



**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**

***2023 Interim Results Presentation***

***August 2023***

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# Presentation Outline

- I. Business Overview**
- II. Financial Highlights**
- III. Q&A Session**
- IV. Appendix**

# **Business Overview**

# Business Segments

**Chow Sang Sang Holdings International Limited**

**Retail of Jewellery and Watches**

**Wholesale of Precious Metals**

**E-commerce Platform**

**Securities and Futures Broking  
(Discontinued Operation)**

# 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)

- Line of stores as a subtext to Chow Sang Sang. Stores are fitted out in a relaxed, “corner-store” style, carrying different themes and sales foci. They are located in residential neighbourhoods in first-tier to third-tier cities

點晴品

- Our mainline store brand name in Macau and Taiwan

# Retail Store Brand Category

PROMESSA

- Devoted to offer customers a personalised and ceremonial shopping experience with our signature collections of engagement rings, wedding bands and bridal accessories

EMPHASIS

- Aims to give a new definition to daily-wear jewellery and offers a wide range of jewellery options to customers who love originality and creativity

MINTYGREEN

- An affordable daily-wear brand in the Mainland that caters to the younger generation

MARCO BICEGO

- An Italian jewellery brand featuring artisanal craftsmanship and contemporary designs

## Store Count by Brand

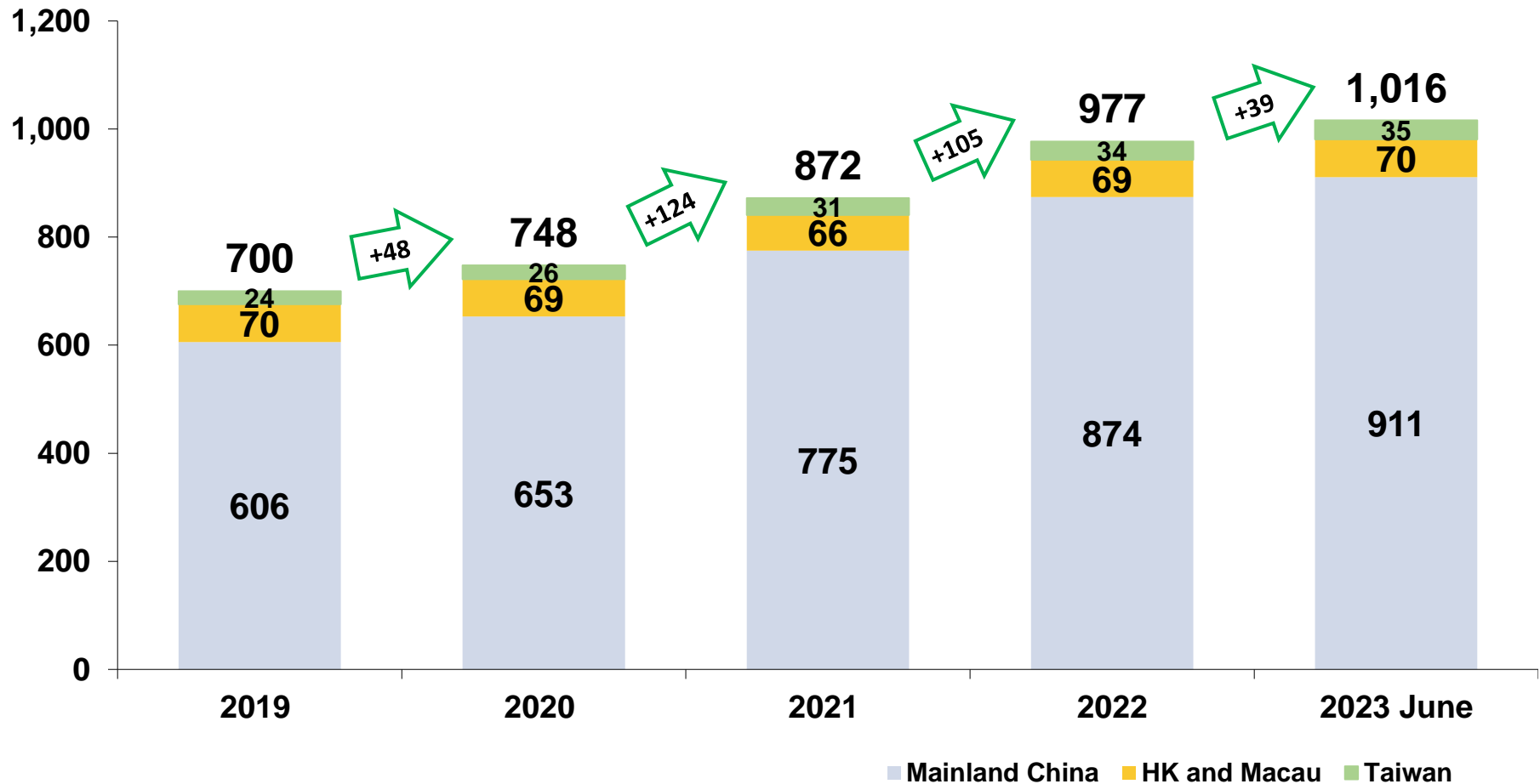
Region		As at 31 Dec 2022	Opening	Closure	Net change	As at 30 Jun 2023
Mainland China	Chow Sang Sang	697	47	17	+30	727
	周生生 生生·活字 (Oasis by Chow Sang Sang)	69	6	4	+2	71
	Rolex/Tudor	14	2	2	0	14
	MINTYGREEN	50	2	1	+1	51
	EMPHASIS	19	0	2	-2	17
	PROMESSA	24	7	1	+6	30
	MARCO BICEGO	1	0	0	0	1
	<b>Sub-total:</b>	<b>874</b>	<b>64</b>	<b>27</b>	<b>+37</b>	<b>911</b>
Hong Kong	Chow Sang Sang	45	0	0	0	45
	Rolex/Tudor	10	0	0	0	10
	EMPHASIS	4	0	0	0	4
	PROMESSA	2	1	0	+1	3
<b>Sub-total:</b>	<b>61</b>	<b>1</b>	<b>0</b>	<b>+1</b>	<b>62</b>	
Macau	點睛品	8	1	1	0	8
<b>Sub-total:</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>8</b>	
Taiwan	點睛品	30	1	0	+1	31
	PROMESSA	4	1	1	0	4
<b>Sub-total:</b>	<b>34</b>	<b>2</b>	<b>1</b>	<b>+1</b>	<b>35</b>	
<b>Total:</b>		<b>977</b>	<b>68</b>	<b>29</b>	<b>+39</b>	<b>1,016</b>



# Jewellery and Watch Store Expansion

Increasing no. of stores in Mainland China

(No. of Stores)



# Jewellery and Watch Store Network as at 30 Jun 2023



Mainland China			
Region	Number of stores	City tier	Number of stores
North	208	1	195
East	240	2	507
South	322	3	130
West	141	4	79
<b>Total</b>	<b>911</b>	<b>Total</b>	<b>911</b>

Hong Kong and Macau  
70 stores

Taiwan  
35 stores

e-shop

- chowsangsang.com
- Tmall
- JD
- VIP
- Douyin
- Amazon US
- Lazada
- The Future Rocks
- other e-commerce platforms



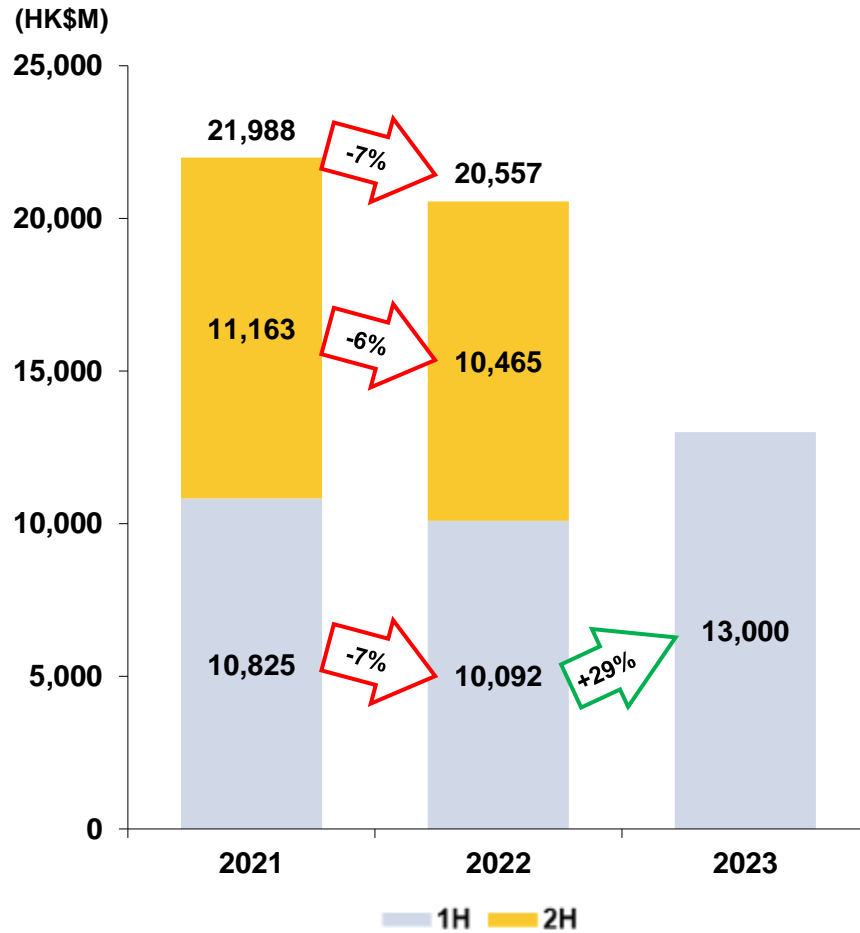
## **Financial Highlights**

# Financial Highlights

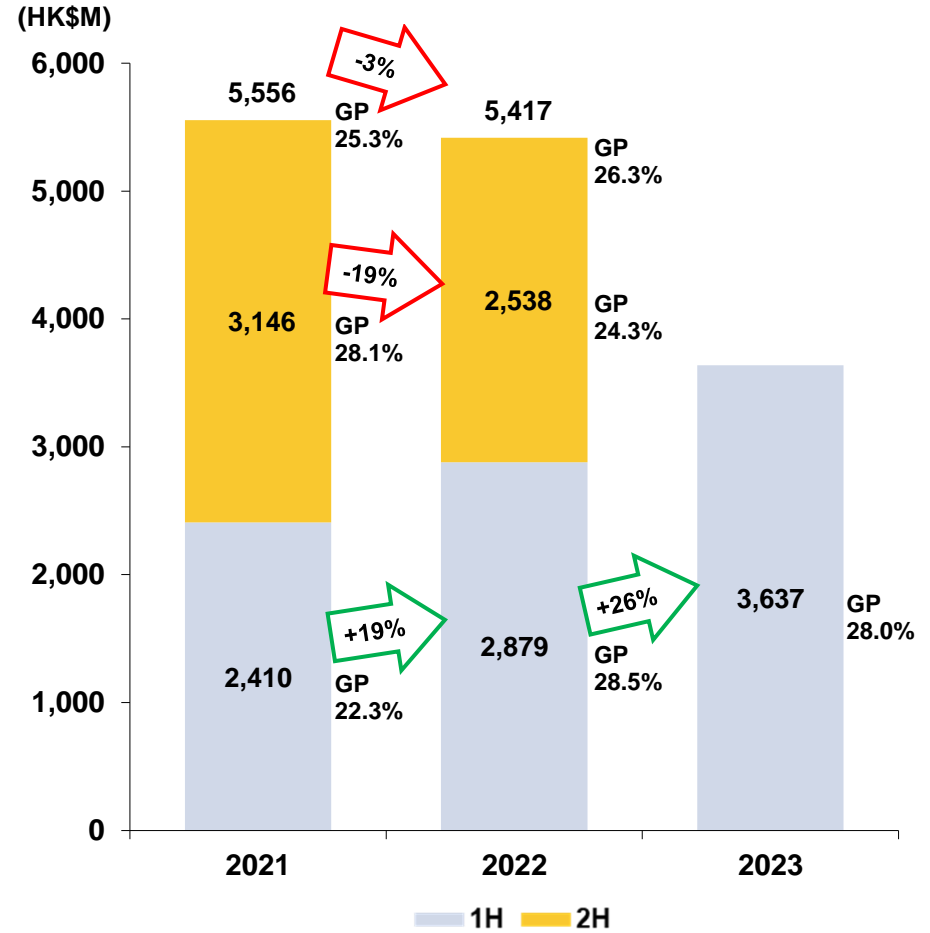
(HK\$'M)	Six months ended 30 June			% change
	2021	2022	2023	23 vs 22
<b>Turnover - Continuing operations</b>	<b>10,825</b>	<b>10,092</b>	<b>13,000</b>	<b>+29%</b>
<i>Retail of jewellery and watches</i>	9,776	9,669	12,672	+31%
<i>Wholesale of precious metals</i>	1,031	404	315	-22%
<i>Others</i>	18	19	13	-32%
<b>Gross profit - Continuing operations</b>	<b>2,410</b>	<b>2,879</b>	<b>3,637</b>	<b>+26%</b>
<b>Gross profit margin - Continuing operations</b>	<b>22.3%</b>	<b>28.5%</b>	<b>28.0%</b>	
<b>Total segment results - Continuing operations</b>	<b>612</b>	<b>642</b>	<b>1,058</b>	<b>+65%</b>
	(Restated)	(Restated)		
<b>Profit before tax - Continuing operations</b>	<b>727</b>	<b>632</b>	<b>1,063</b>	<b>+68%</b>
<b>Profit attributable to owners</b>	<b>536</b>	<b>472</b>	<b>827</b>	<b>+75%</b>
<b>Basic EPS (HK cents)</b>	<b>79.1</b>	<b>69.6</b>	<b>122.1</b>	<b>+75%</b>
<b>Dividend per share (HK cents)</b>	<b>14.0</b>	<b>15.0</b>	<b>20.0</b>	<b>+33%</b>
<b>Capital expenditure</b>	<b>113</b>	<b>148</b>	<b>296</b>	<b>+100%</b>

# Group Operating Performance

## Turnover – Continuing operations

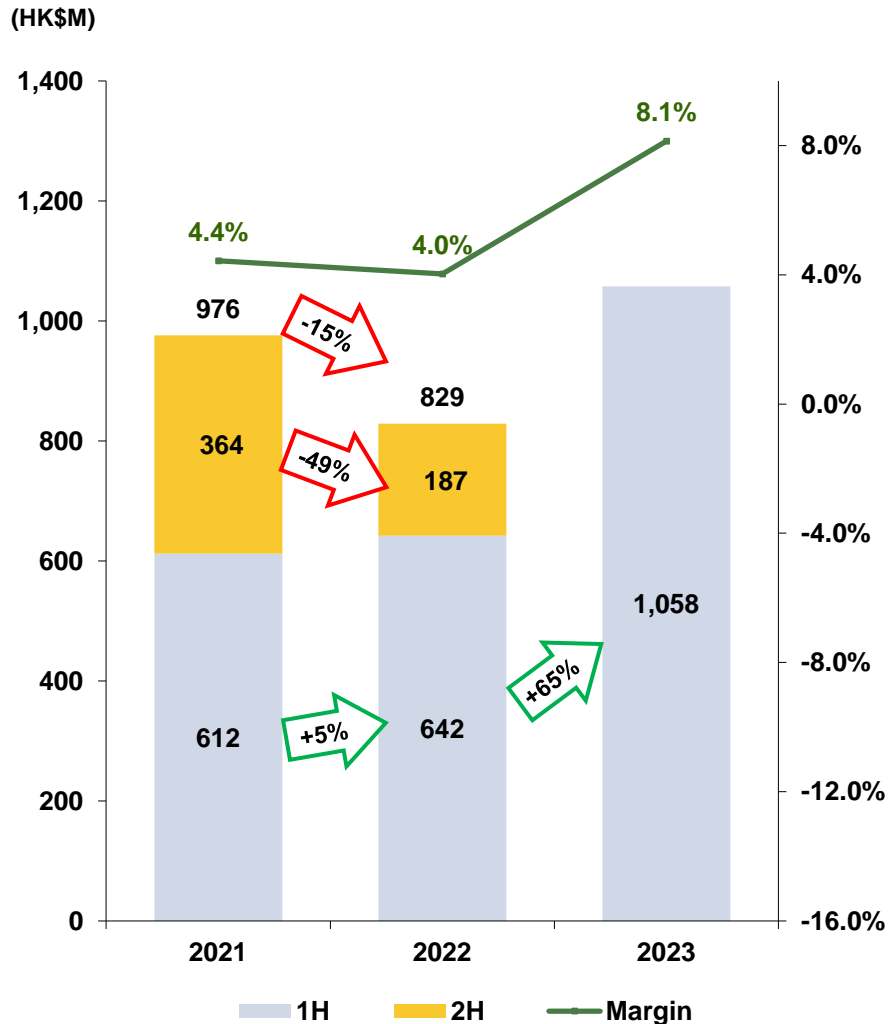


## Gross profit – Continuing operations



# Group Operating Performance (Cont'd)

## Total segment results – Continuing operations

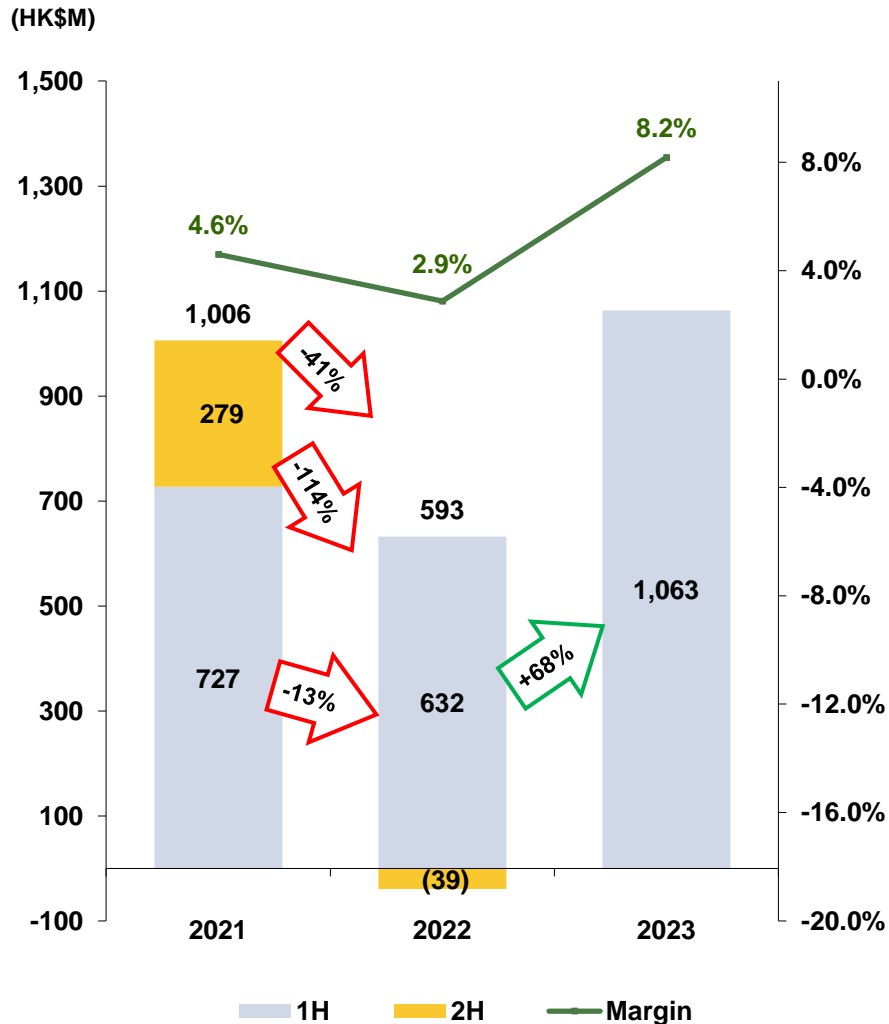


For the segment results measurement, the following items are excluded:

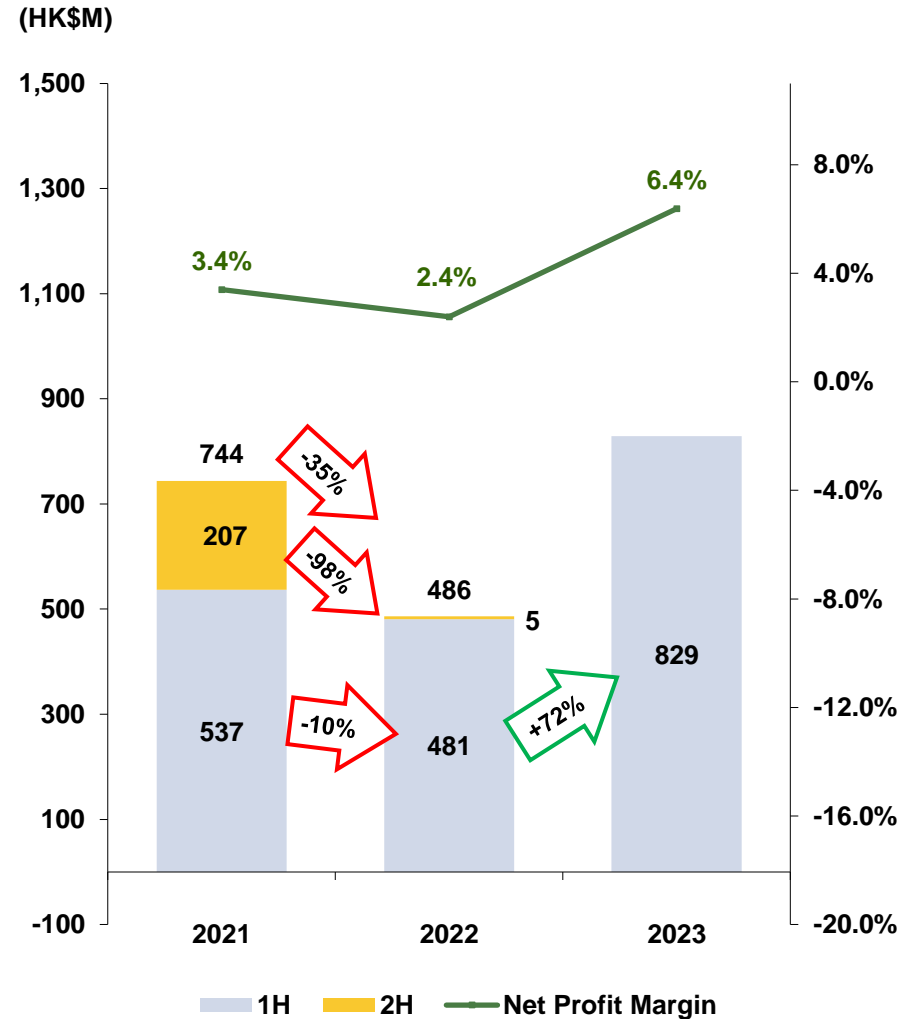
- dividend income
- finance income and costs
- foreign exchange differences
- fair value gain or loss on
  - investment properties
  - bullion loans designated as at fair value through profit or loss
  - derivative financial instruments - transactions not qualifying as hedges
  - financial assets at fair value through profit or loss

# Group Operating Performance (Cont'd)

## Profit before tax – Continuing operations

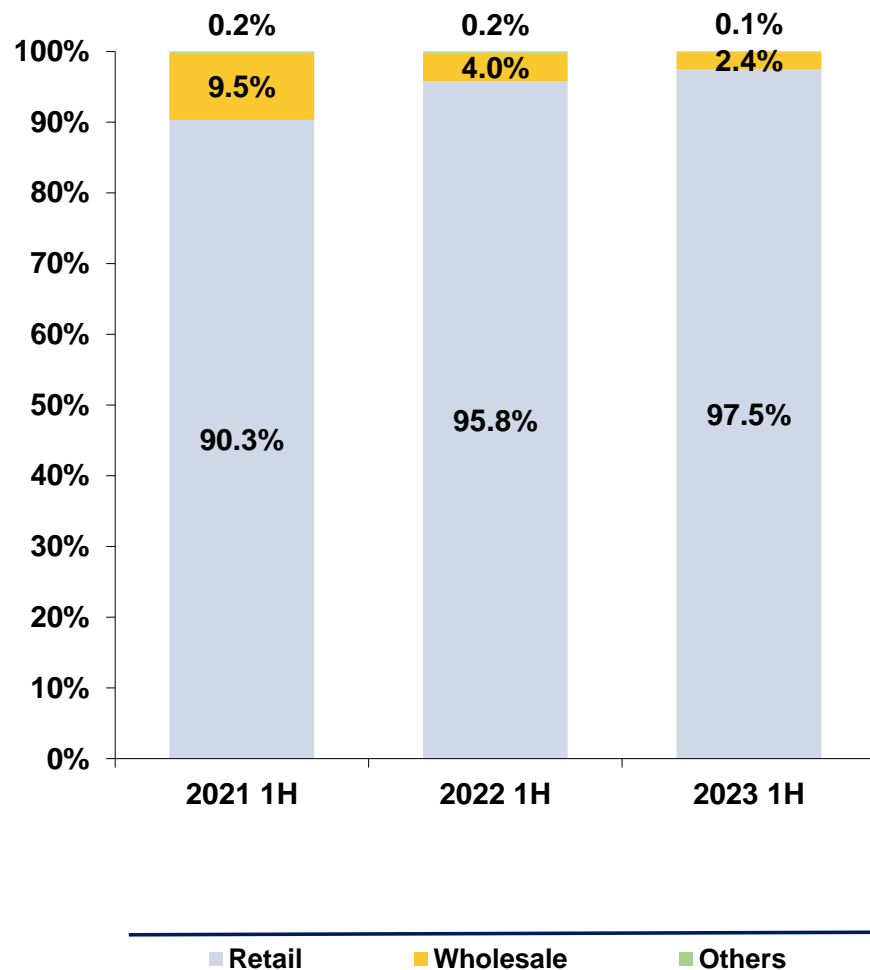


## Profit attributable to owners – Continuing operations

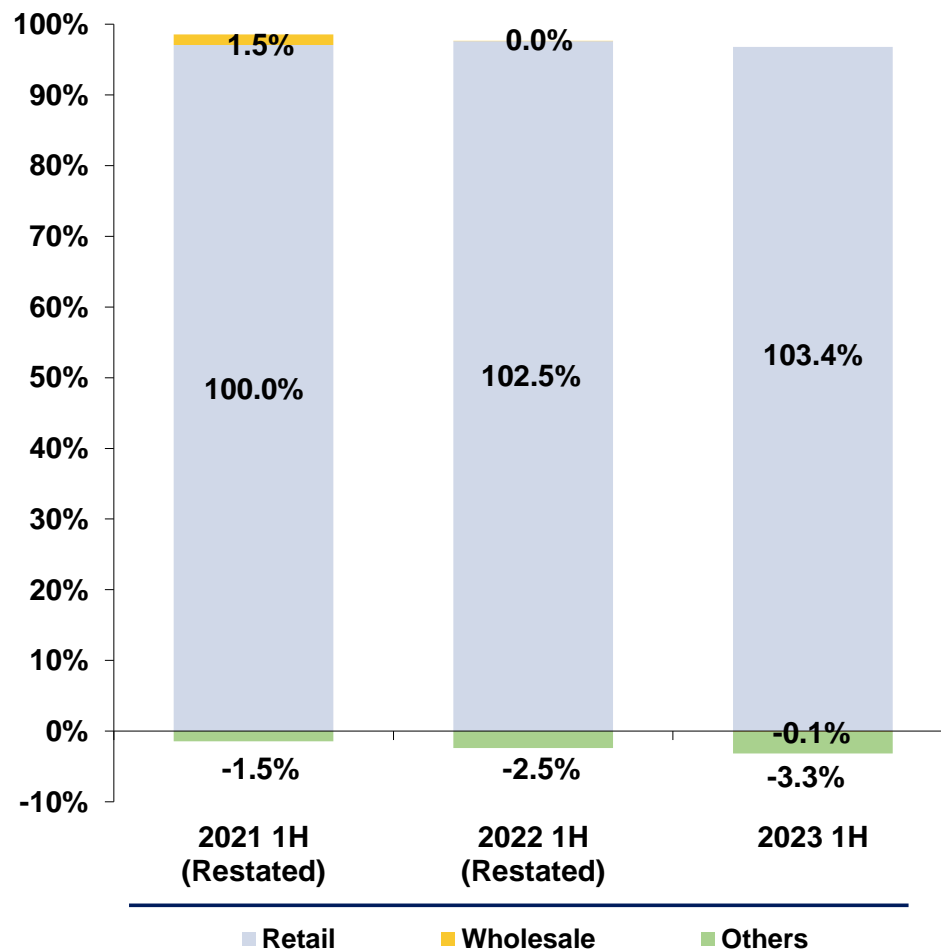


# Group Operating Results by Segment

## Turnover breakdown – Continuing operations



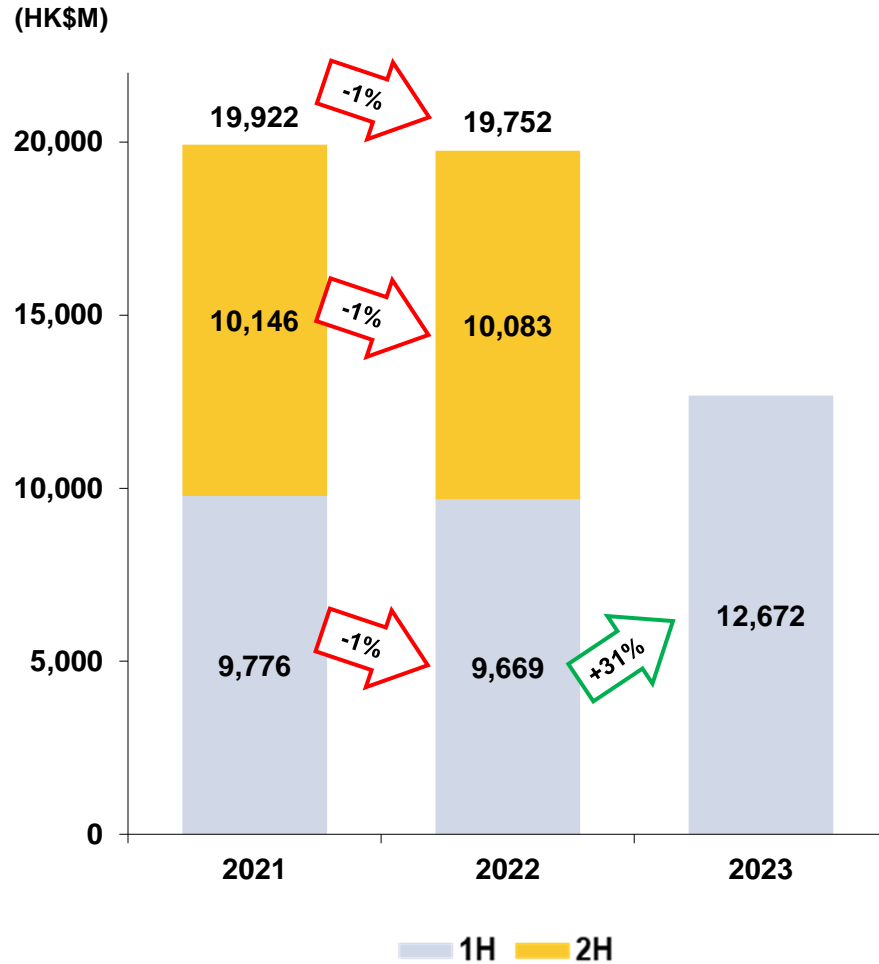
## Results breakdown – Continuing operations



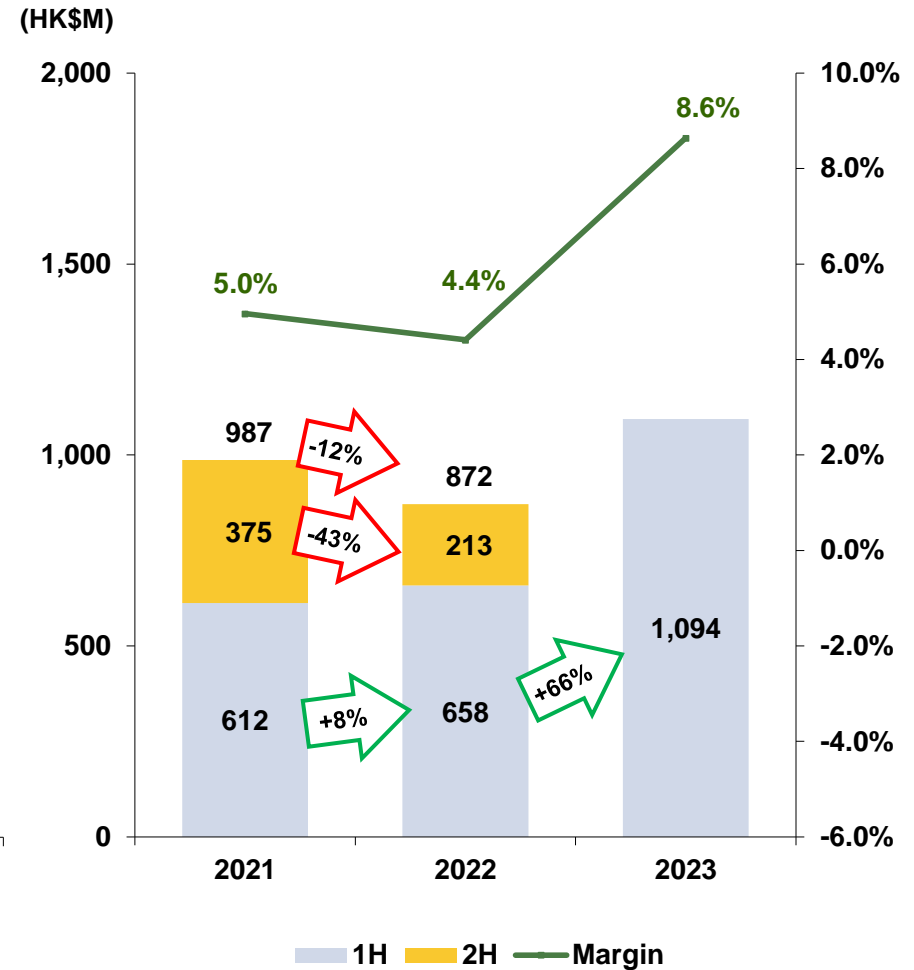


# Jewellery and Watch Retail Segment Performance

## Turnover



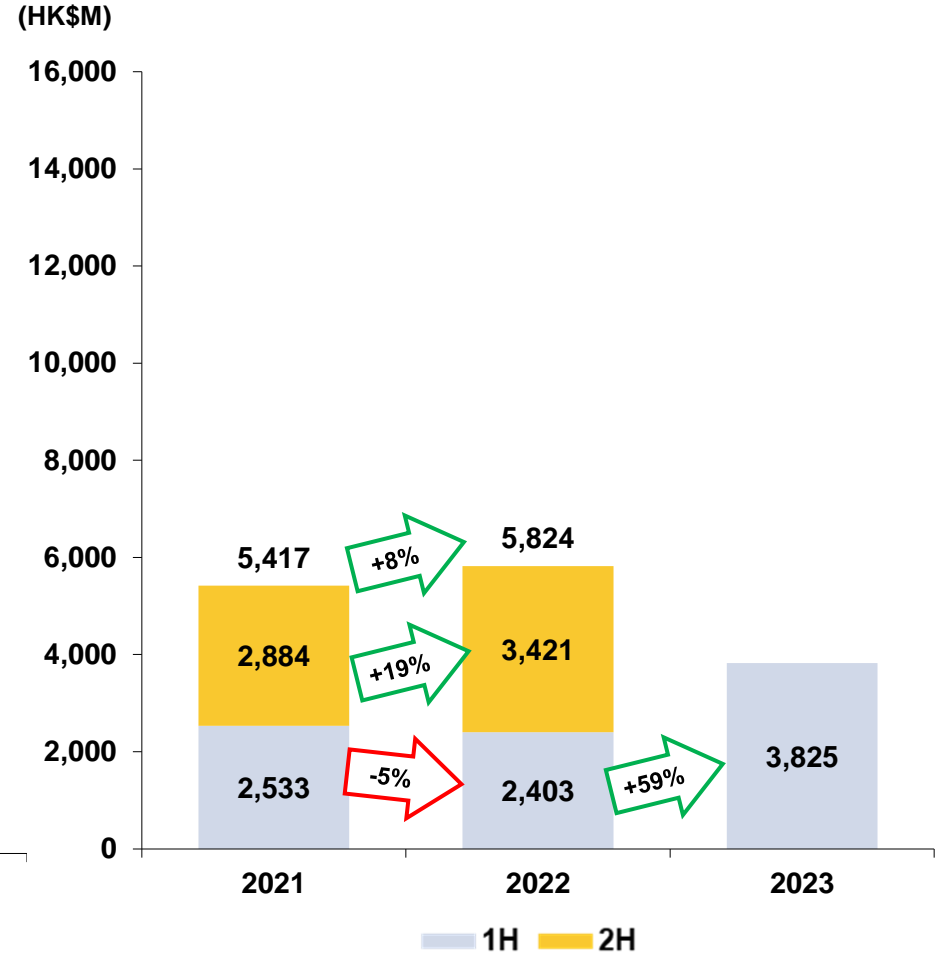
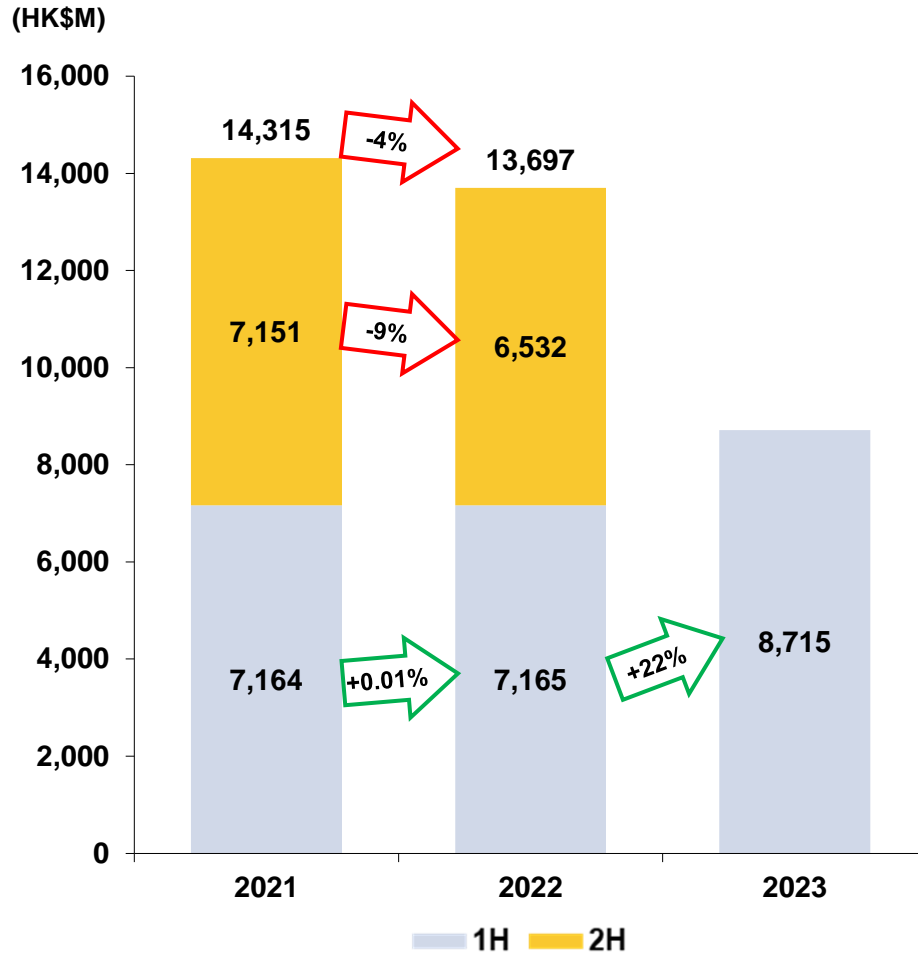
## Segment results



# Jewellery and Watch Retail Performance

## Mainland China retail turnover

## HK & Macau retail turnover

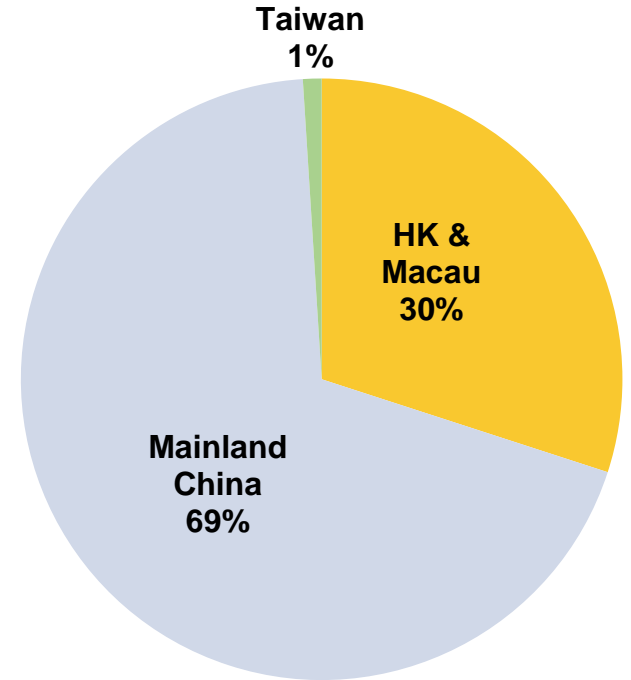
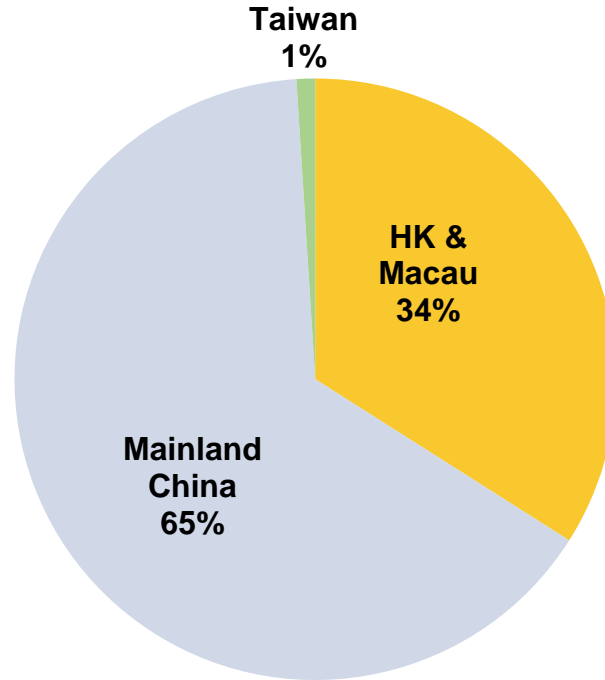
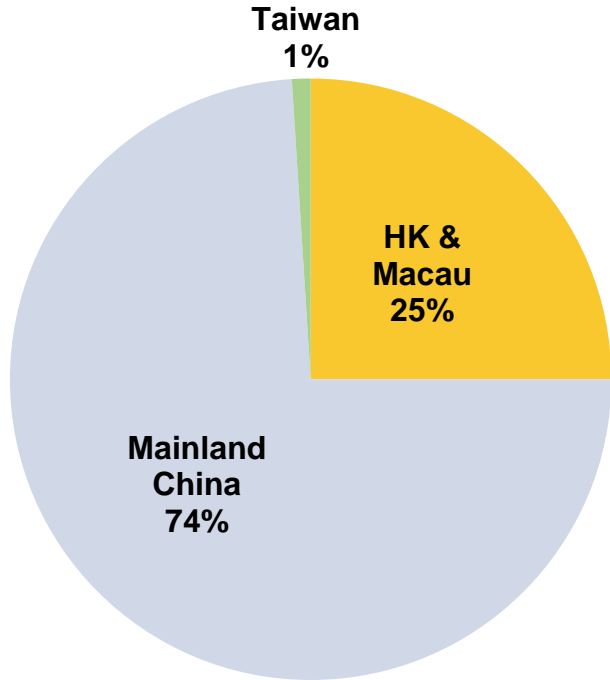


# Retail Turnover by Geographical Area

2022 1H

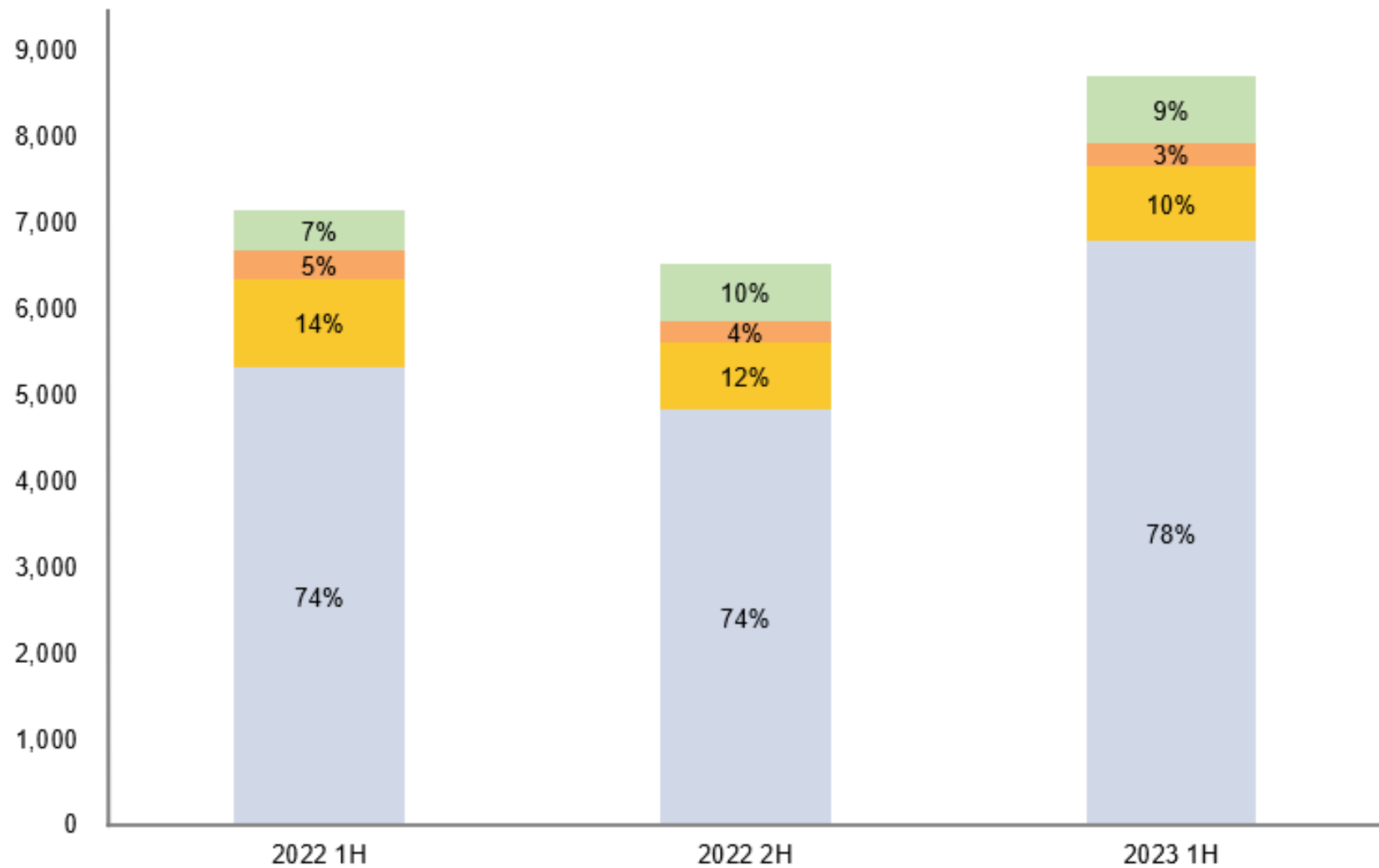
2022 2H

2023 1H



# Mainland China Retail Sales Mix

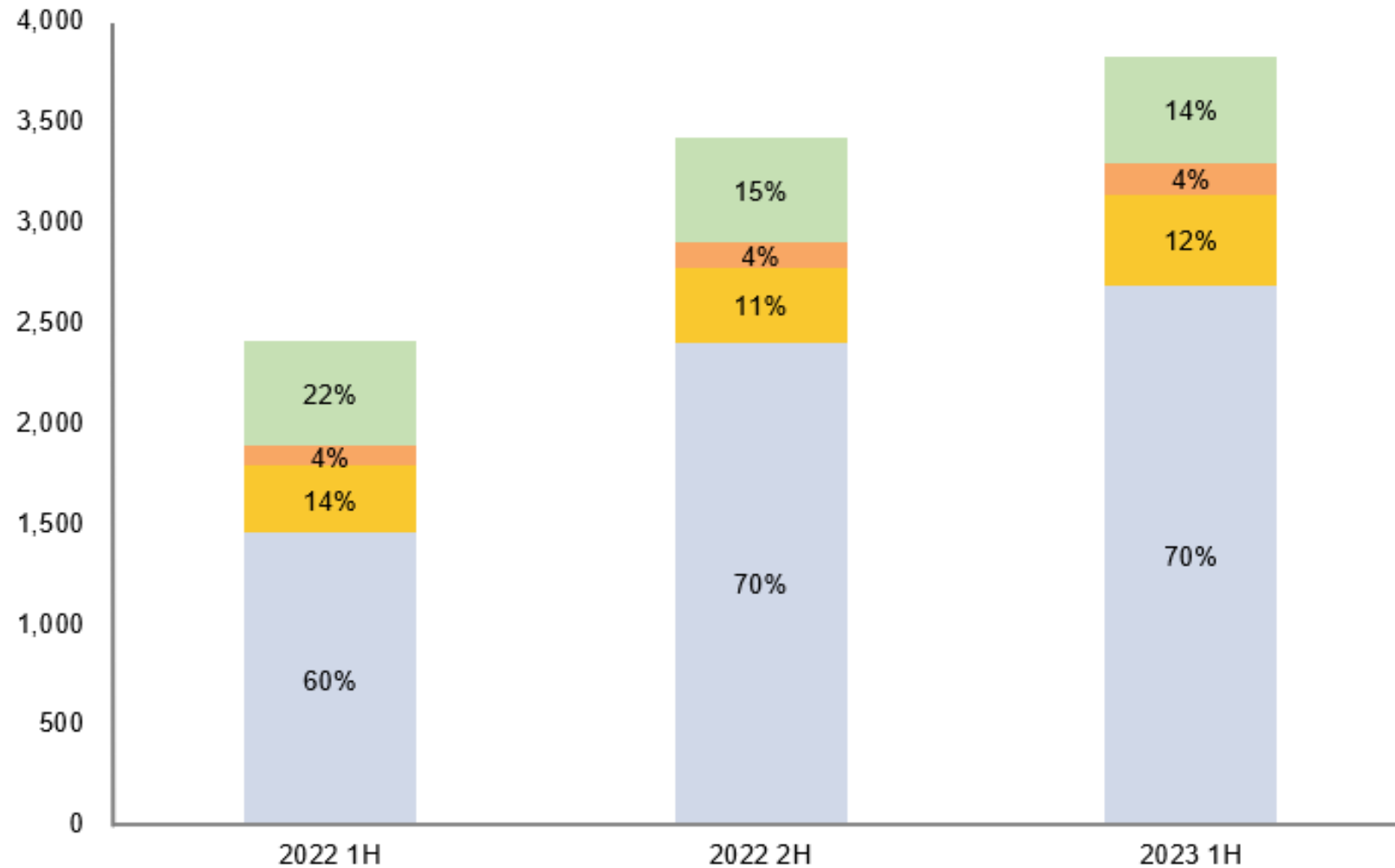
(HK\$'M)



Products: Gold jewellery and products Gem-set jewellery Platinum/Karat gold jewellery Watches

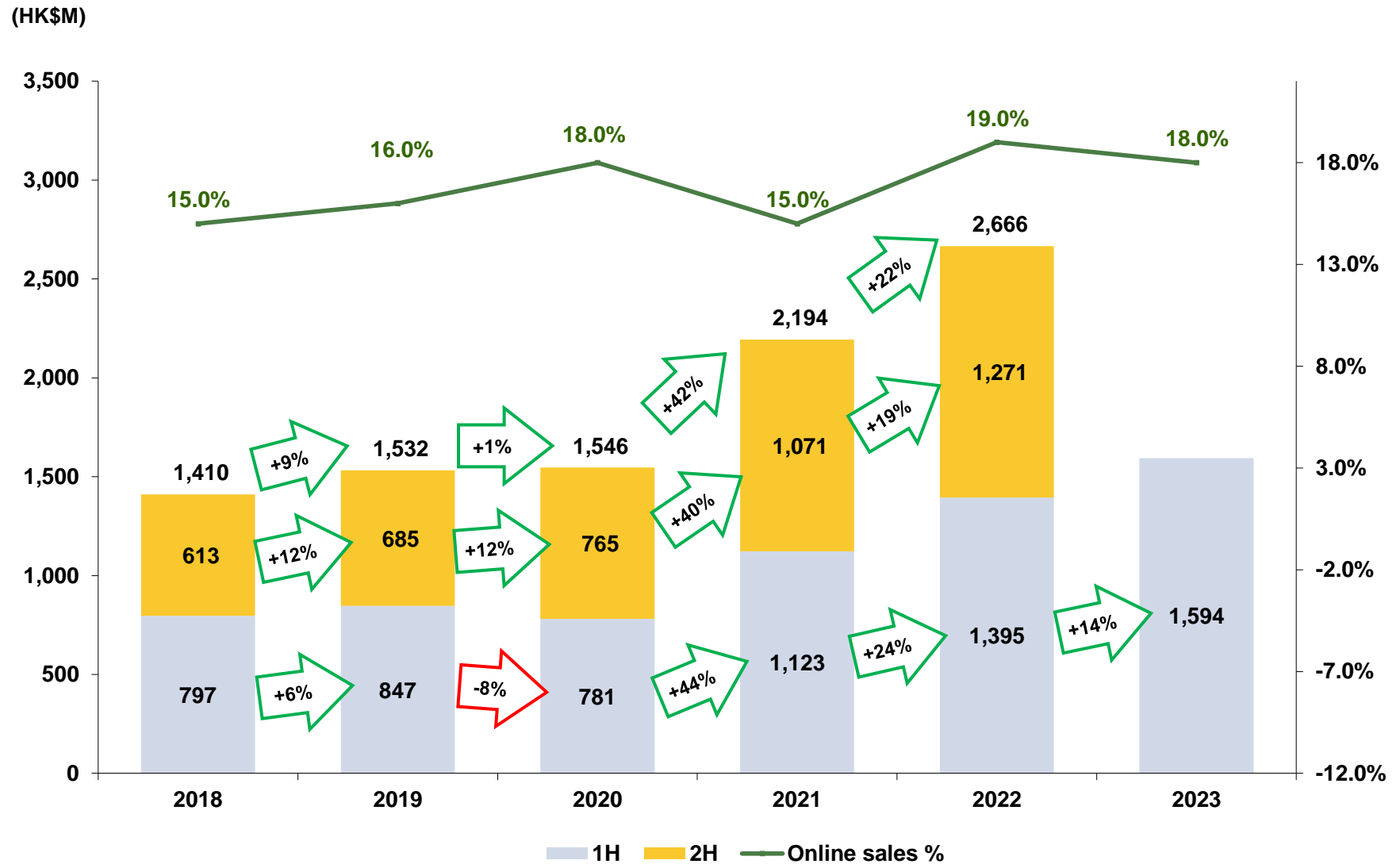
# Hong Kong and Macau Retail Sales Mix

(HK\$'M)



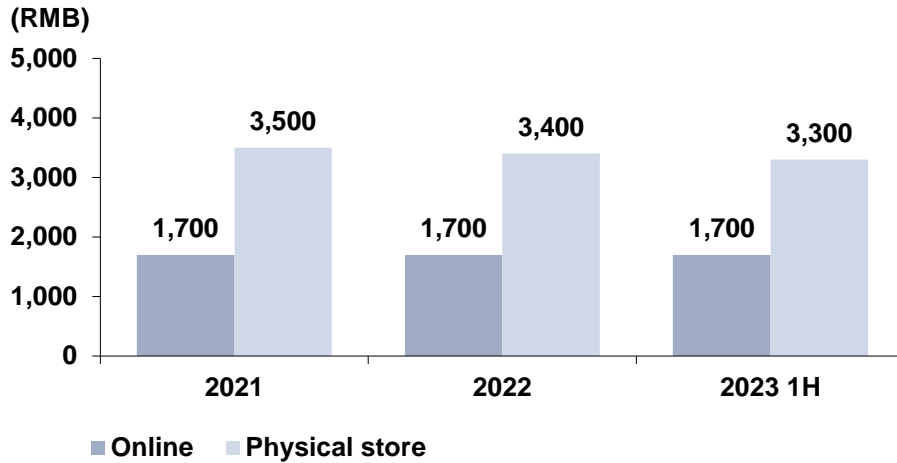
Products: Gold jewellery and products Gem-set jewellery Platinum/Karat gold jewellery Watches

# Online Sales as a Percentage of Mainland China Sales

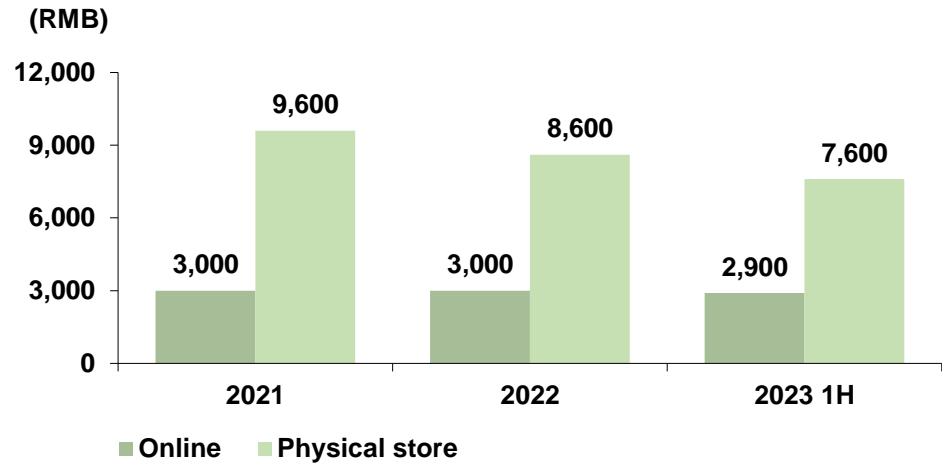


# Retail: Change of Average Selling Price

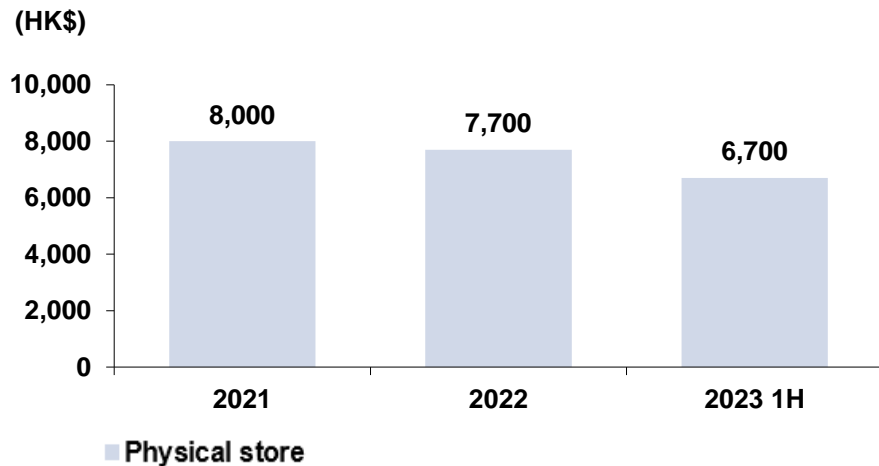
## Mainland China - Gold jewellery and products



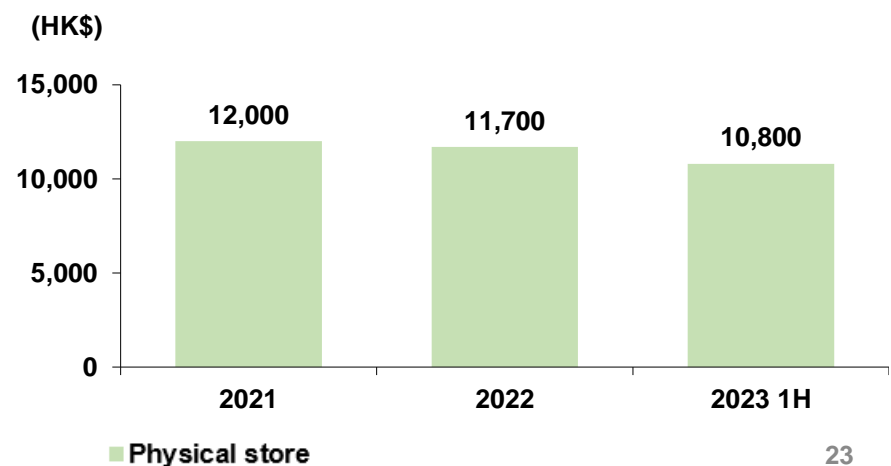
## Mainland China - Gem-set jewellery



## Hong Kong and Macau - Gold jewellery and products

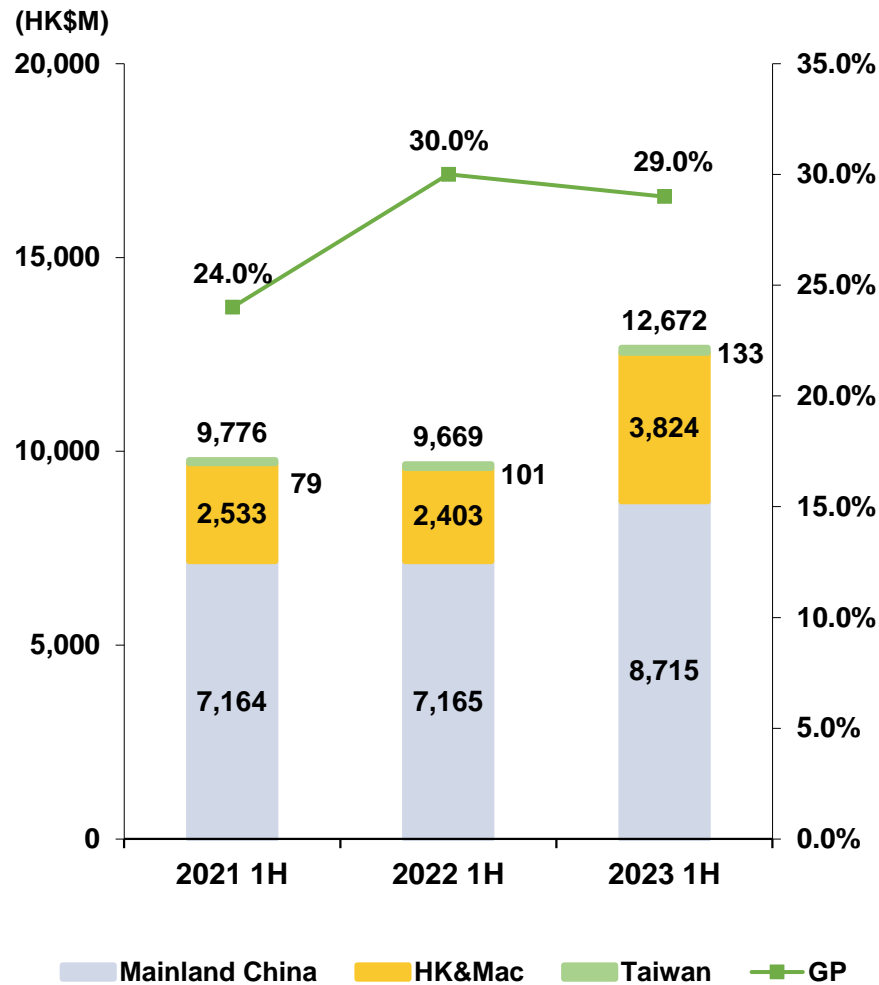


## Hong Kong and Macau - Gem-set jewellery

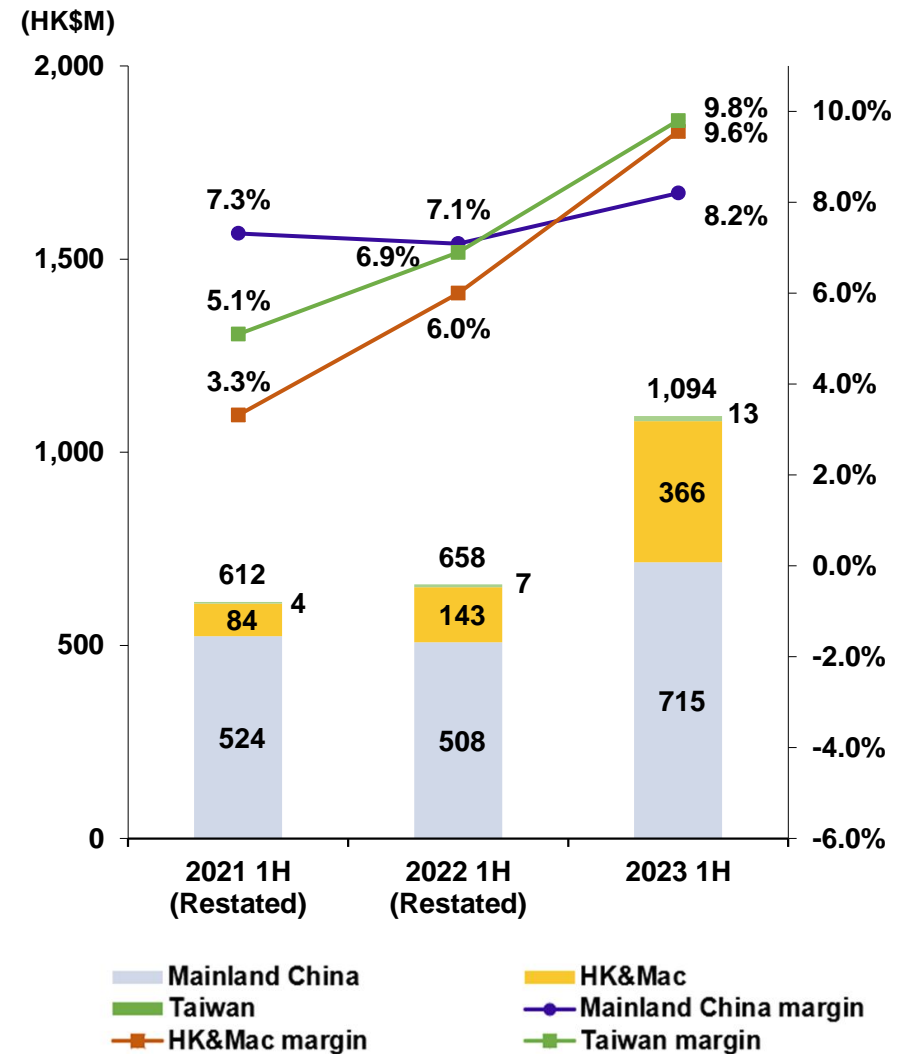


# Retail Performance by Geographical Area

## Retail segment turnover and GP margin



## Retail segment results and margin

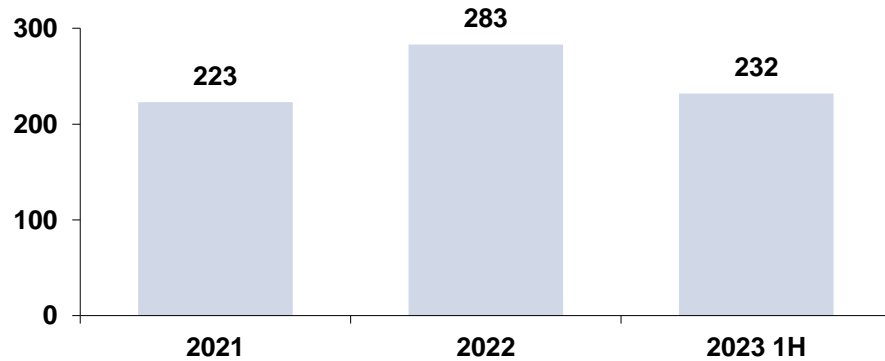




# Working Capital Trends

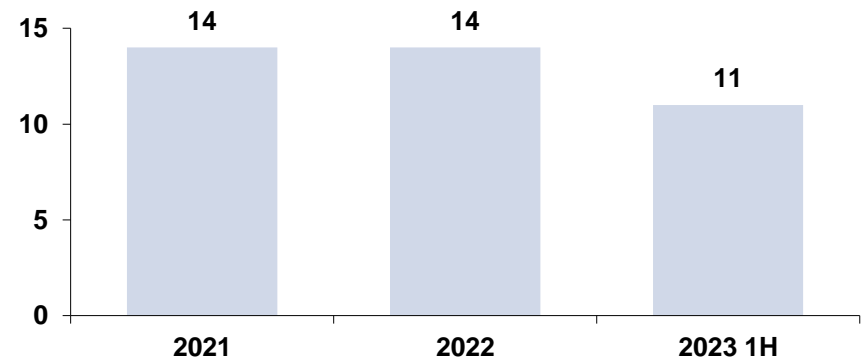
## Average inventory turnover days

(No. of Days)



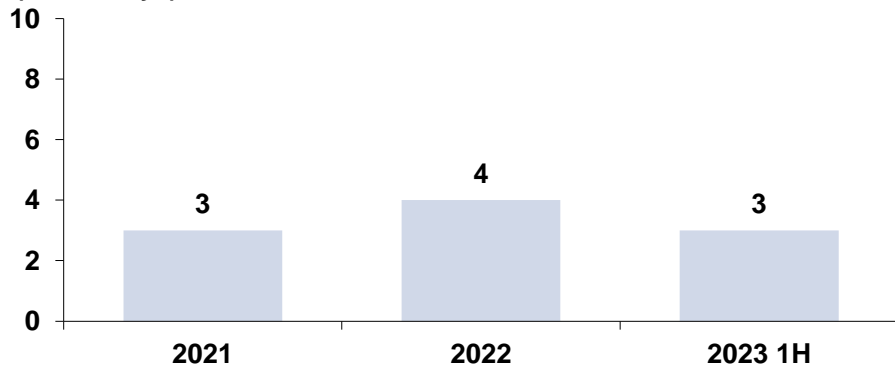
## Average receivables turnover days

(No. of Days)



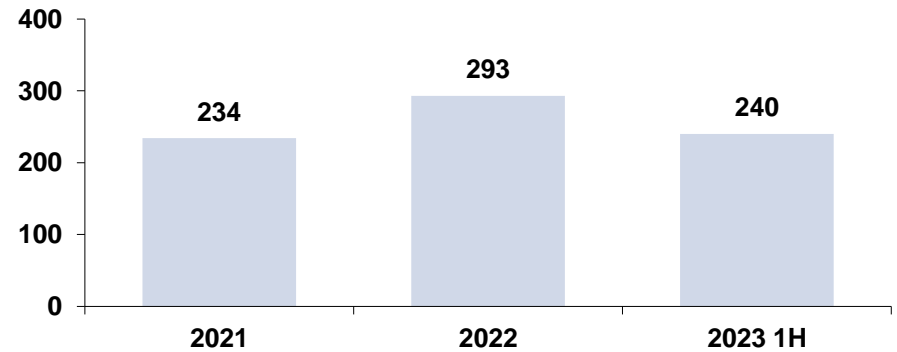
## Average payables turnover days

(No. of Days)



## Cash conversion cycle

(No. of Days)



## Other Financial Information

(HK\$'M)	As at		
	31 Dec	31 Dec	30 Jun
	2021	2022	2023
<b>Inventories</b>	11,343	12,112	11,851
<b>Cash and cash equivalents</b>	672	749	1,258
<b>Long term listed investments*</b>	1,515	1,122	982
<b>Equity attributable to owners</b>	12,753	11,891	12,107
<b>Gearing<sup>#</sup></b>	25.2%	39.0%	36.6%
<b>Total banking facilities</b>	6,418	8,772	8,914
<b>Unused banking facilities</b>	3,038	3,879	4,249

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

# Total borrowings to total equity attributable to owners of the Company. Total borrowings includes interest-bearing bank borrowings and bullion loans

## **Q&A Session**

# Appendix



# **Business Review**

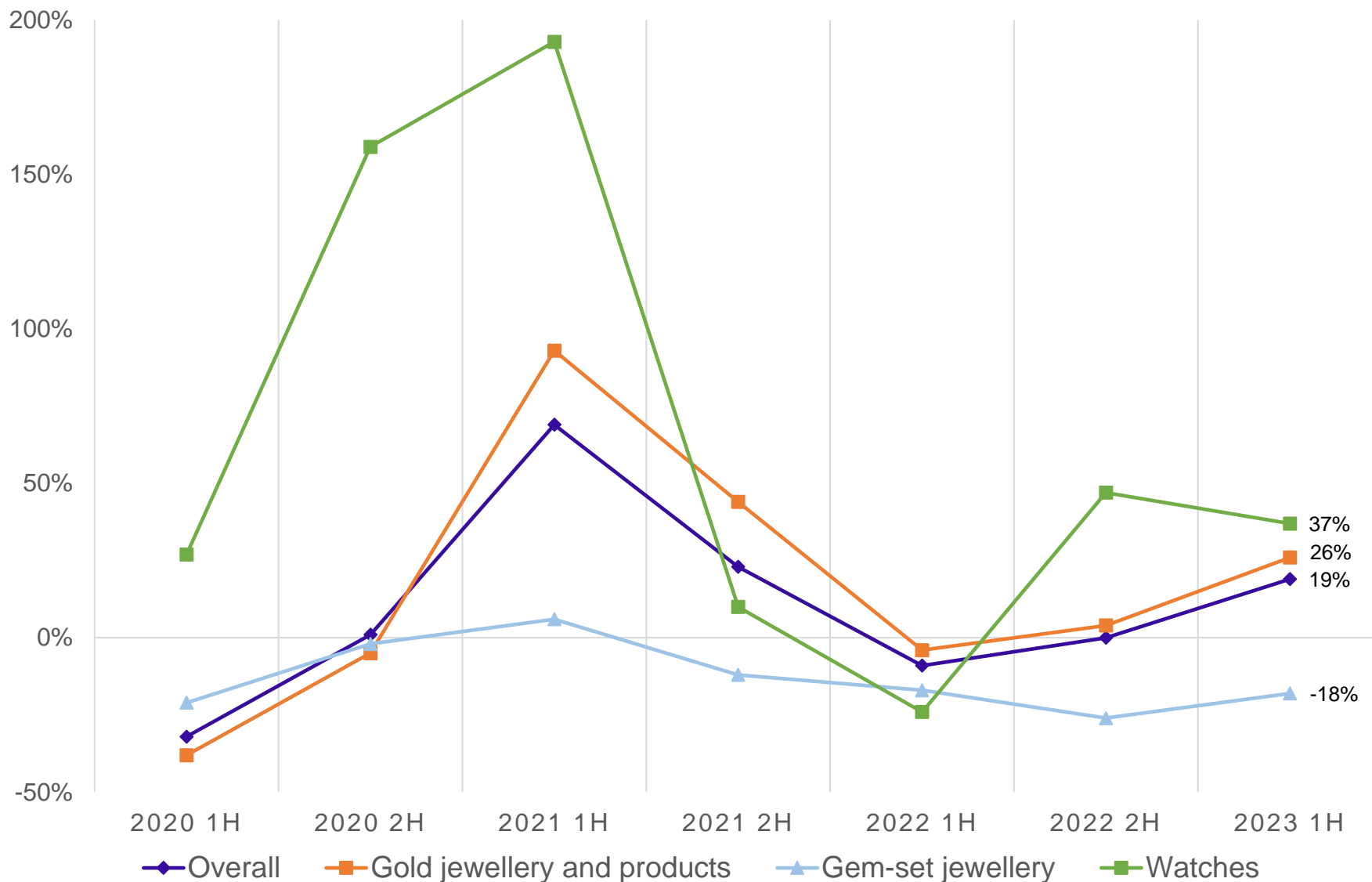
# Business Review

## Retail - Analysis by Geographic Area

### Mainland China

- **Strong rebound of gold jewellery and products with SSSG of +26%.**
- **Diamond jewellery sales, particularly sales of diamond jewellery at higher price ranges, was on a downward trend.**
- **Sales of Rolex and Tudor watches recorded SSSG of +37% over the low base in 2022 which was the result of disrupted supplies during the pandemic period.**

# Mainland China Retail SSSG



# Business Review

## Retail - Analysis by Geographic Area

### Hong Kong and Macau

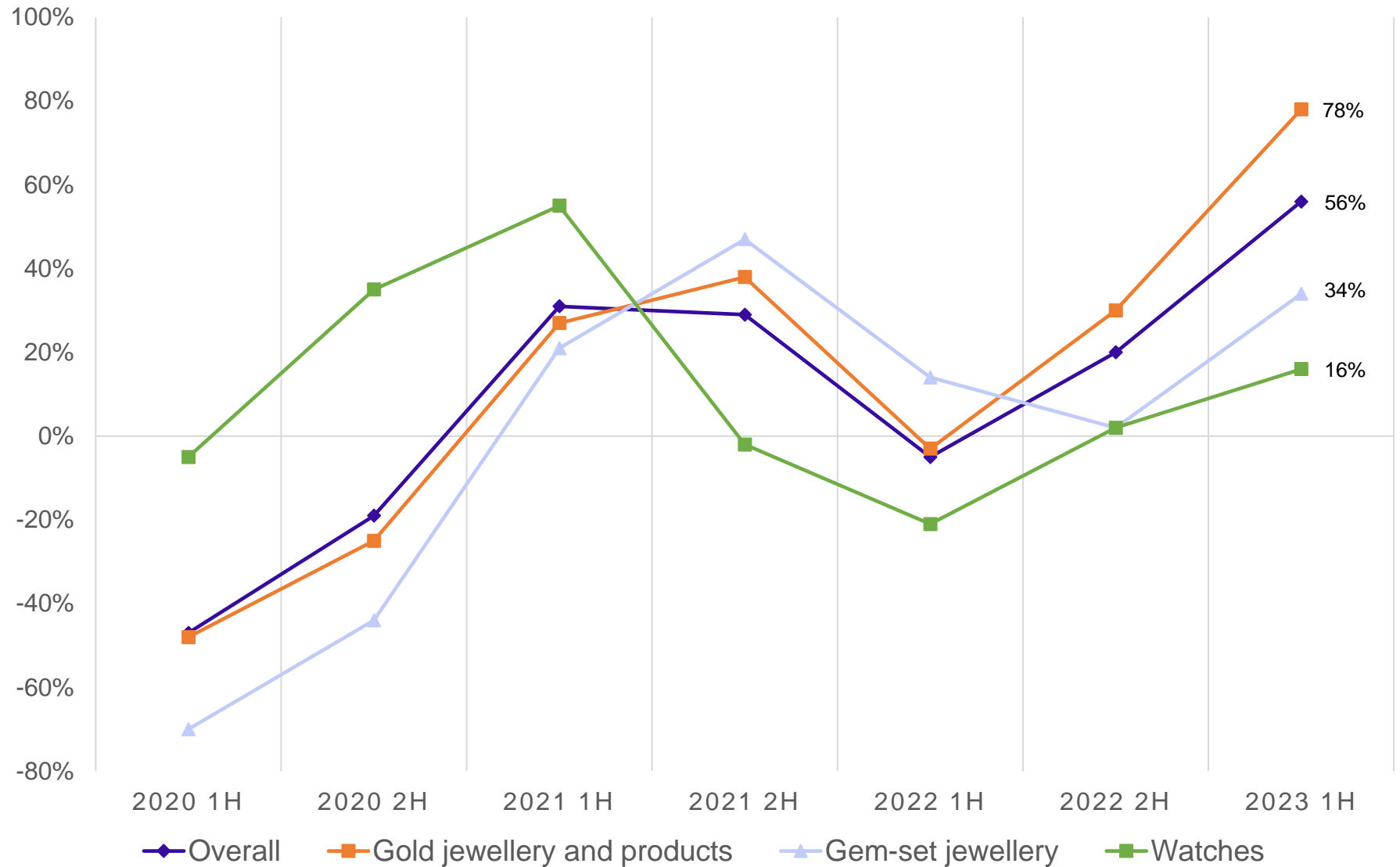
- With all travel restrictions lifted, turnover in Hong Kong and Macau increased 59% YOY, and segment results jumped 156%.
- Overall, SSSG was +93% in 1Q of 2023 as compared to the same period of 2022 which was battered by covid lockdowns, and SSSG of +33% was recorded in 2Q.
- SSSG of gold jewellery and products rebounded with increase of 78%.
- SSSG of gem-set jewellery recorded increase of 34% with “Infini Love Diamond” collection continued to contribute to SSSG.
- Watch sales recorded steady growth of SSSG of +16% as compared to 1H of 2022.

### Taiwan

- Sales in Taiwan maintained steady growth. New strategies in network expansion and merchandising, devised by the local management team, enabled sales to grow 32% YOY, and segment results to increase 89%.



# Hong Kong and Macau Retail SSSG



# Business Review

## Retail - Store Network

- During the period, 53 new Chow Sang Sang stores of which 6 being 生生•活字 (Oasis by Chow Sang Sang) stores were opened in Mainland China and a total of 21 stores were closed. 35 of the new stores were located in shopping malls.
- In Hong Kong and Macau, we added 1 PROMESSA store in Tuen Mun, Hong Kong and 1點睛品 store in Macau.
- We added 1 點睛品 store and 1 PROMESSA store in Taiwan as part of our steady retail network expansion to capture higher market share.



Chow Sang Sang Store in Shanghai



MINTYGREEN Store in Guangzhou



點睛品 Store in Taiwan

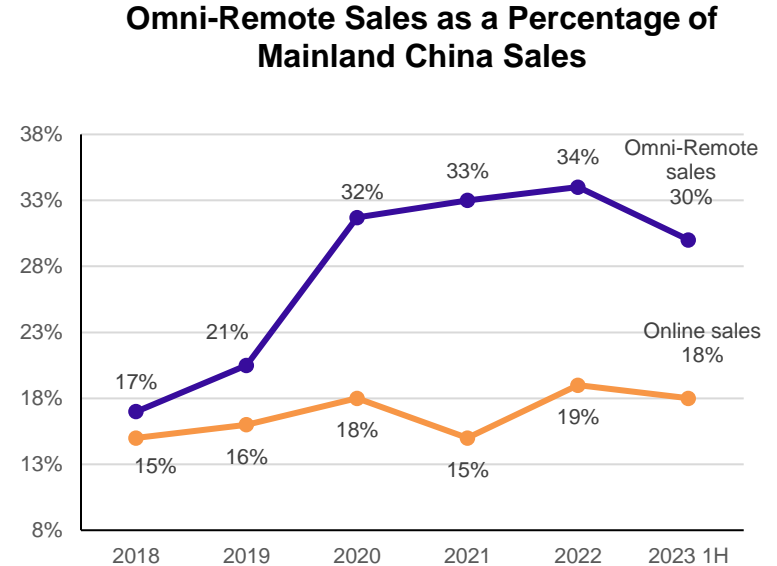
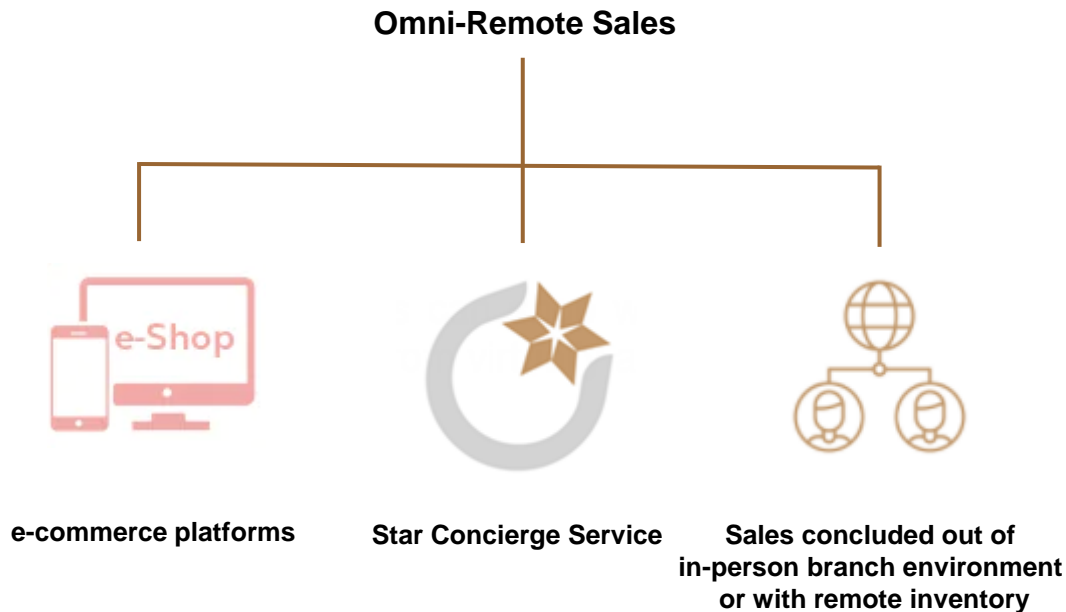


PROMESSA Store in Hong Kong

# Business Review

## Retail - Omni-Channel Retailing

- The online sales in Mainland China maintained its growth momentum and accounted for approximately 18% of total Mainland China sales during the period (2022 1H: 19%). Growth in sales of gold jewellery and products continue to outpace other product categories.
- Online sales in Hong Kong, Taiwan and other regions continued to grow at a fast pace in 2023. Continual growth has been achieved by channel expansion and to other overseas markets through third-party e-commerce platforms and joint promotion with local partners.
- Percentage of Omni-Remote sales in 1H of 2023 to total sales in Mainland China decreased to 30% (2022 1H : 35%) with the lower demand for Personalised Jewellery Service.



# Business Review

## Retail - Product and Marketing

- Our ever-popular collections of gold ornaments, “Cultural Blessings” and “Charme”, bolstered by the new ones “gin” and “Mirror Gold”, achieved good results.
- Sales of high unit price gem-set jewellery was sluggish. Total sales conducted through Personalised Jewellery Service during 1H of 2023 was down 28% YOY. Total diamond jewellery sales from this service accounted for 22% (2022 1H: 31%) of the Group’s corresponding sales during the period.

New Collection: gin and Mirror Gold



Cultural Blessings Collection



Charme Collection

# Business Review

## Retail - Product and Marketing

- We have resumed efforts to engage customers and enhance shopping experience through various Chinoiserie (國潮) pop-up stores, display points, wedding expos and online campaigns.

Chinoiserie Pop-up Store



PROMESSA  
Love Journey Roadshow



Infini Love Diamond  
Kaleidoscope Exhibition



Symphony of Her Lights Roadshow

# Business Review

## Other Business Segments

### Wholesale of Precious Metals

- Turnover decreased by 22% to HK\$315 million during the period.

### E-commerce Platform

- The subsidiary “The Future Rocks Company Limited” was set up to explore the market for laboratory-grown diamond and gemstones (“LGD”).
- It operates an e-commerce platform, with the business name “The Future Rocks”, for the sale of LGD-set jewellery curated from around the world.
- It has launched online stores in China, on portals Tmall International, Xiaohongshu and WeChat Mini Program in 2022.
- In 2023, “The Future Rocks” started its own live-streaming in China. A series of online and offline promotion campaigns and marketing activities have been in progress.

# Business Review

## Other Business Segments

### Securities and Futures Broking – the Discontinued Operation

- The business has since early May 2021 ceased operation. We have been processing unclaimed assets.
- Complete shutdown will occur when all such assets are returned or placed into court custody.
- Since the commencement of legal actions against some default margin loan customers and guarantors in Feb 2021, the Group has obtained judgments in certain actions and is now in the process of enforcing the judgments and petitioning bankruptcy of certain individuals based on the relevant judgment debts as appropriate.
- Total loans due from the customers in default, net of total credit loss allowance, amounted to HK\$124 million as at 30 June 2023.

# Strategy Outline



# Strategy Outline

## Jewellery and Watch Store Expansion

- **Expand jewellery and watch store network selectively and prudently with priority on improving operating efficiency rather than expanding geographical coverage**
- **Continue with multi-brand strategy for store opening**
- **Adopt self-run business model to achieve more efficient management and operations**

## Chow Sang Sang Omni-channel Retailing

- **Leverage on in-store sales, sales conducted through various e-commerce platforms, Personalised Jewellery Service and remote inventory sales to integrate online and offline environments to create a seamless customer experience**
- **Expand live streaming e-commerce**

# Strategy Outline

## Product and Marketing

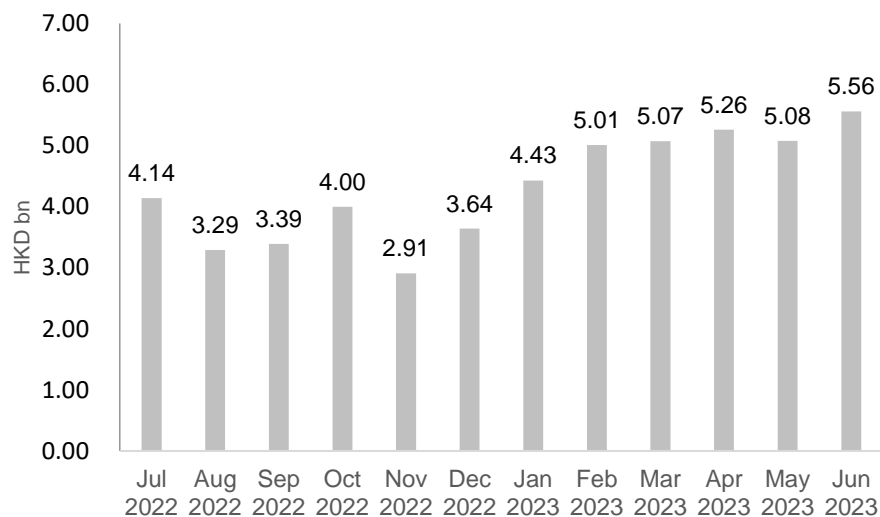
- **Focus on product innovation to cater to different customer segments**
- **Expand product collections embodying heritage and cultural themes**
- **Engage customers through live streaming shows, thematic events, in-store VIP salons and workshops**
- **Develop live-streaming marketing and sales platforms, and realise new retail strategy and online and offline marketing through short videos and new media channels**

## Supply Chain Logistics

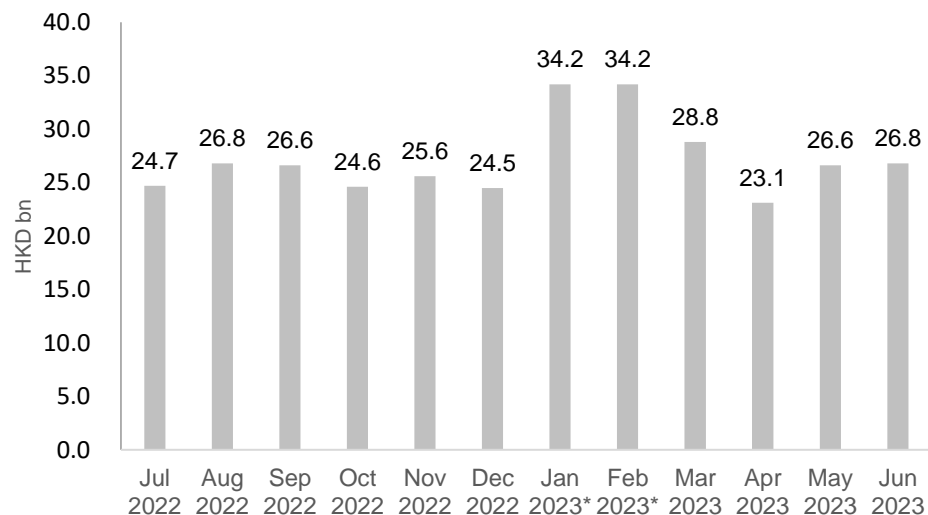
- **Make use of advanced technology to optimise demand forecast, logistics and distributions as well as customer relationship management**
- **Leverage on design digitalisation and further production automation to build a more agile and customer-focused supply chain**

# Industry Analysis – Hong Kong and Mainland China

**Value of retail sales of 2H FY2022-1H FY2023  
Hong Kong Jewellery, Watches and Clocks, and Valuable Gifts**



**2H FY2022-1H FY2023  
Mainland China Gold, Silver and Jewellery Sales**



Source: HK Census & Statistics

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

**The value of retail sales of jewellery, watches and clocks, and valuable gifts in 1H FY2023 was HKD30.41 billion, an increase of 74.2% compared with HKD17.45 billion in 1H FY2022, according to HK Census and Statistics Department.**

**Retail sales for jewellery products in Mainland China were RMB168.9 billion in 1H FY2023, an increase of 14.20%, compared with RMB147.9 billion in 1H FY2022, 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 2023 were investigated and released together. Here the data is evenly divided as RMB34.2 billion.

# Industry Analysis – Mainland China Luxury Market Overview

- The global market will increase to USD444.7 billion at a compound annual growth rate of about 11% by 2025. And the Asia-Pacific region has become an important growth engine of the global luxury market, and China, as the main driving force, will continue to release its growth potential. It is estimated that the size of China's luxury market will reach RMB 816 billion in 2025, which will account for about 25% of the global luxury market share.
- The personal luxury goods market posted a record year in 2022, reaching a market value of €345 billion, despite geopolitical tensions and macroeconomic uncertainty. This momentum persisted into 1Q of 2023, achieving 9-11% growth over 2022. The market in Mainland China, which saw 1Q growth, is expected to rise again this year, with some, but not all, brands back to 2021 levels.

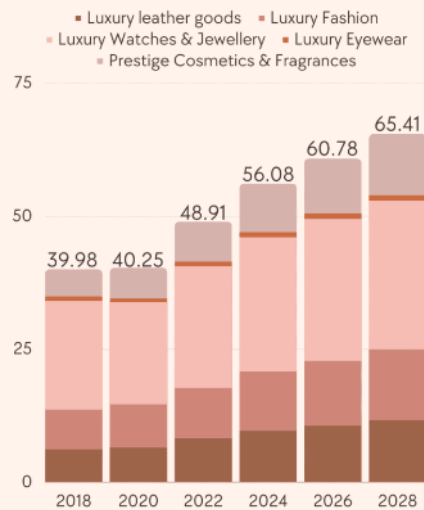
## Luxury Market in China

Millennials are the biggest drivers of luxury market in China. They will account for **40% of global luxury sales** in 2024.

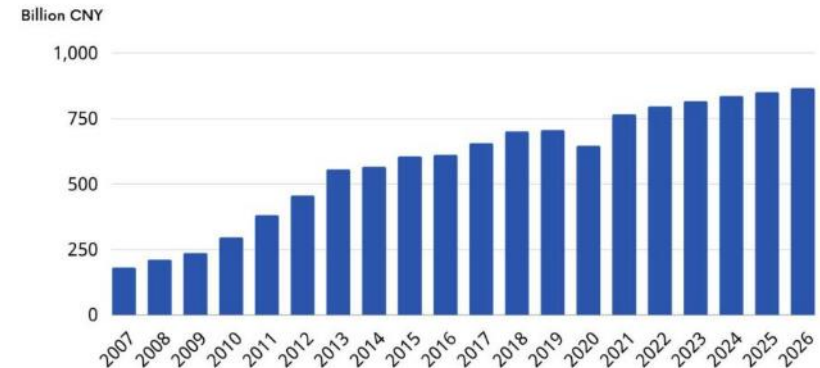
Many luxury shoppers come from China's growing middle class, which is expected to reach **75% by 2030**.

As of 2023, the biggest trends are:

- sustainability
- streetwear and casual wear
- timeless and classic designs
- customisation and personalisation
- influencer marketing campaigns
- collaborations with Chinese designers



## CHINESE JEWELRY MARKET VALUE



Source :

PWC China

- "Mainland China and Hong Kong Luxury Market Insights: 'Retrieve customer values for growth and sustainability'" <https://www.pwccn.com/en/industries/retail-and-consumer/publications/china-hk-luxury-market-insights-feb2023.html>

Bain & Company

- "Global luxury goods market accelerated after record 2022 and is set for further growth, despite slowing momentum on economic warning signs" <https://www.bain.com/about/media-center/press-releases/2023/global-luxury-goods-market-accelerated-after-record-2022-and-is-set-for-further-growth--despite-slowing-momentum-on-economic-warning-signs/>

Gentlemen Marketing Agency

- "China Luxury Market Guide" <https://marketingtochina.com/china-luxury-market-guide/>

# Definitions

In this presentation, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	Chow Sang Sang Holdings International Limited
“Director(s)”	the director(s) of the Company
“FY”	the full year, twelve months ended 31 December
“Group”	the Company and its subsidiaries
“HKEC”	Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Macau”	the Macao Special Administrative Region of the PRC
“Mainland China” or “Mainland”	PRC excluding, for the purpose of this presentation (unless otherwise indicated), Hong Kong, Macau and Taiwan
“PRC” or “China”	the People’s Republic of China
“SSSG”	same store sales growth
“Taiwan”	Taiwan region of the PRC
“YOY”	year-on-year
“1H”	the first half of a year, six months ended 30 June
“2H”	the second half of a year, six months ended 31 December
“1Q”	the first quarter of a year, three months ended 31 March
“2Q”	the second quarter of a year, three months ended 30 June
“3Q”	the third quarter of a year, three months ended 30 September
“4Q”	the fourth quarter of a year, three months ended 31 December
“%”	percent

Thank you