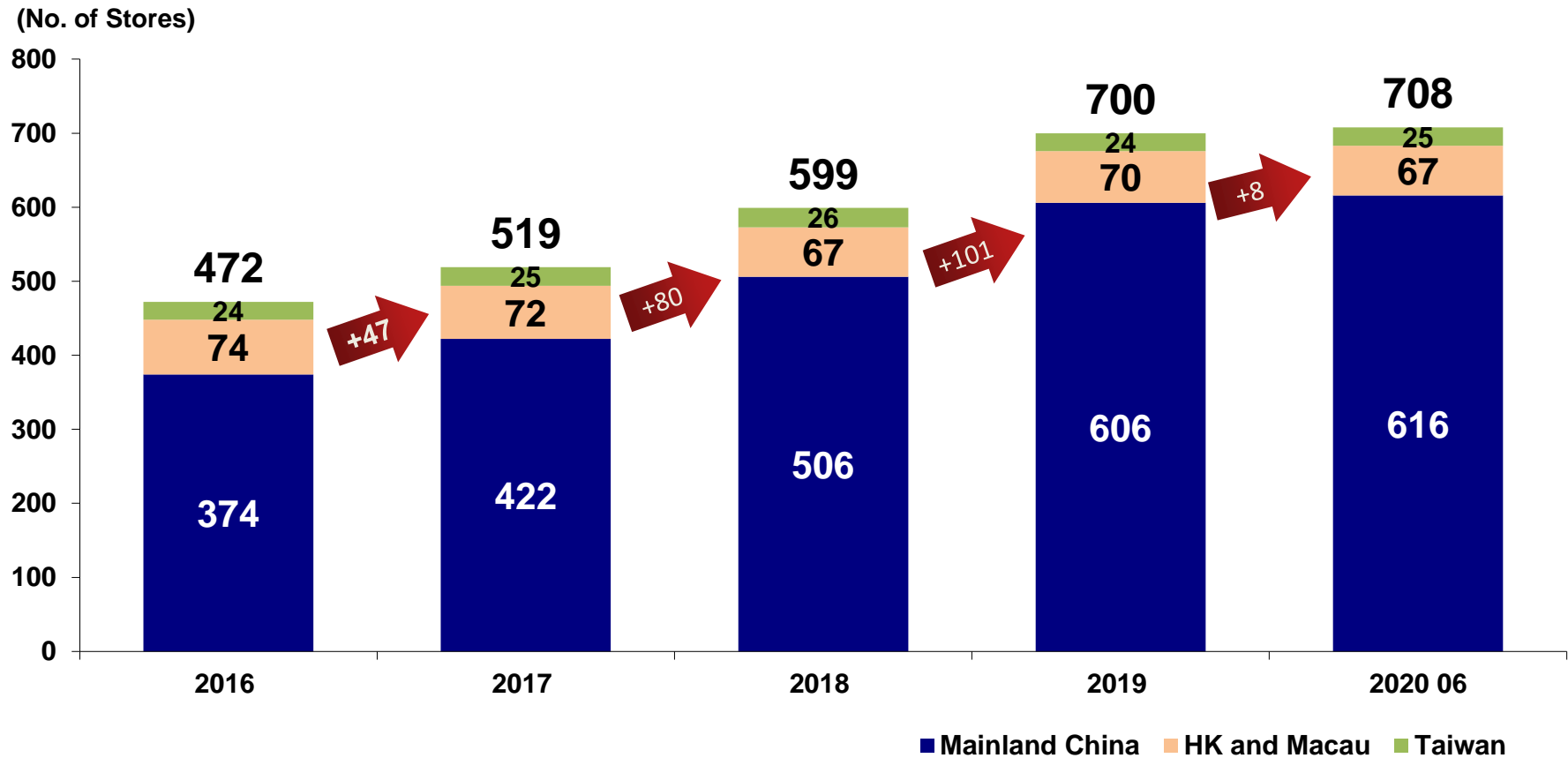


Mainland China			
Region	Number of stores	City tier	Number of stores
North	85	1	150
East	117	2	270
South	199	3	138
West	105	4	58
Beijing Surrounding Provinces	110	-	-
Total:	616	Total:	616



Store Expansion

Increasing No. of Stores in Mainland China



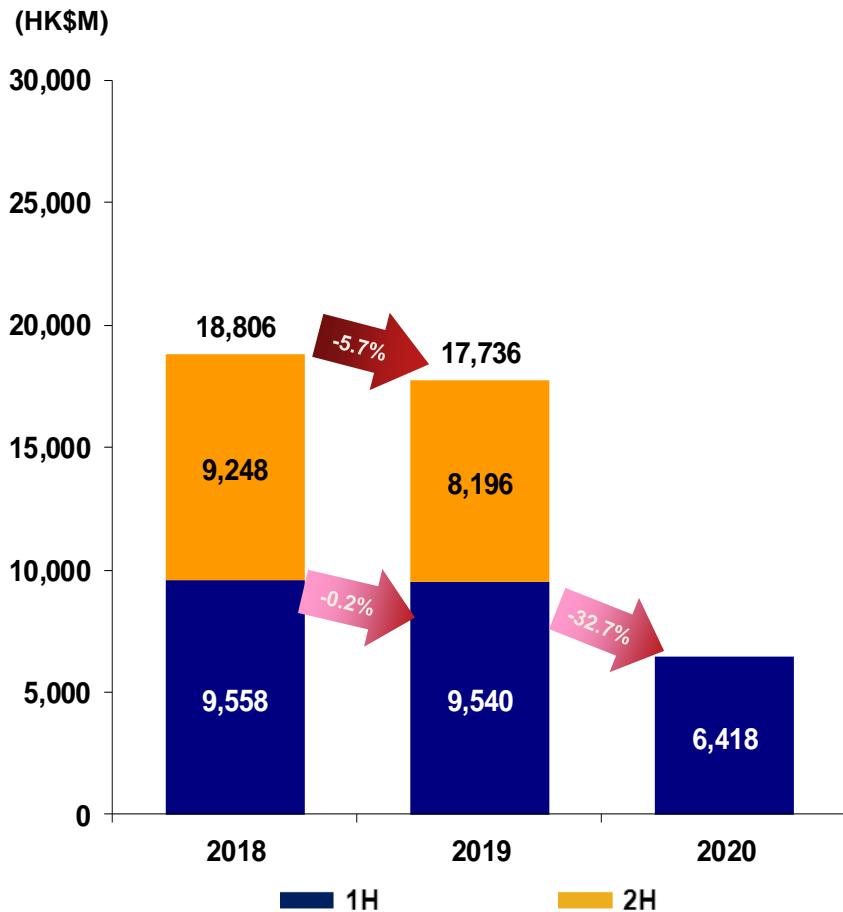
Store Count by Brand

	As at 31 Dec 2019	Addition	Closed	As at 30 Jun 2020
Hong Kong and Macau				
周生生 (how Sang Sang)	49	-	1	48
EMPHASIS	4	1	1	4
點睛品	5	-	2	3
Rolex/Tudor	12	-	-	12
Sub-total	70	1	4	67
Mainland China				
周生生 (how Sang Sang)	561	20	13	568
EMPHASIS	7	2	-	9
MINTYGREEN	25	-	1	24
PROMESSA	-	1	-	1
MARCO BICEGO	-	1	-	1
Rolex/Tudor	13	-	-	13
Sub-total	606	24	14	616
Taiwan				
點睛品	24	1	-	25
Total	700	26	18	708

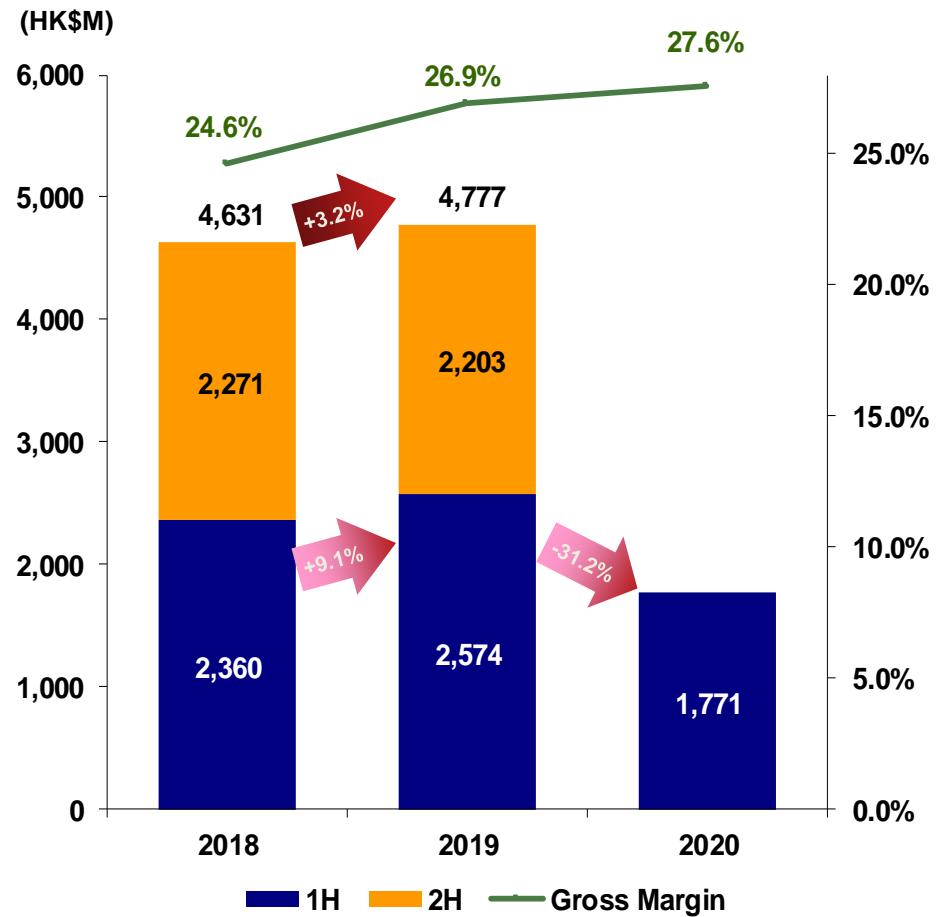
Financial Highlights

Operating Performance

Turnover

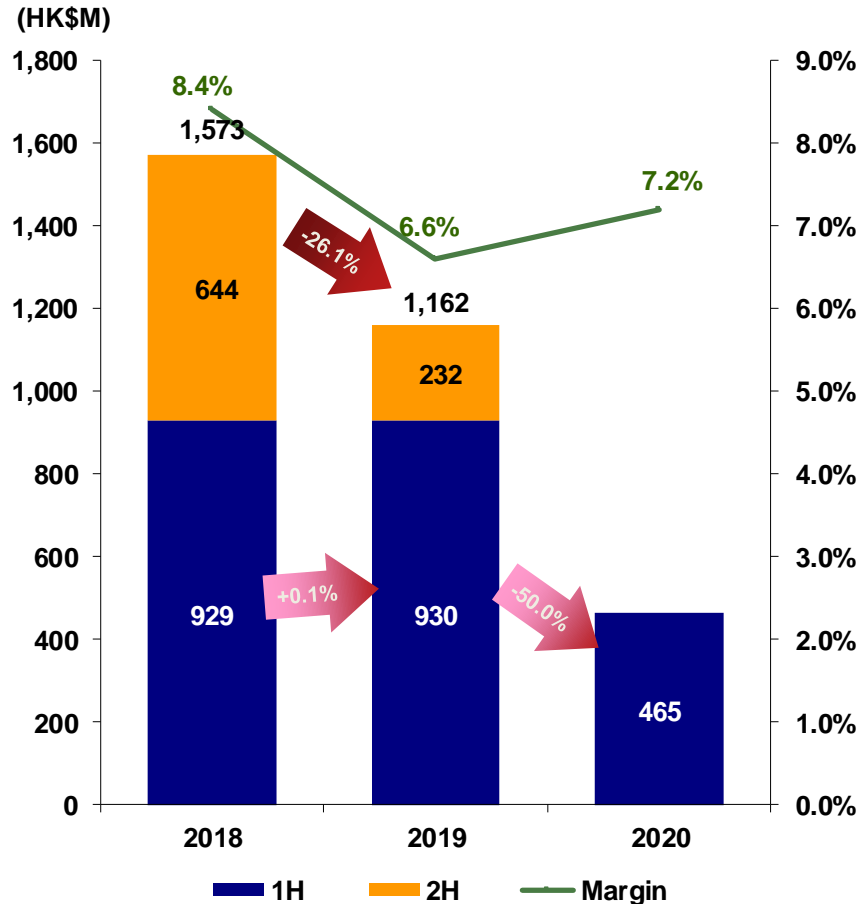


Gross Profit



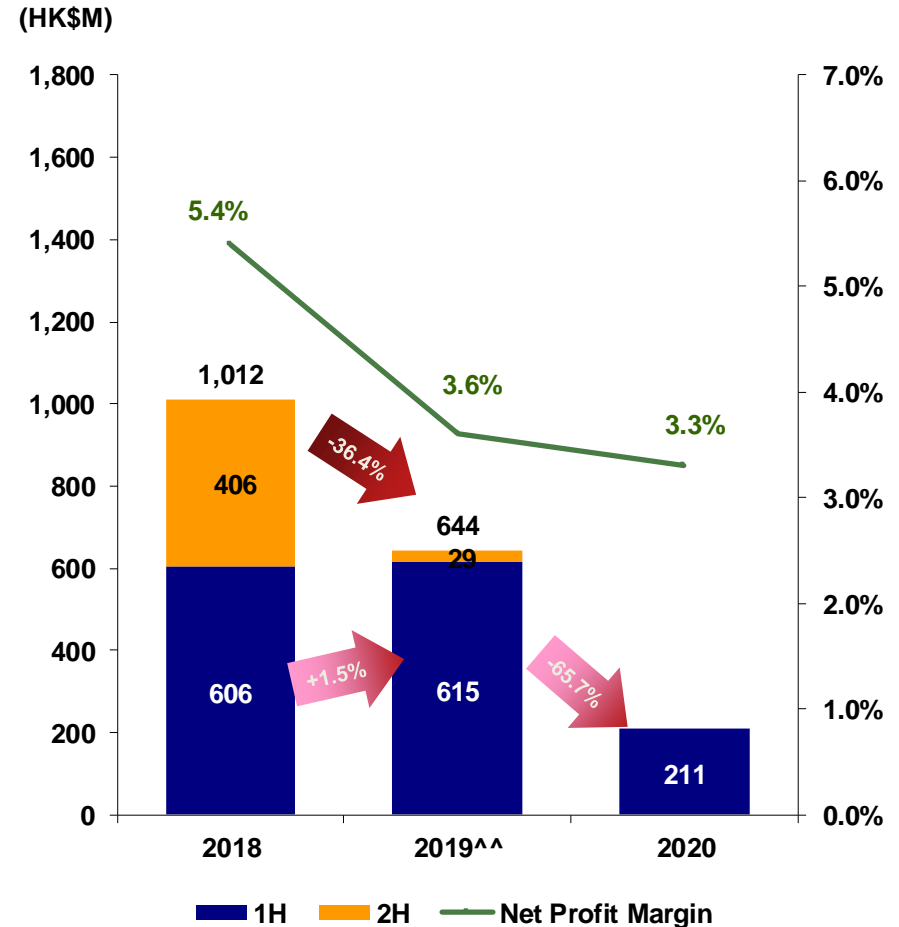
Operating Performance (Cont'd)

Earnings Before Interest, Taxes, Depreciation and Amortisation*



* On pre-HKFRS 16 basis

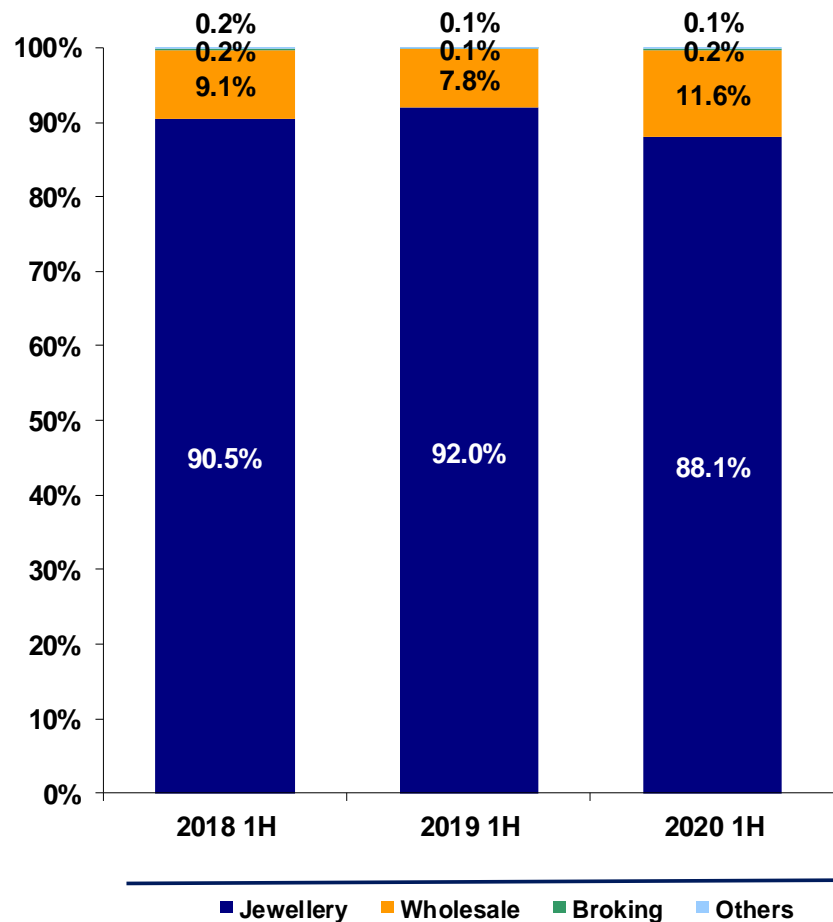
Profit attributable to equity holders



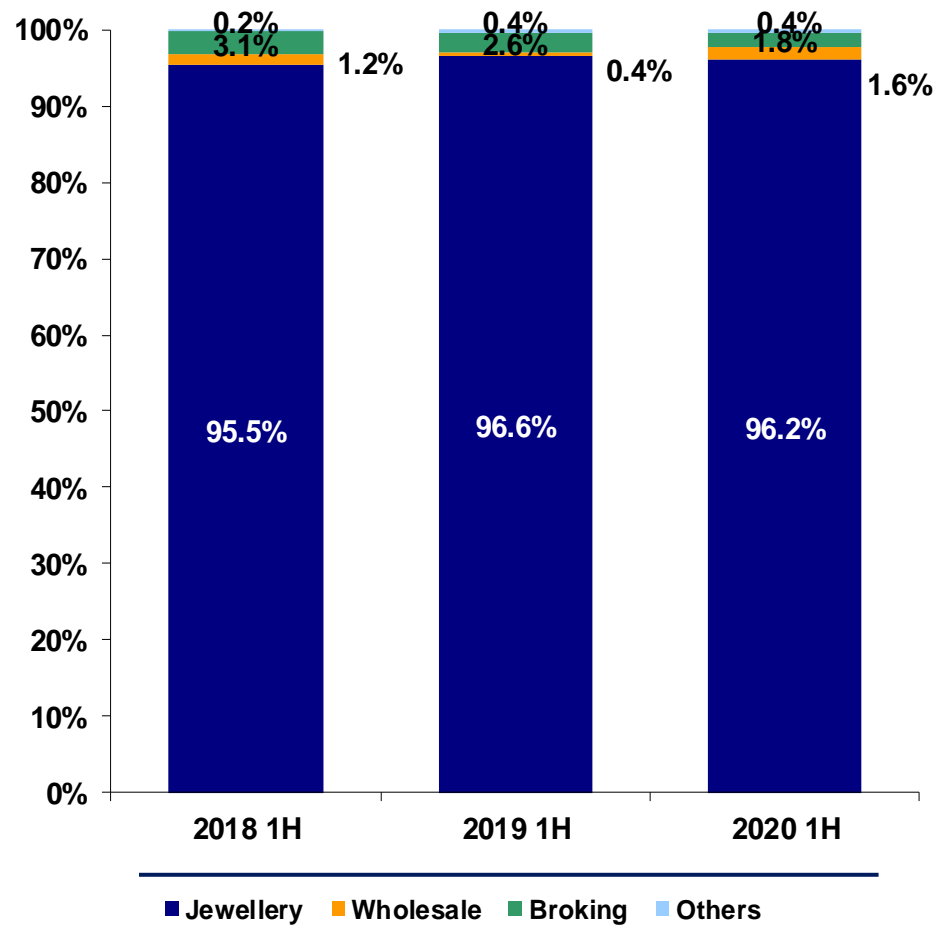
^{^^} Included margin loan provisions (HK\$372M)

Driven by Jewellery Segment

Turnover Breakdown

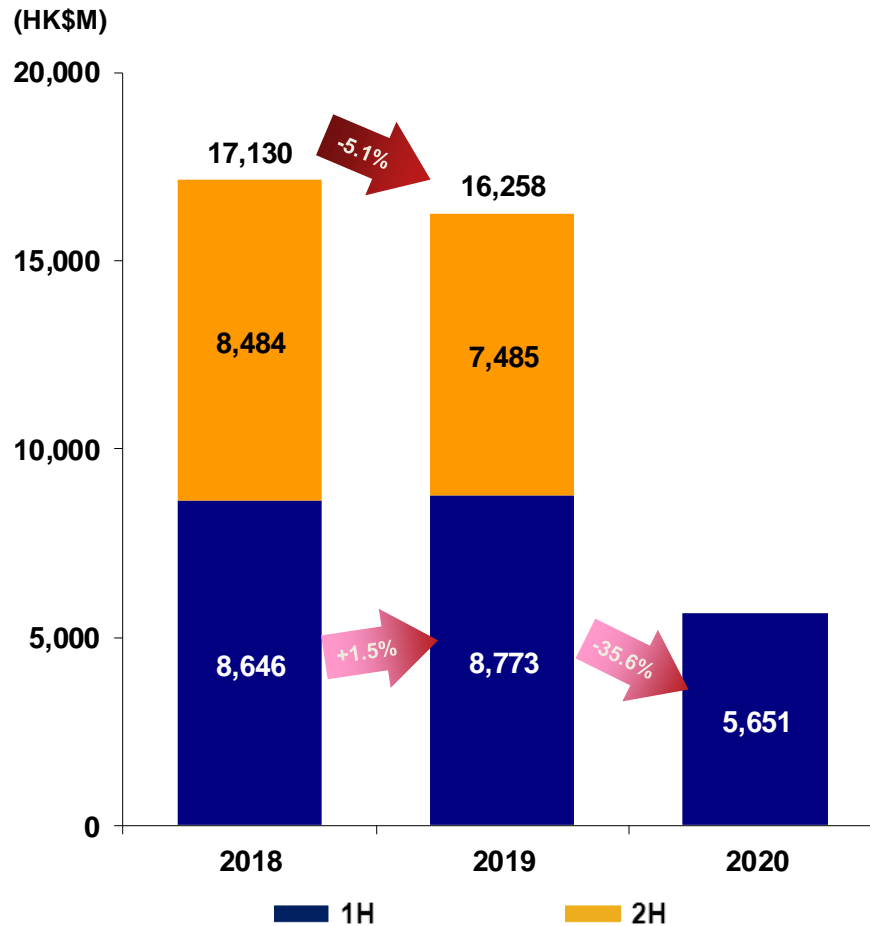


Results Breakdown

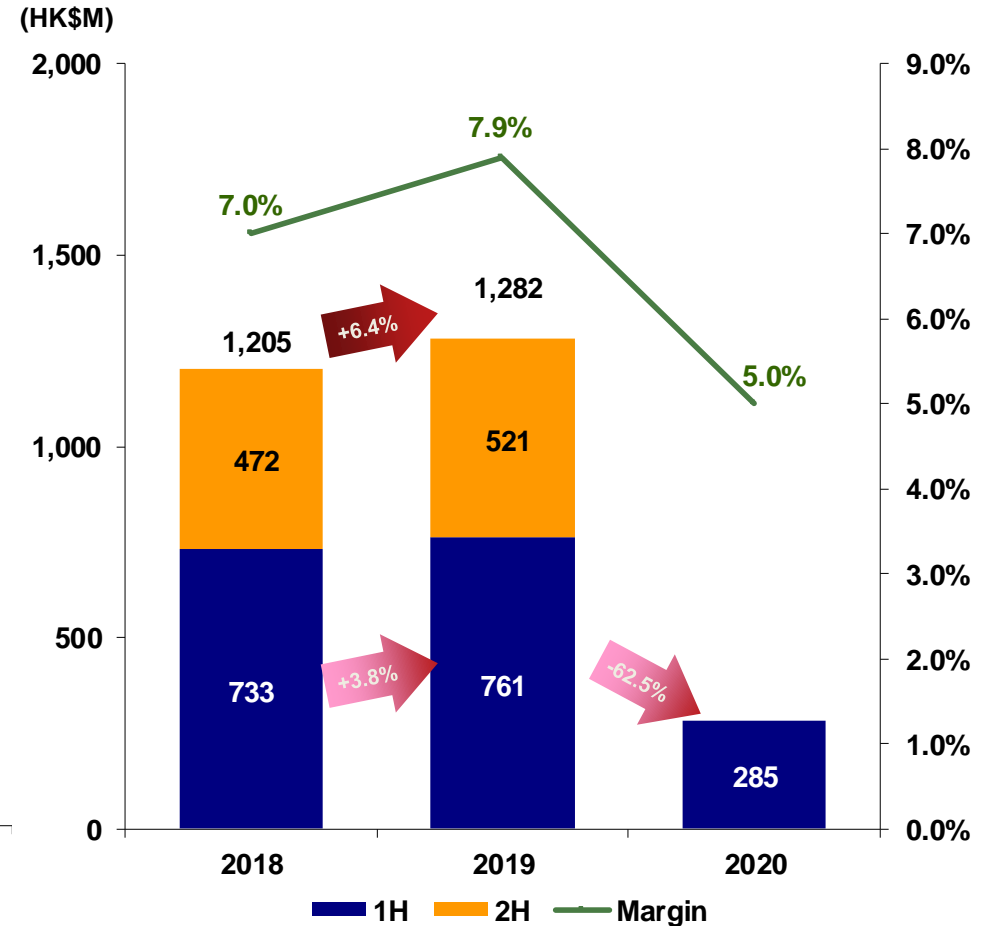


Jewellery Performance

Jewellery – Turnover

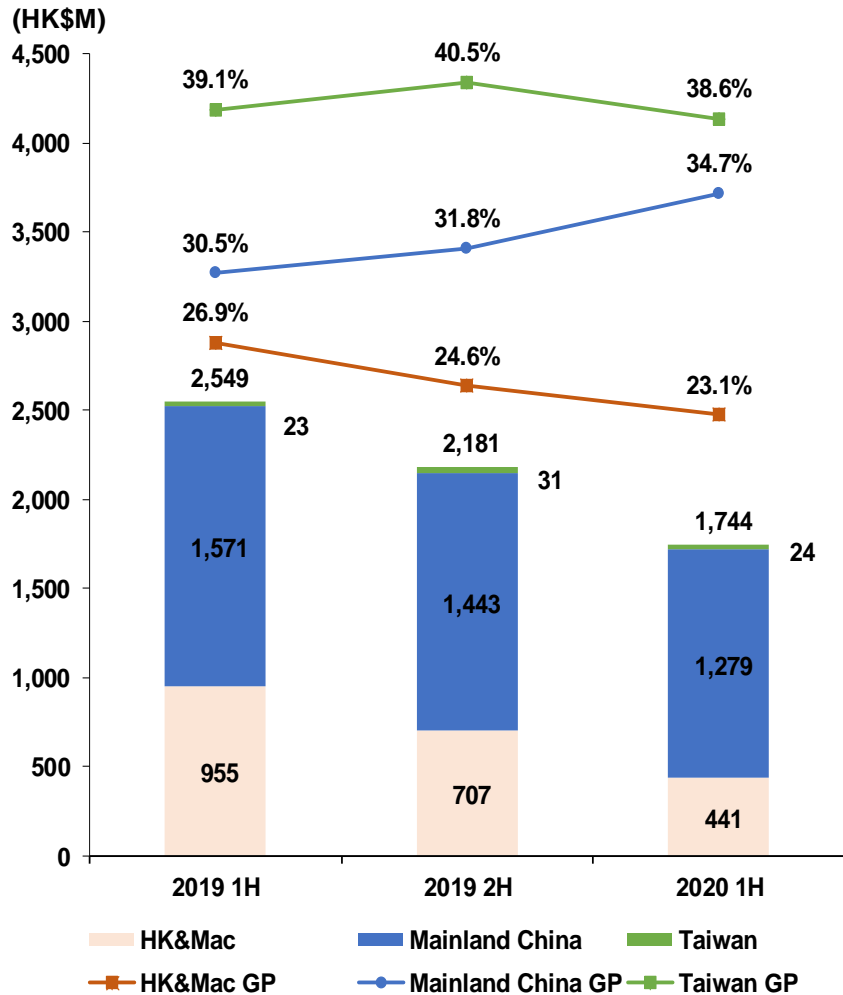


Jewellery – Operating Results

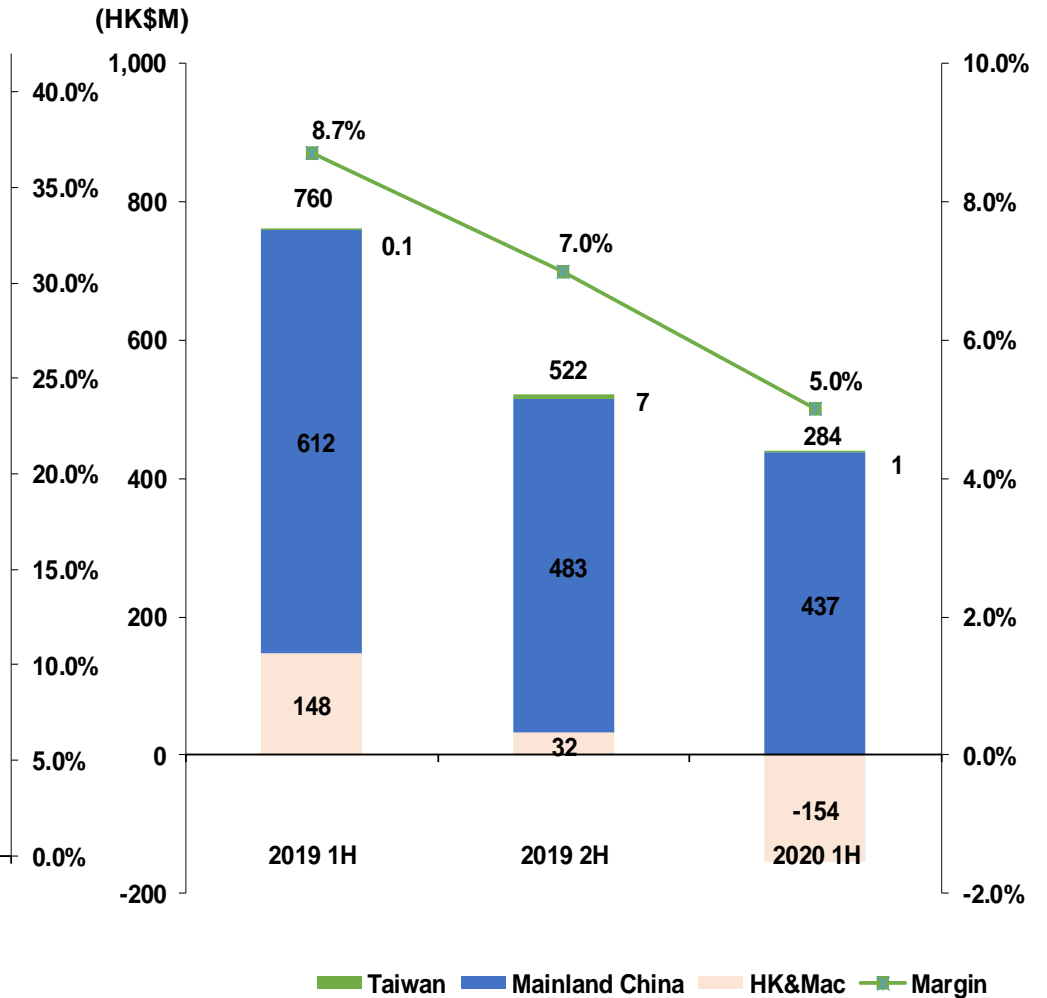


Jewellery Performance by Geographical Area

Jewellery Segment Gross Profit



Jewellery Segment Result

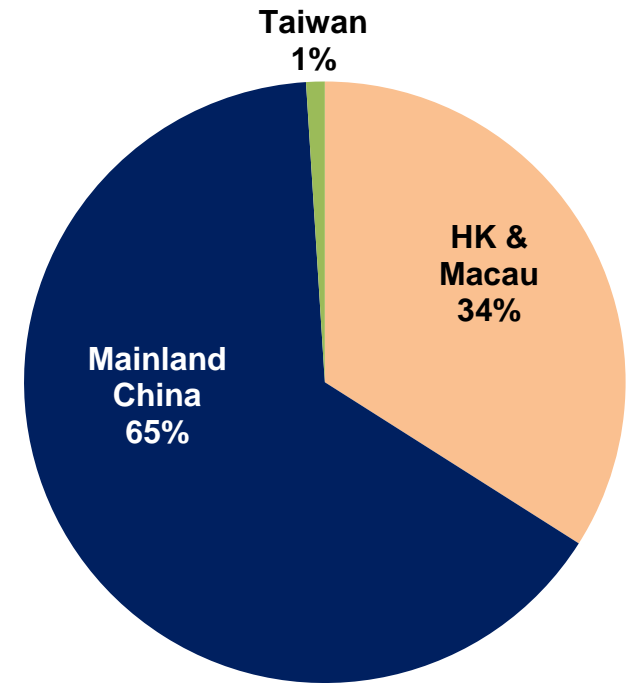
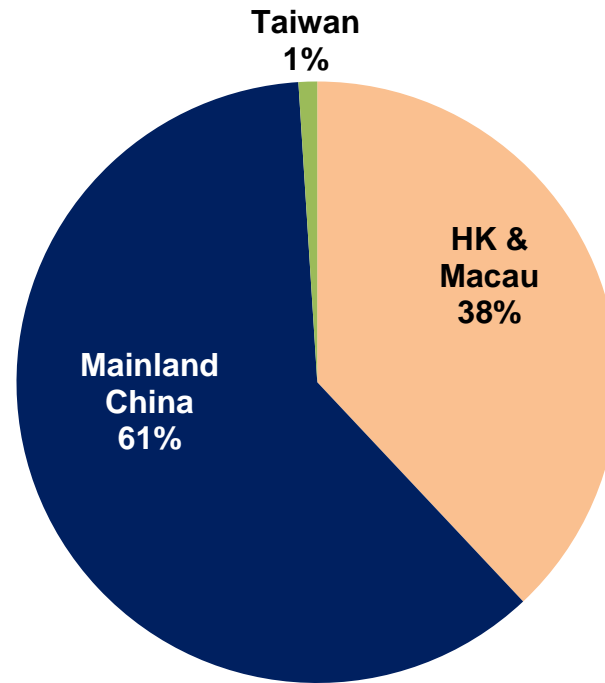
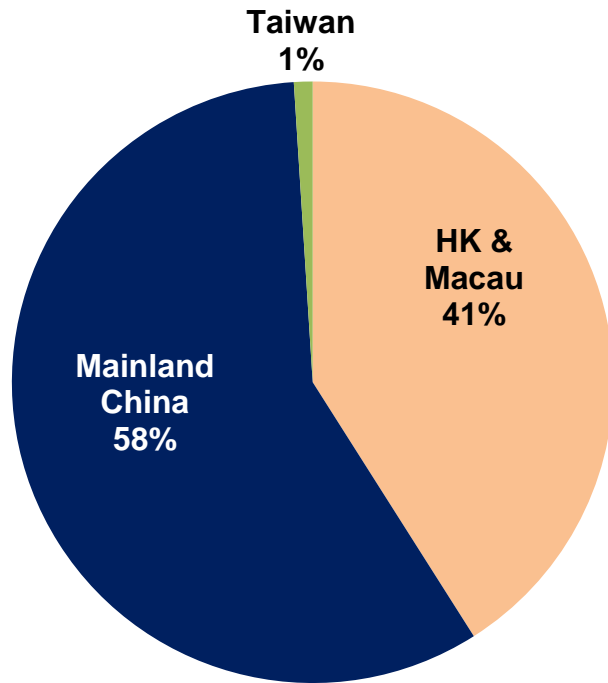


Jewellery Turnover by Geographical Area

2019 1H

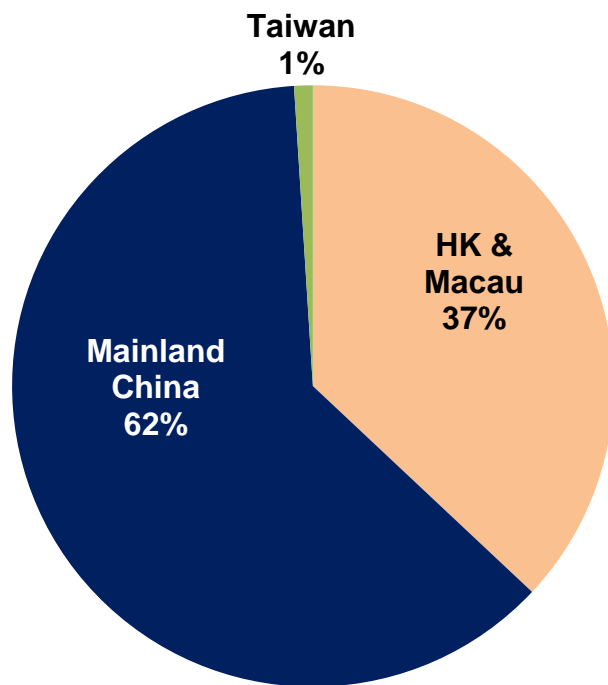
2019 2H

2020 1H

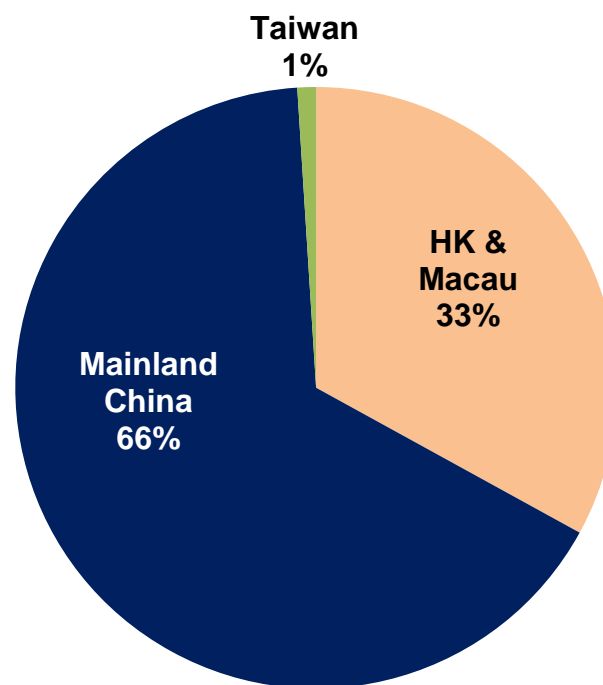


Jewellery Gross Profit by Geographical Area

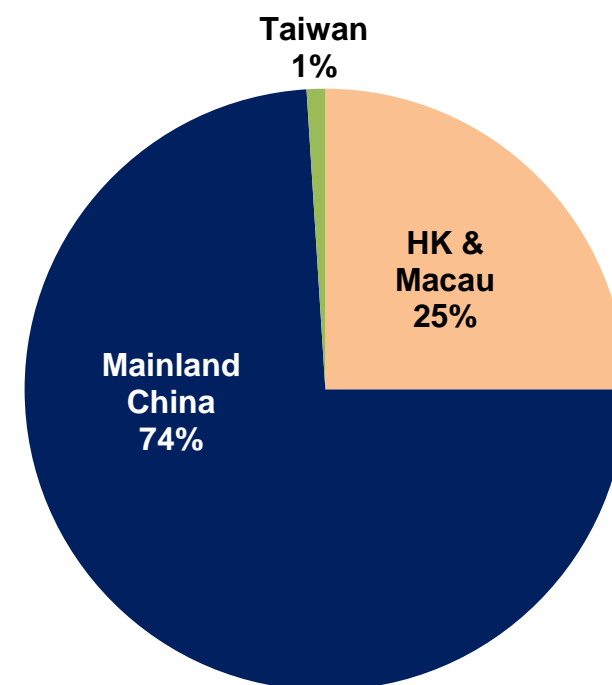
2019 1H



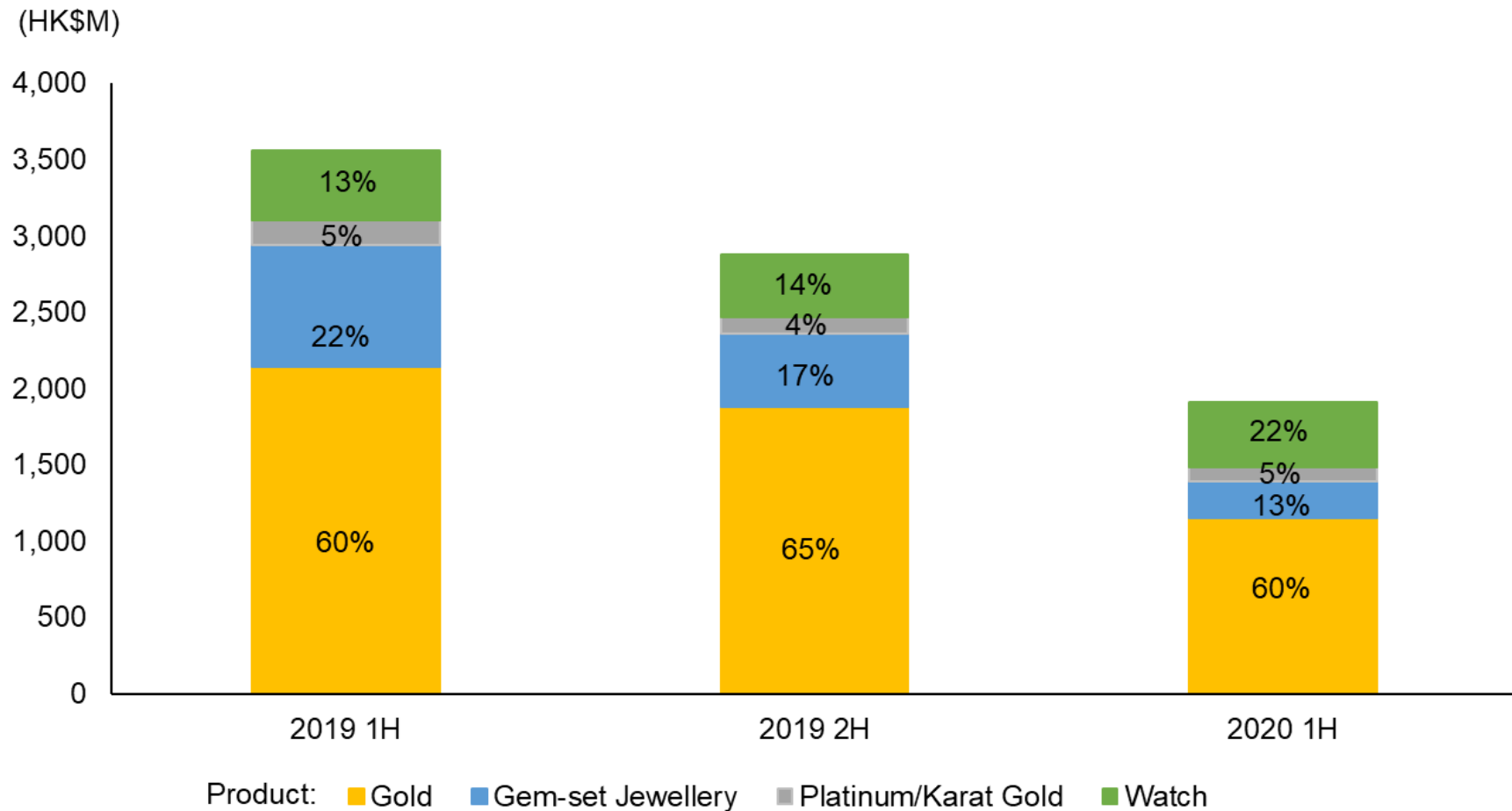
2019 2H



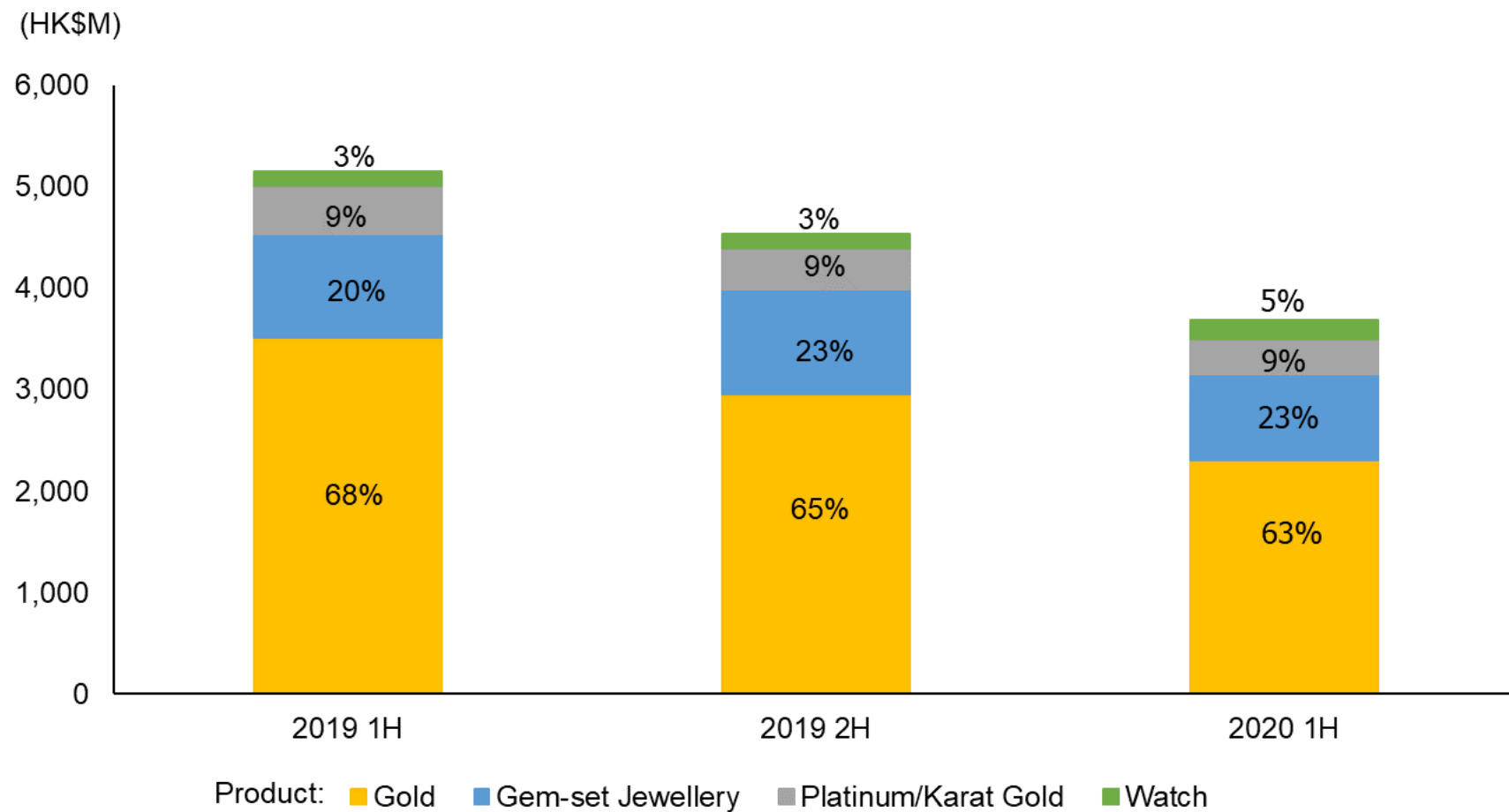
2020 1H



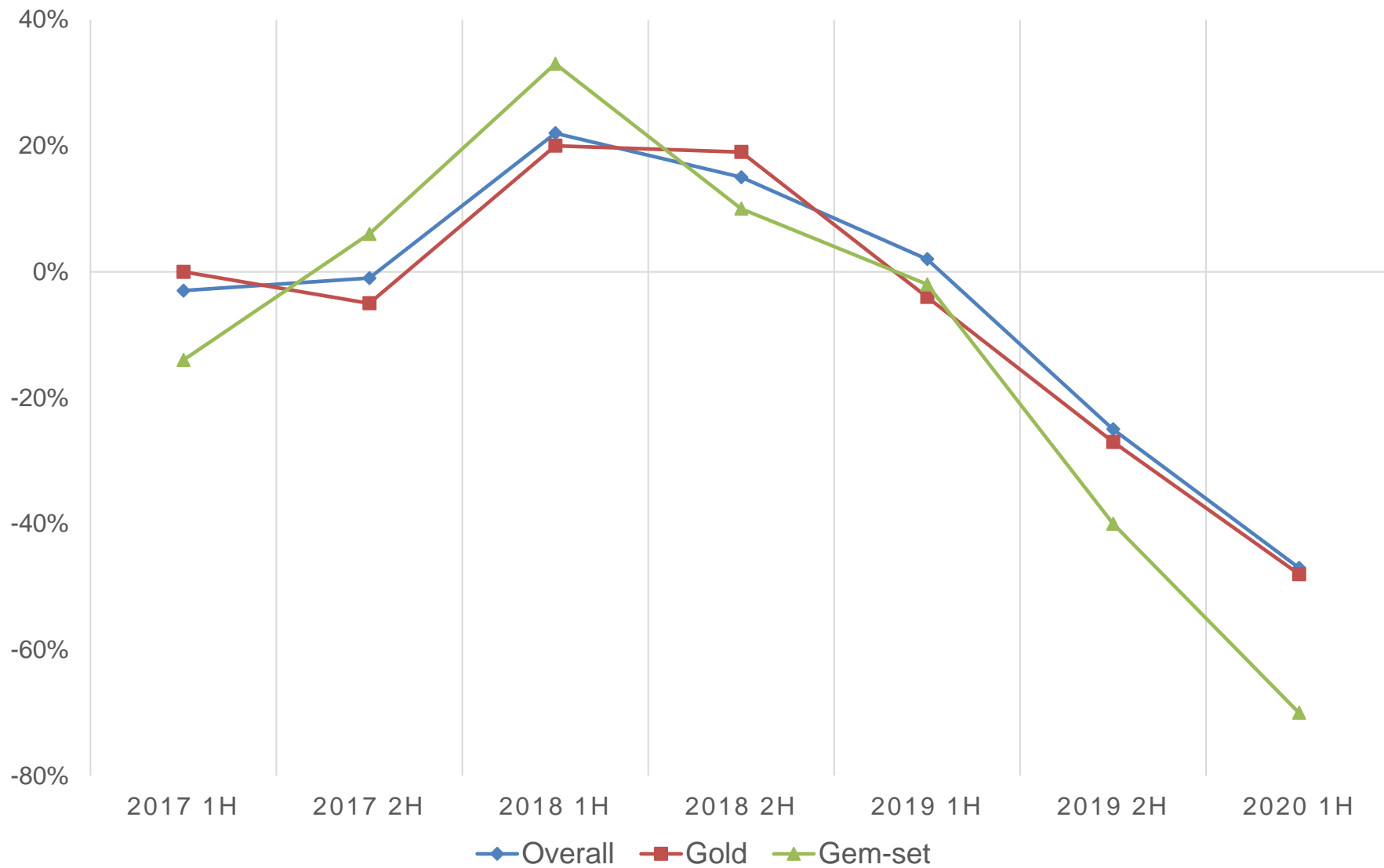
Hong Kong and Macau Jewellery Sales Mix



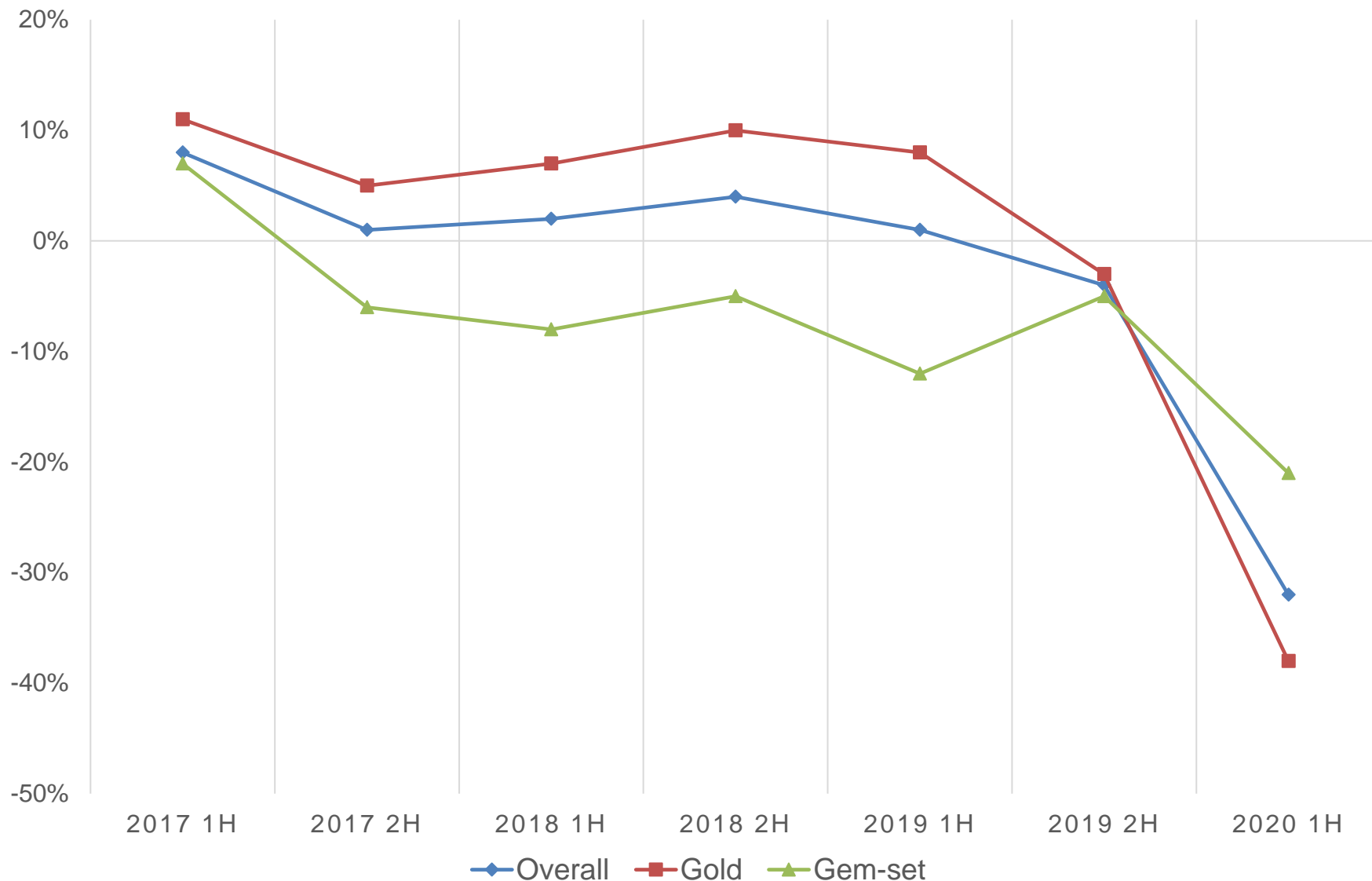
Mainland China Jewellery Sales Mix



Hong Kong and Macau Jewellery SSSG

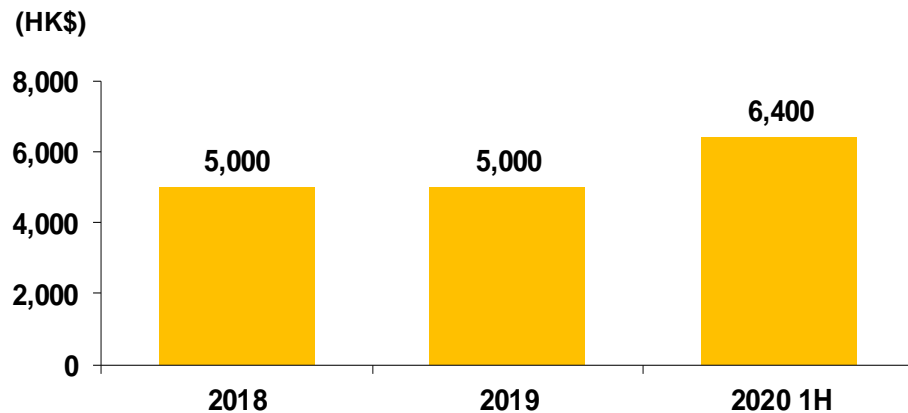


Mainland China Jewellery SSSG

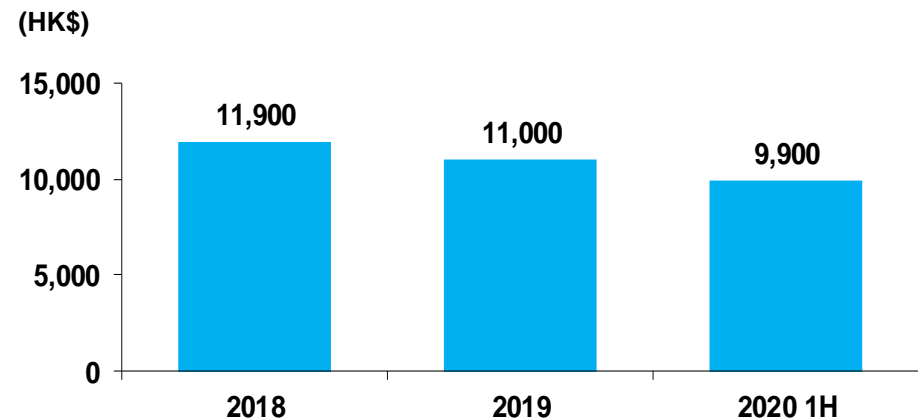


Jewellery: Change of Average Selling Price

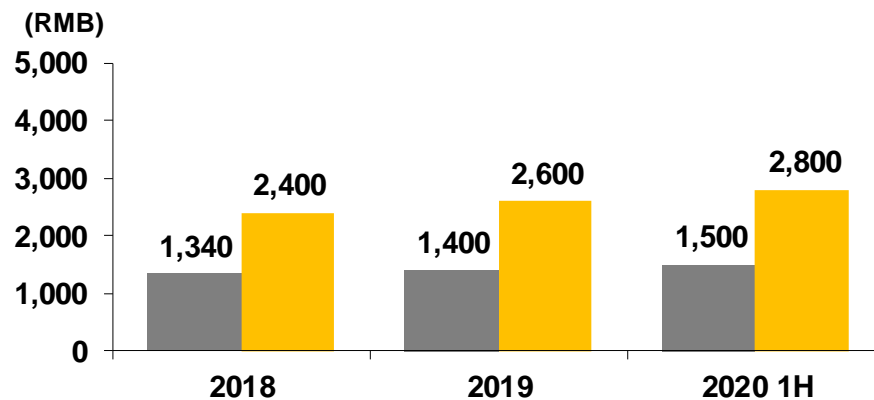
Hong Kong and Macau - Gold



Hong Kong and Macau - Jewellery

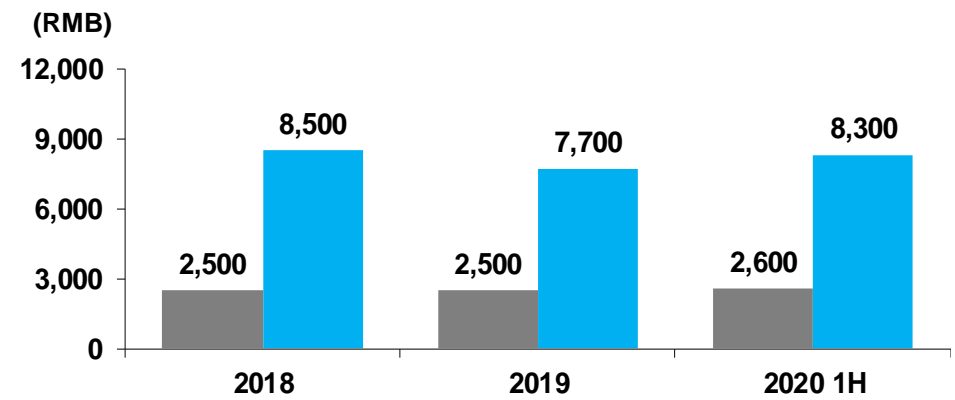


Mainland China - Gold



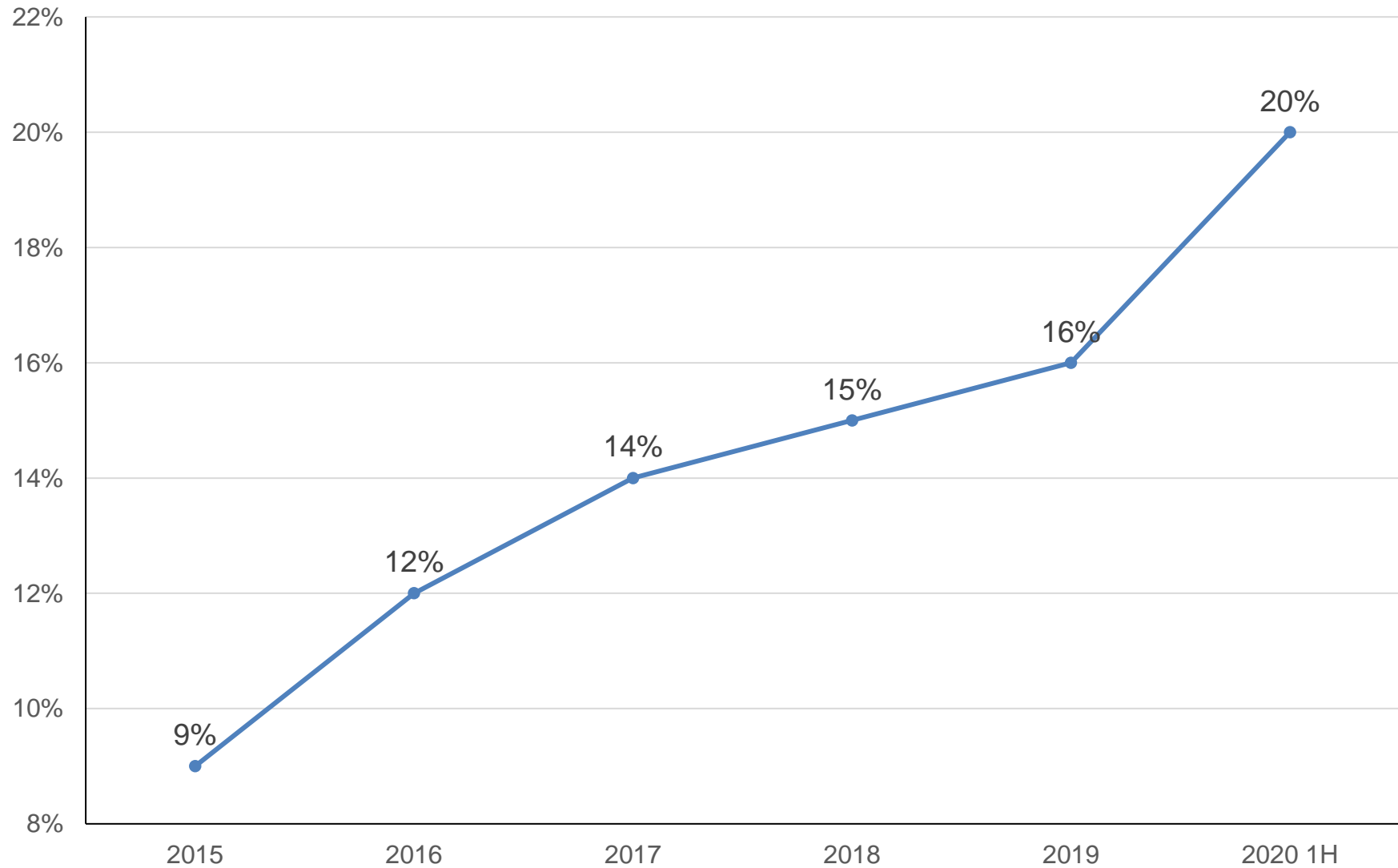
■ e-shop ■ Exclude e-shop

Mainland China - Jewellery



■ e-shop ■ Exclude e-shop

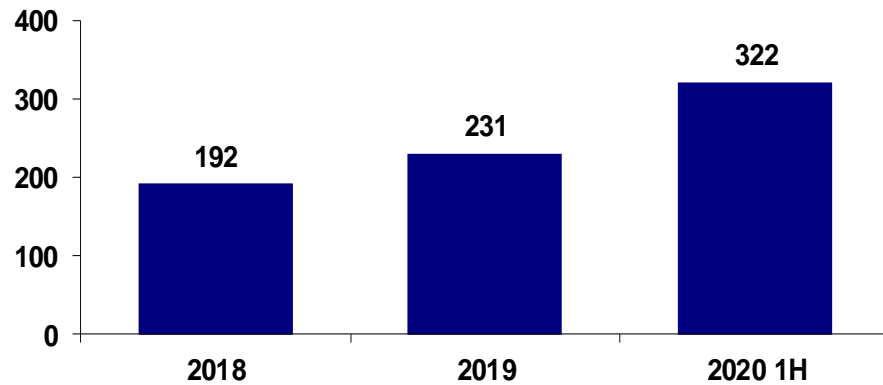
E-shop Sales as a Percentage of Mainland China Sales



Working Capital Trends

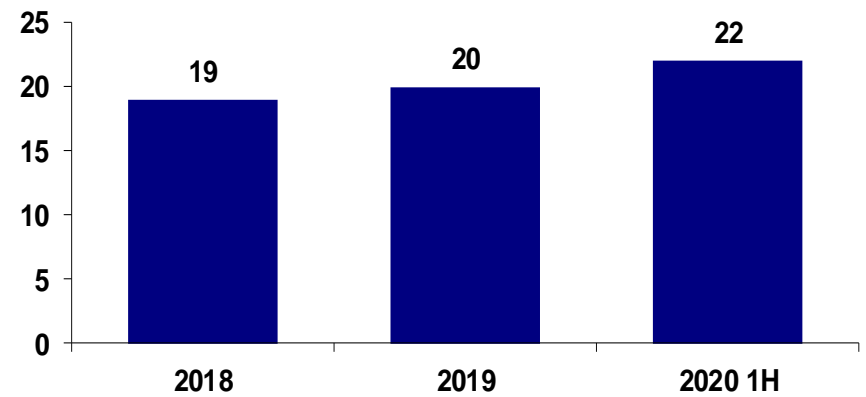
Average Inventory Turnover Days

(No. of Days)



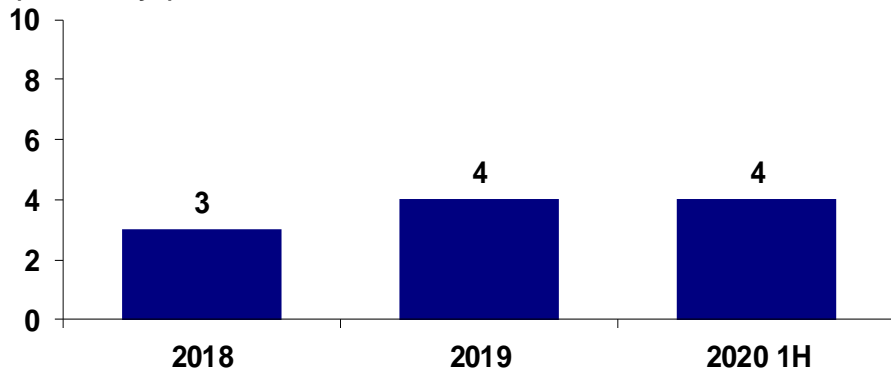
Average Receivables Turnover Days

(No. of Days)



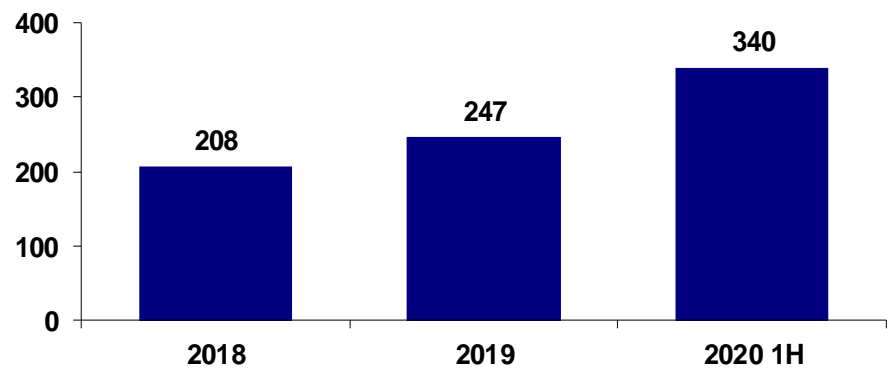
Average Payables Turnover Days

(No. of Days)



Cash Conversion Cycle

(No. of Days)



Financial Highlights

(HK\$M)

	For the 6 months ended			% change
	2018	2019	2020	20 vs 19
Turnover	9,558	9,540	6,418	-32.7%
<i>Jewellery</i>	8,646	8,773	5,651	-35.6%
<i>Other businesses</i>	912	767	767	+0.0%
Gross profit	2,360	2,574	1,771	-31.2%
Operating profit*	797	816	329	-59.7%
EBITDA*	929	930	465	-50.0%
Profit attributable to equity holders	606	615	211	-65.7%
Basic EPS (HK cents)	89.4	90.8	31.2	-65.6%
Dividend per share (HK cents)	15.0	14.0	5.0	-64.3%
Capital expenditure	133	145	93	-35.9%

* On pre-HKFRS 16 basis

Other Financial Information

(HK\$M)

	As at		
	Dec-31		Jun-30
	2018	2019	2020
Cash and cash equivalents	1,303	1,028	1,864
Long term listed investments*	807	901	1,175
Gearing[#]	18.6%	25.3%	20.1%
Unused banking facilities	4,080	3,992	4,024

* 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

Hong Kong and Macau

- **Business was significantly impacted by COVID-19 and loss of tourist sales**
- **Notable SSSG decreases were recorded across most product types except watch**
- **Soaring gold prices deterred buying**

Mainland China

- **COVID-19 caused significant business disruptions in 1Q**
- **SSSG narrowed from -45% in 1Q to -13% in 2Q**
- **Watch delivered solid performance with +27% SSSG**
- **Online sales accounted for 20% of sales**
- **Personalised Jewellery Service business continued to grow**
- **New PROMESSA and MARCO BICEGO specialty stores were launched**

Strategy Outline

Strategy Outline

Store Expansion

- Adopt self-run store model to provide consistent and superior service quality
- Maintain steady Chow Sang Sang and specialty store expansion in Mainland China
- Multi-brand strategy: EMPHASIS, MINTYGREEN, PROMESSA and MARCO BICEGO
- Realign Hong Kong network to take account of change in customer base from visitor-dominant to local consumption mode

Products and Brands

- Develop house brands and collections
- PROMESSA - provide made-to-order personalised jewellery together with ceremonial type of service for the younger generation
- MARCO BICEGO - feature artisanal craftsmanship and contemporary design concepts
- Continue to promote Personalised Jewellery Service via omni-channel retailing

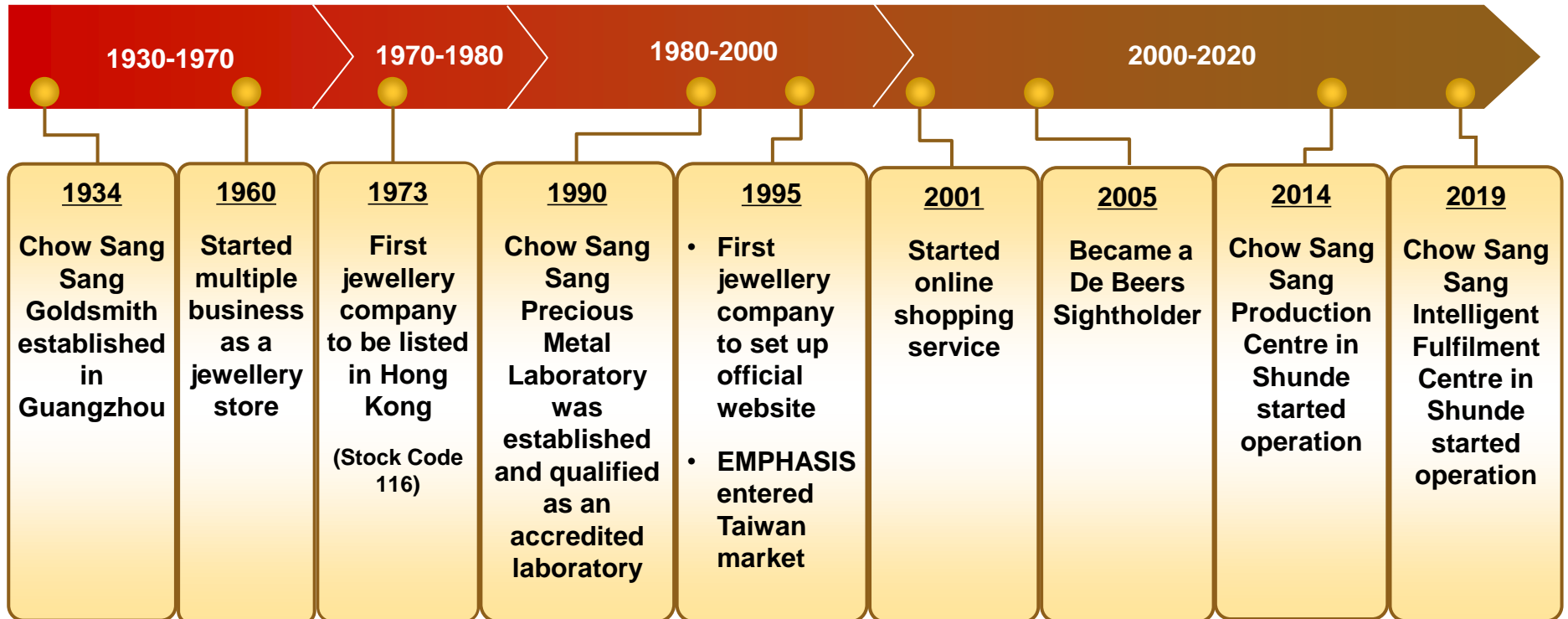
Omni-channel Retailing

- Seamless online / offline shopping experience
- Integration of sales force, physical stores, e-Commerce platforms, mobile devices, logistics facilities and services
- e-Commerce platforms remain to be an important part

Q&A Session

Appendix

Company History



Sustained Vitality, Ever Rejuvenated

- “Sustained Vitality, Ever Rejuvenated” is the spirit of Chow Sang Sang. It is a philosophy that fuels our passion for constant and never-ending improvement.

Multi-brand Strategy Highlights

EMPHASIS – A Store Brand for Sophisticated and Fashion-centric Females

- EMPHASIS continues to define the new fine jewellery in daily wear market with bold designs by expanding its footprint in Mainland China and Hong Kong.
- The store targets at sophisticated & fashion-centric female market segment.



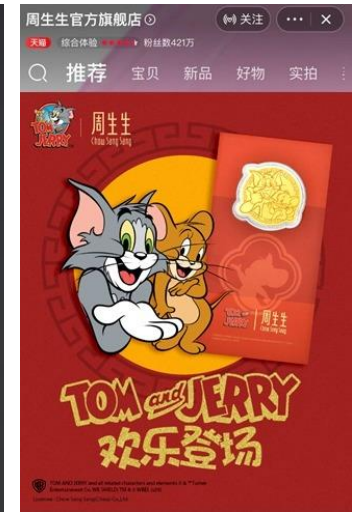
Beijing China World Mall, opened in Jan 2020



Hong Kong IFC Mall (pop-up store), opened in Jan 2020

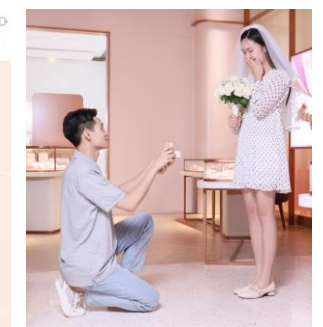
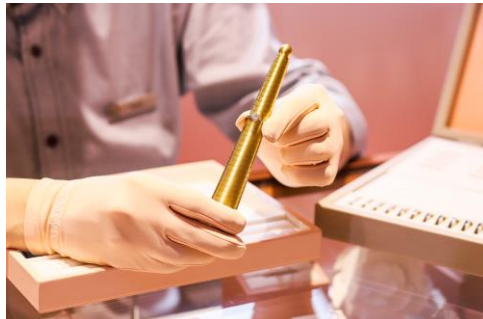
MINTYGREEN – A Store Brand for Fans of Daily Wear Jewellery

- MINTYGREEN captures the attention of Generation Y, who purchased their first jewellery.
- IP collaborations, young celebrity endorsement and omni-channel sales operations model linked with social media are the brand features.



PROMESSA - A Store Brand For Millennial Couples

- PROMESSA, the Italian word for “promise”, is the name of our signature line of engagement rings and wedding bands.
- The first PROMESSA wedding specialty store was opened in Chongqing in May 2020.
- The store is designed to provide made-to-order personalised jewellery together with ceremonial type of service, like marriage proposal, for the younger generation.



MARCO BICEGO - A Store Brand of Artisanal Craftsmanship

- MARCO BICEGO, an Italian jewellery brand featuring unique hand-crafted pieces through artisanal craftsmanship and contemporary design concepts, has been a staple in our stores since 2000.
- The opening of the brand's first store in Beijing marks the expansion of our international sophisticated daily wear influence in Mainland China.



New Stores 2020



Jinhua, Mainland China



Chongqing, Mainland China



Beijing, Mainland China



Taoyuan, Taiwan



Xuzhou, Mainland China



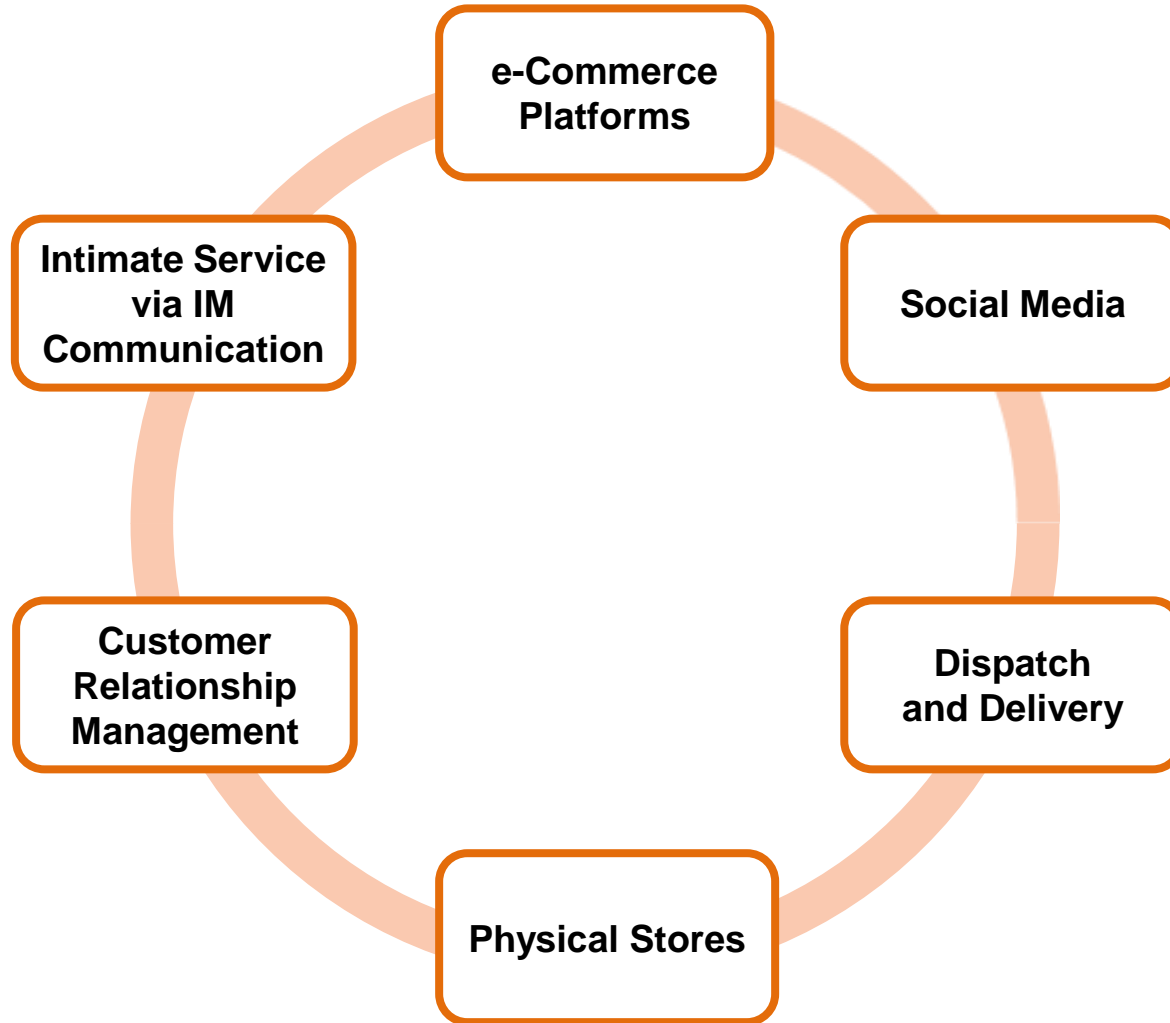
Beijing, Mainland China

Mainland China	24
Hong Kong and Macau	1
Taiwan	1

Omni-channel Strategy Highlights

The Omni-channel Ecosystem

Aim to serve our customers seamlessly across all channels




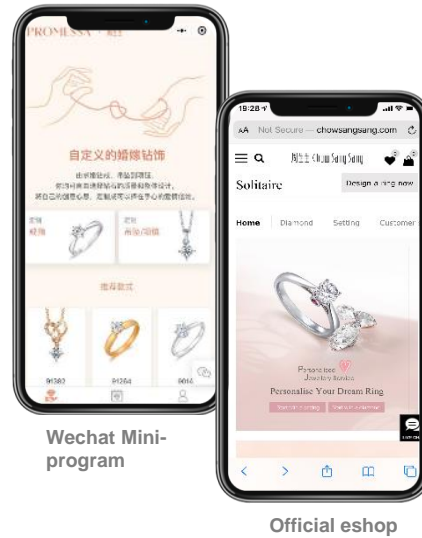
High Level of Personalisation and Seamless Omni-channel Experience

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
- Pick up online order

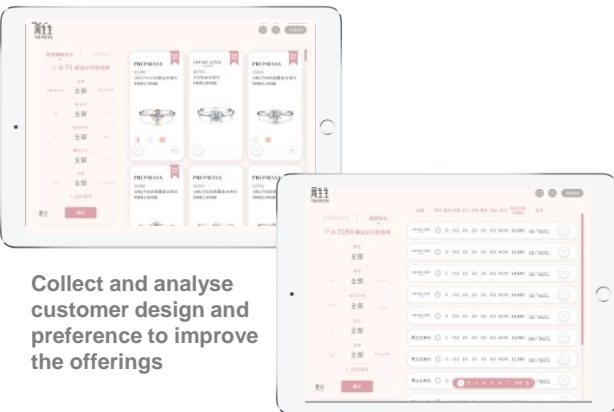
Online Platform
Social Media Marketing

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

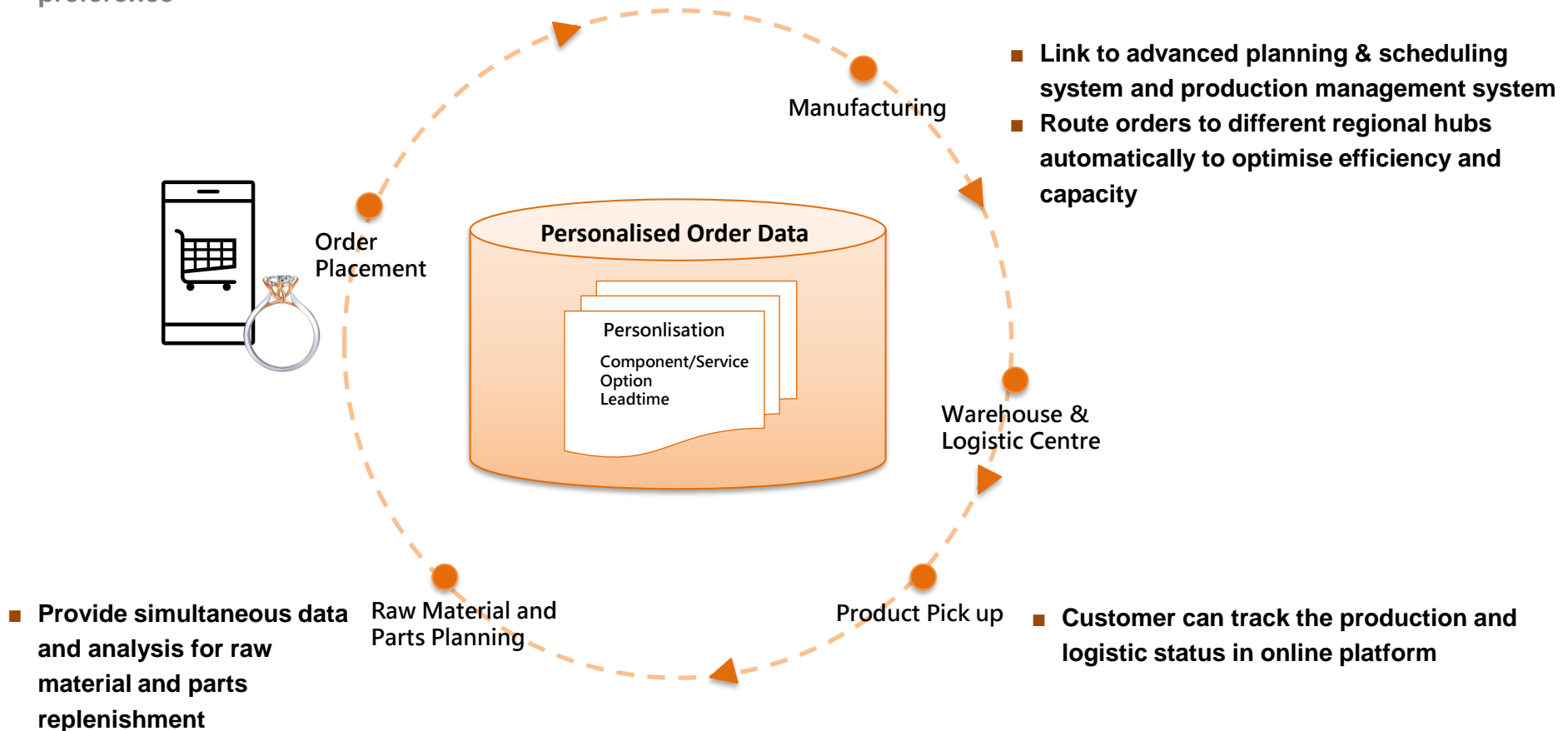


Collect and analyse customer design and preference to improve the offerings

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

- The one-on-one jewellery sales service was launched in both Mainland China and Hong Kong
- Design to provide a personalised jewellery shopping experience to our consumers at their fingertips
- Allow our sales advisors to reach and engage customers remotely
- Customers can appreciate our products and place order online. The order can be delivered to their home or collected at our stores.



STAR C★NCIERGE

星 導 賞

Star Concierge

Star Concierge 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

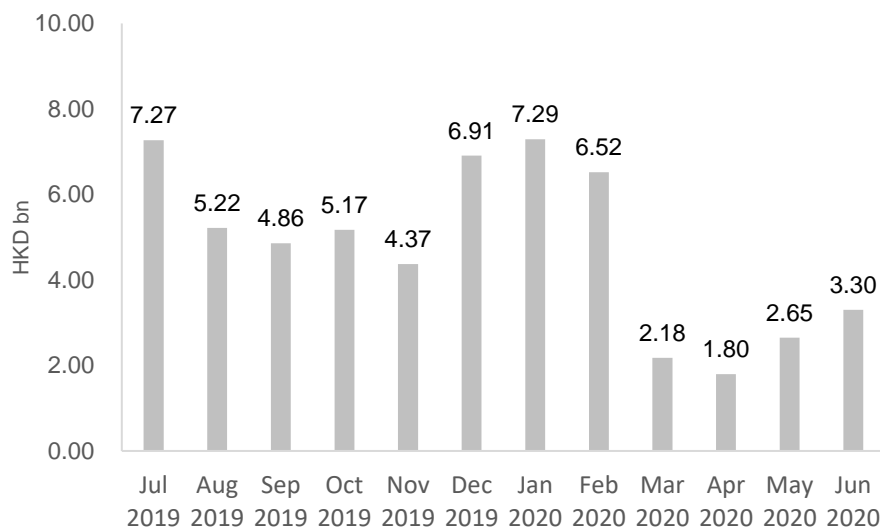
Delivery



Industry Analysis

Industry Analysis – Hong Kong and Mainland China

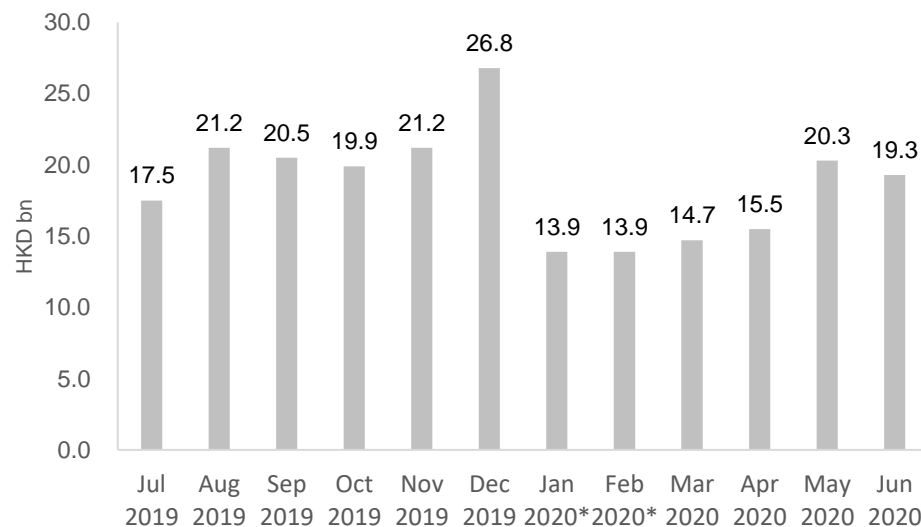
**Value of retail sales of 2H 2019 – 1H 2020
Hong Kong Jewellery, Watches and Clocks, and Valuable Gifts**



Source: HK Census & Statistics

By comparing 1H2019 with 1H2020, the value of sales of jewellery, watches and clocks, and valuable gifts were HKD 40.62 billion and HKD 23.74 billion respectively, decreased 41.56% y-o-y, according to Hong Kong Census and Statistics Department

**2H 2019 – 1H 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 RMB134.8 billion and RMB97.6 billion for 1H2019 and 1H2020, decreased 27.60% y-o-y, 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