



CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司

Stock code: 116

2019 Annual Results Presentation

March 2020

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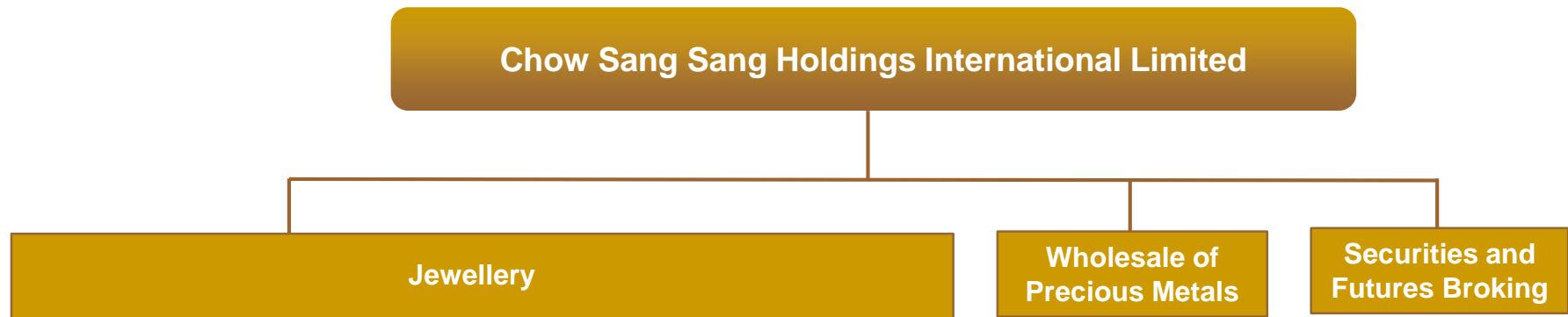
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Presentation Outline

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

Business Overview

Business Segments



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

周生生 (how Sang Sang)

點睛品

EMPHASIS

MINTYGREEN

- **Watch boutique: Rolex and Tudor**

Distribution Network as at 31 Dec 2019

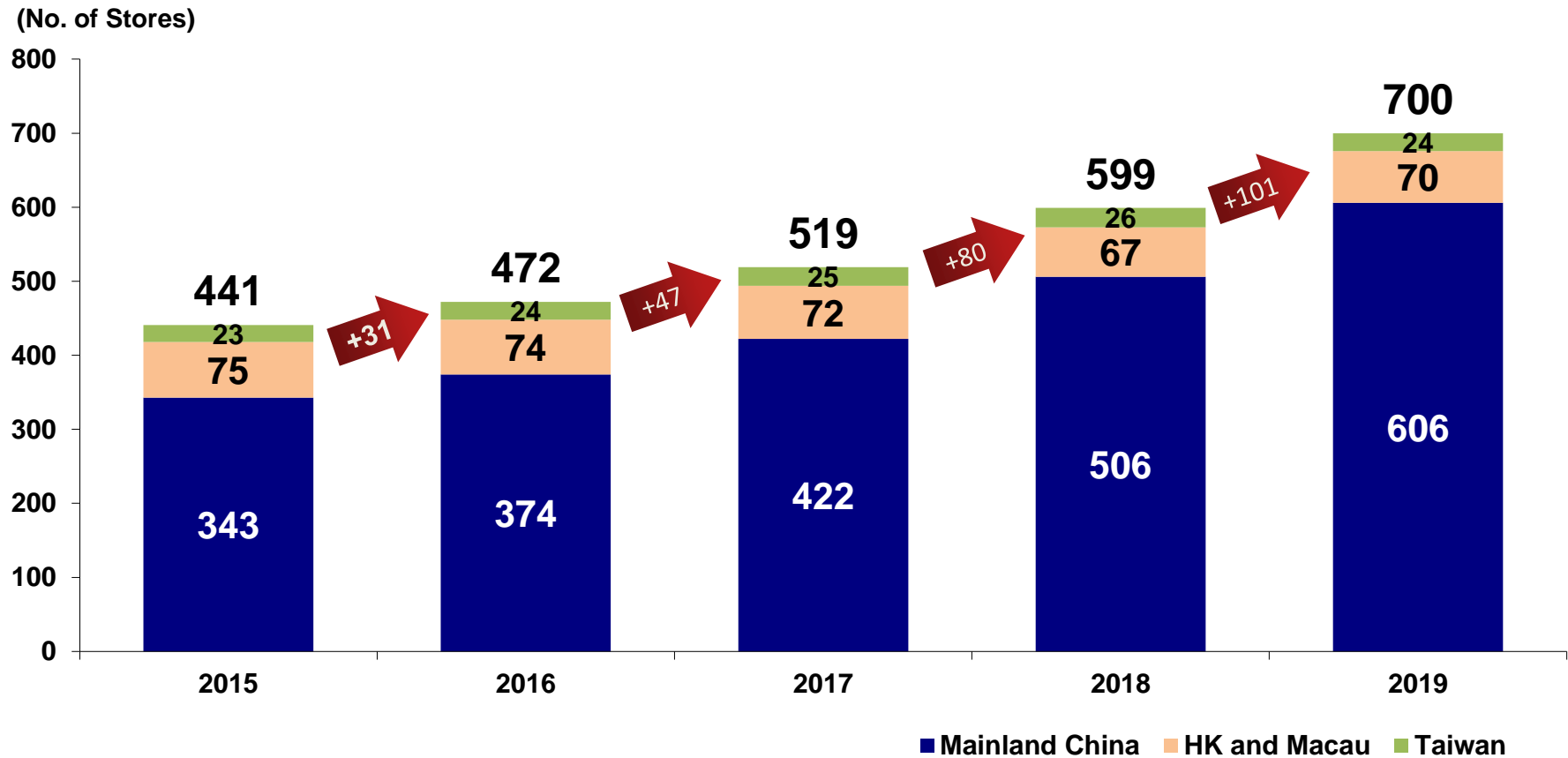


Mainland China			
Region	Number of stores	City tier	Number of stores
North	86	1	144
East	113	2	268
South	196	3	135
West	107	4	59
Beijing Surrounding Provinces	104	-	-
Total:	606	Total:	606



Store Expansion

Increasing No. of Stores in Mainland China



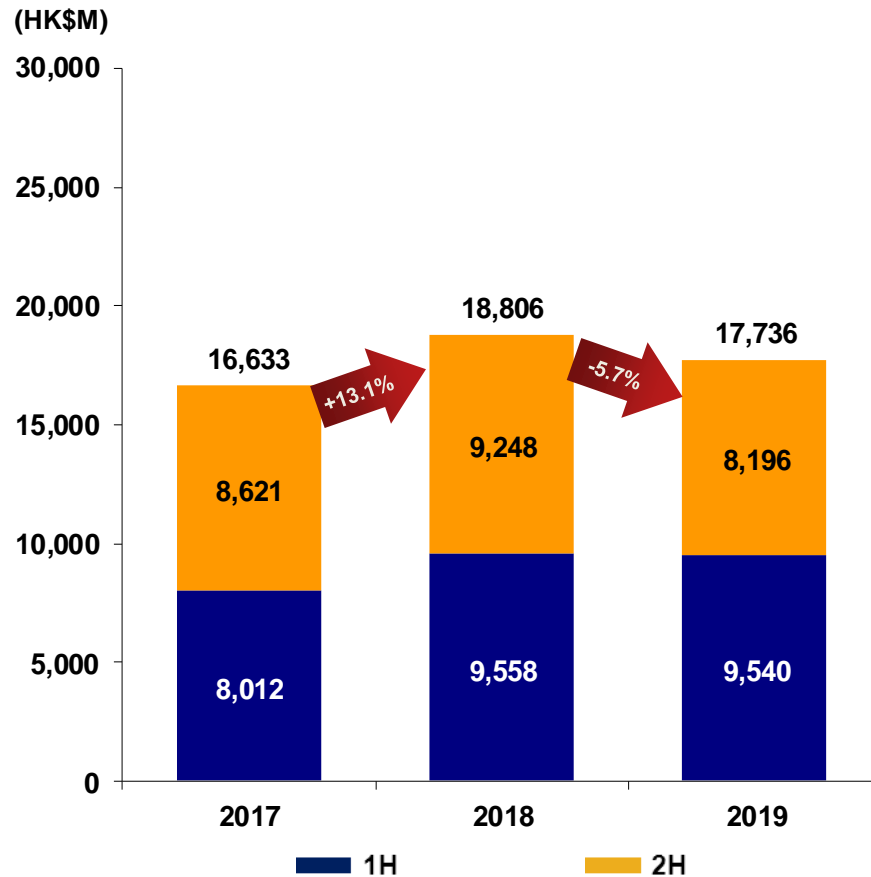
Store Count by Brand

	As at 31 Dec 2018	Addition	Closed	As at 31 Dec 2019
Hong Kong and Macau				
周生生 (how Sang Sang)	47	5	3	49
EMPHASIS	3	2	1	4
點睛品	5	-	-	5
Rolex/Tudor	12	1	1	12
Sub-total	67	8	5	70
Mainland China				
周生生 (how Sang Sang)	469	110	18	561
EMPHASIS	1	6	-	7
MINTYGREEN	23	3	1	25
Rolex/Tudor	13	1	1	13
Sub-total	506	120	20	606
Taiwan				
點睛品	26	1	3	24
Total	599	129	28	700

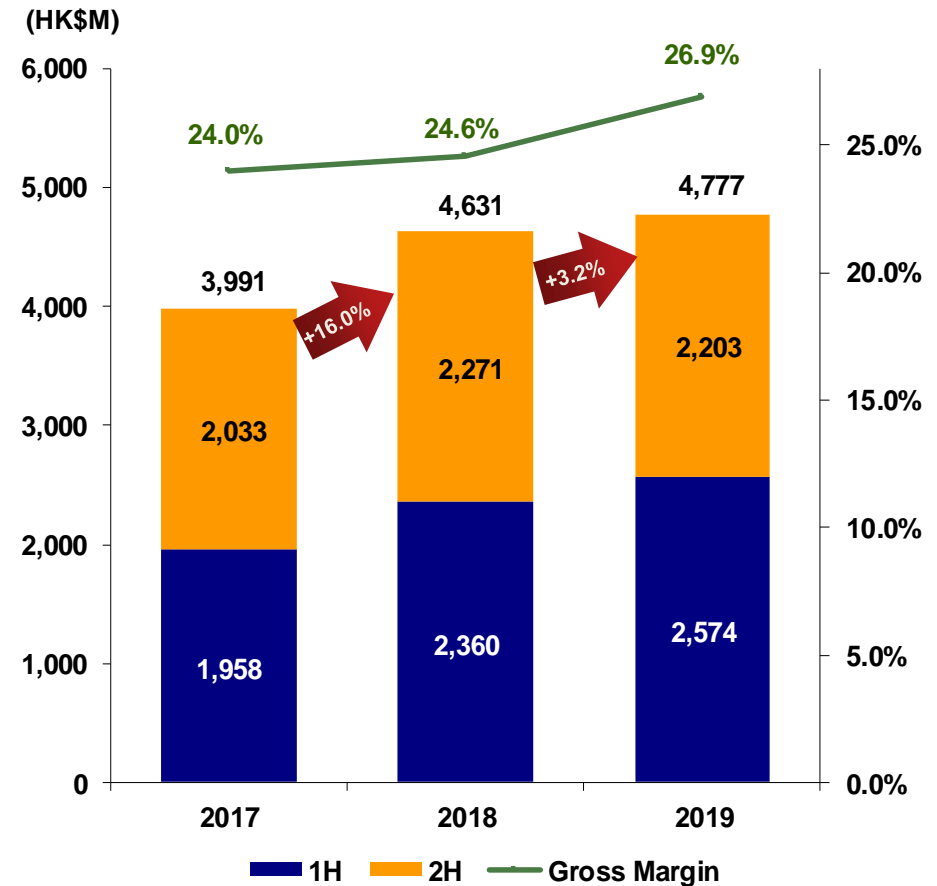
Financial Highlights

Operating Performance

Turnover

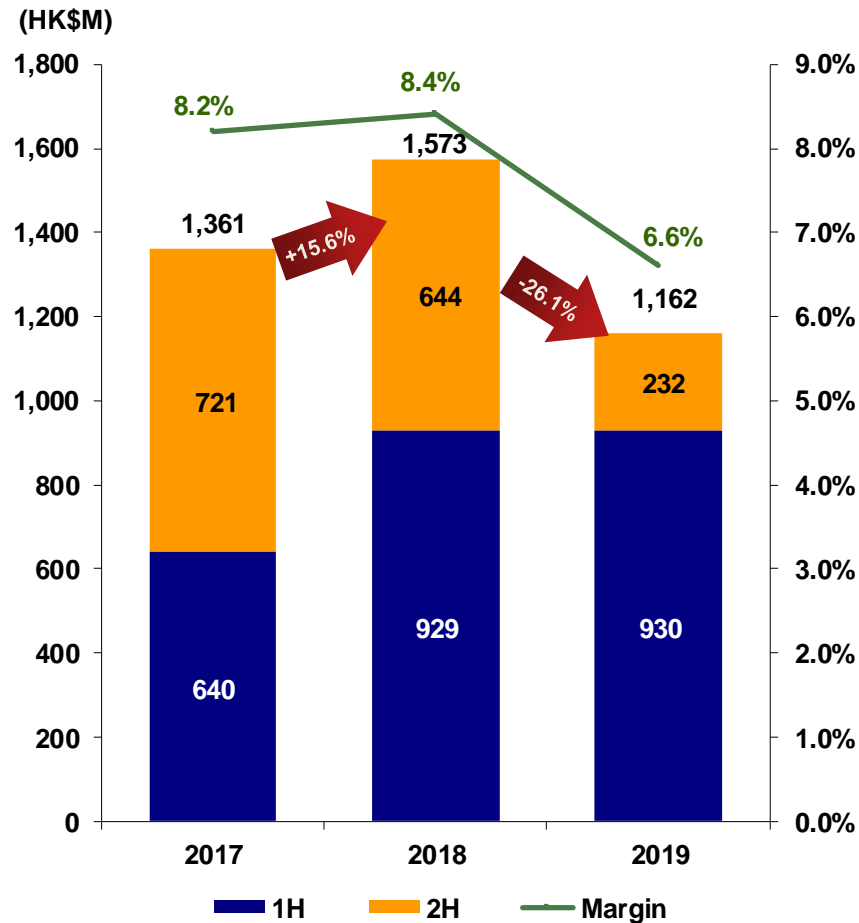


Gross Profit



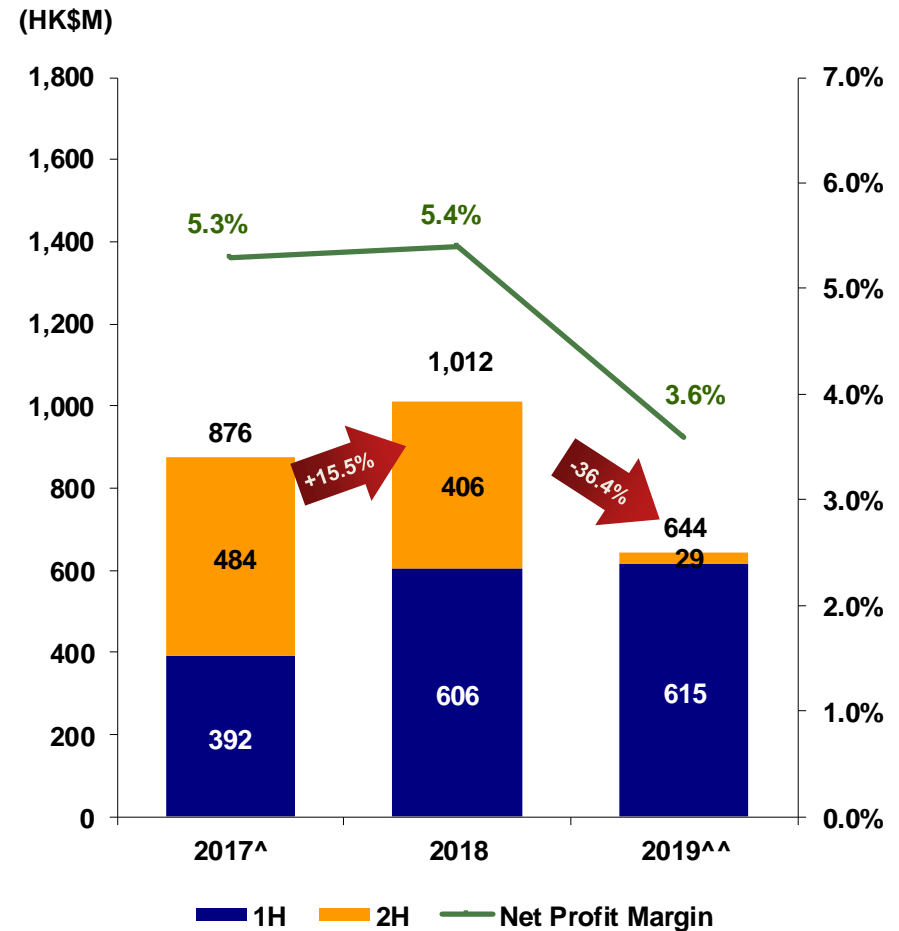
Operating Performance (Cont'd)

Earnings Before Interest, Taxes, Depreciation and Amortisation*



* On pre-HKFRS 16 basis

Profit attributable to equity holders

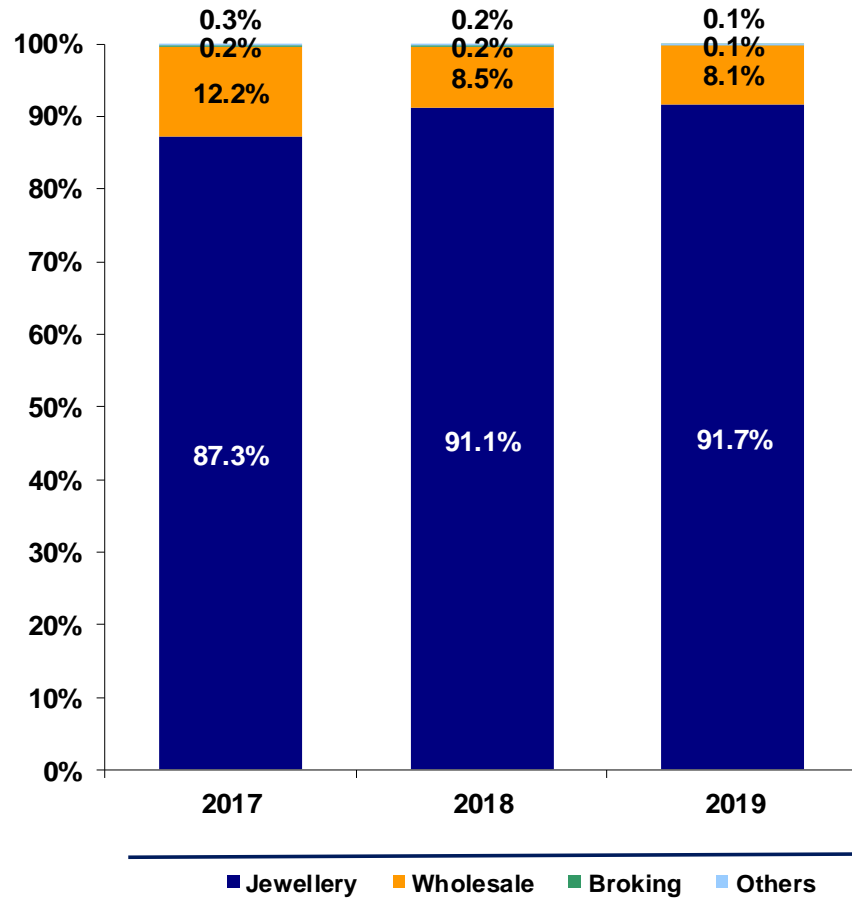


[^] Included a gain on disposal of HKEx shares (HK\$114M)

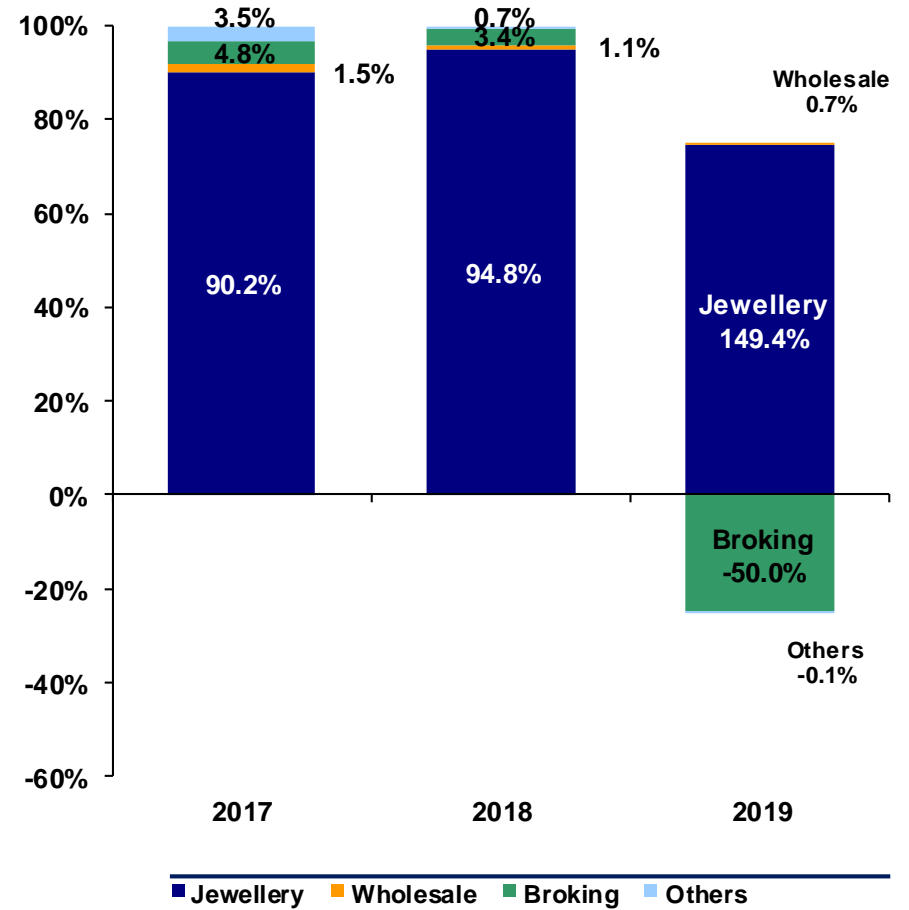
^{^^} Included margin loan provisions (HK\$372M)

Driven by Jewellery Segment

Turnover Breakdown

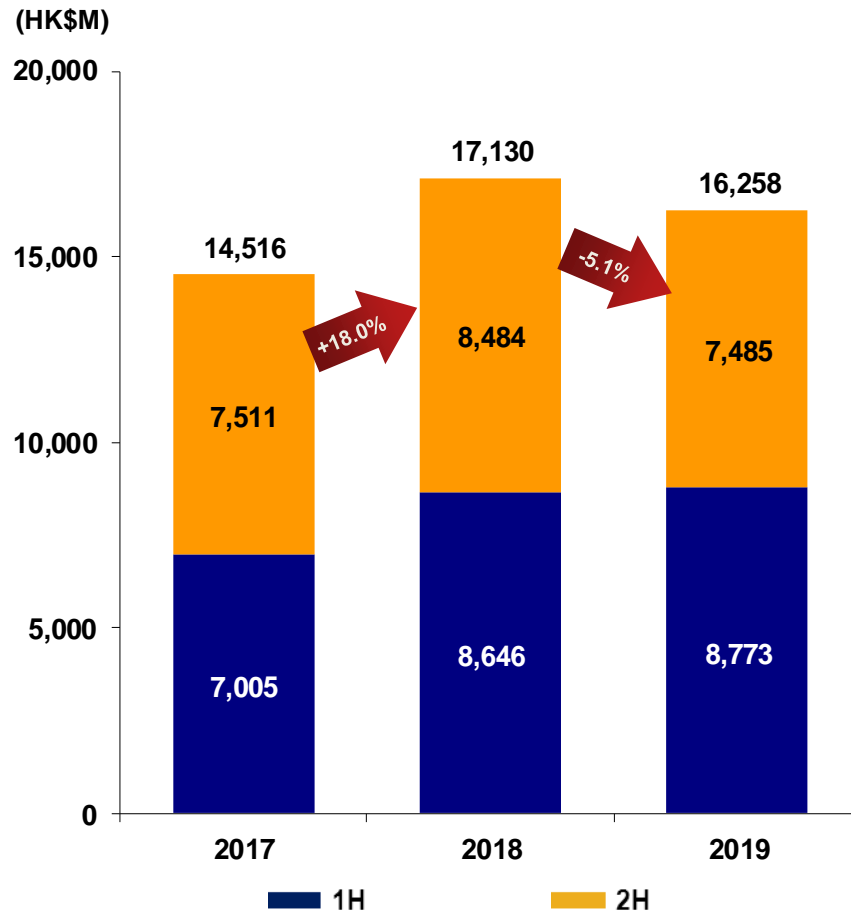


Results Breakdown

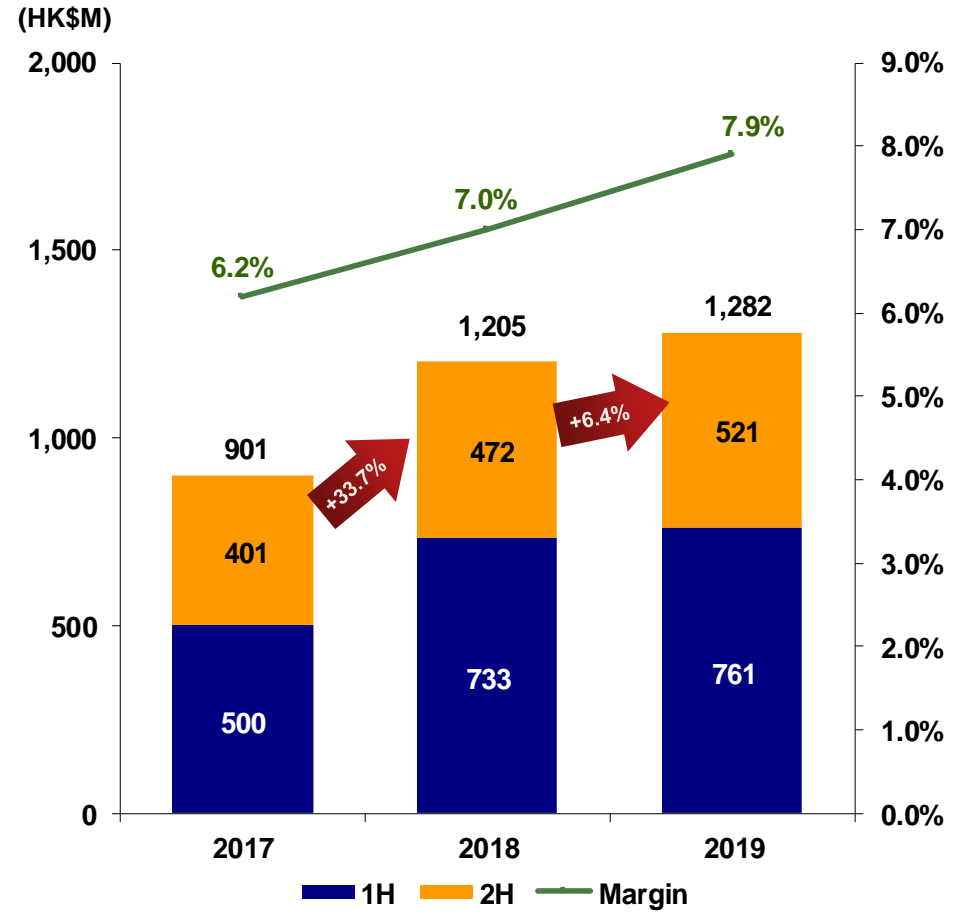


Jewellery Performance

Jewellery – Turnover

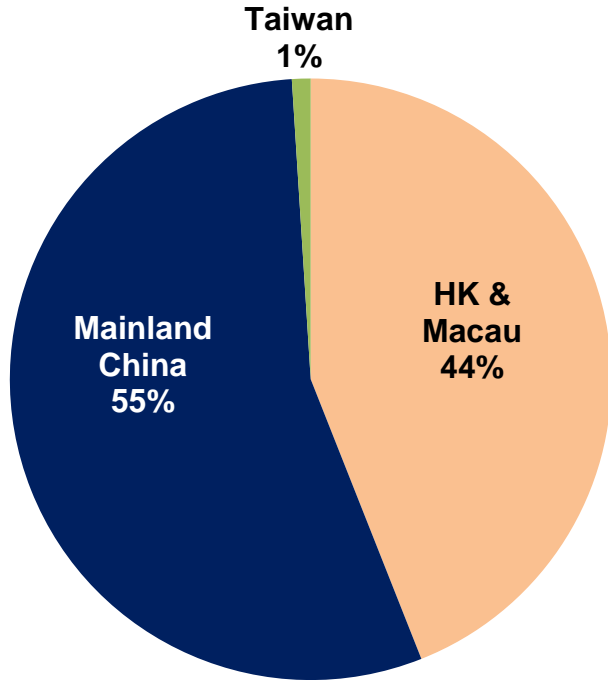


Jewellery – Operating Results

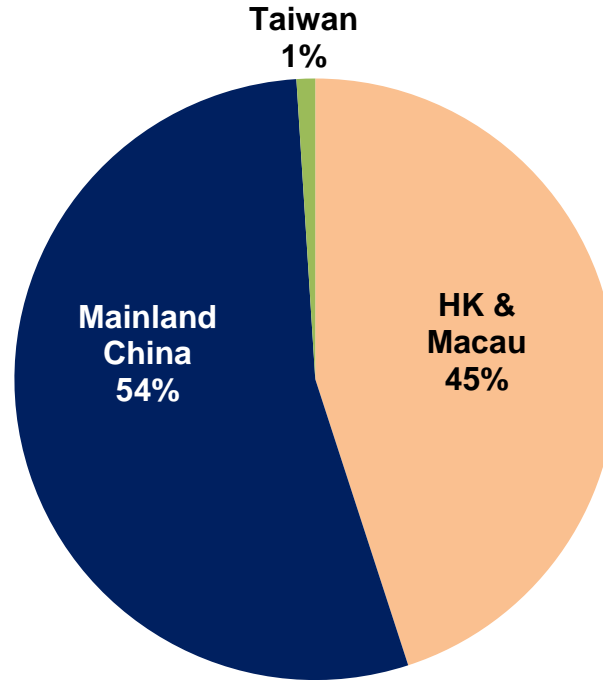


Jewellery Turnover by Geographical Area

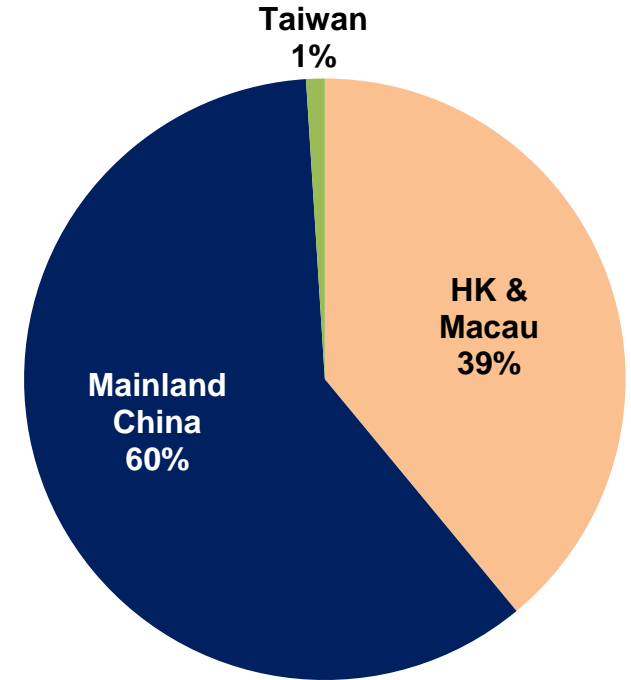
2017



2018

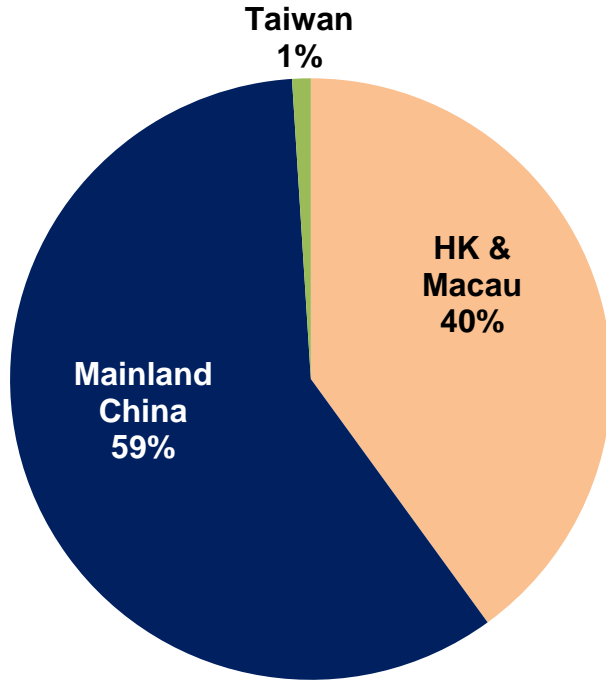


2019

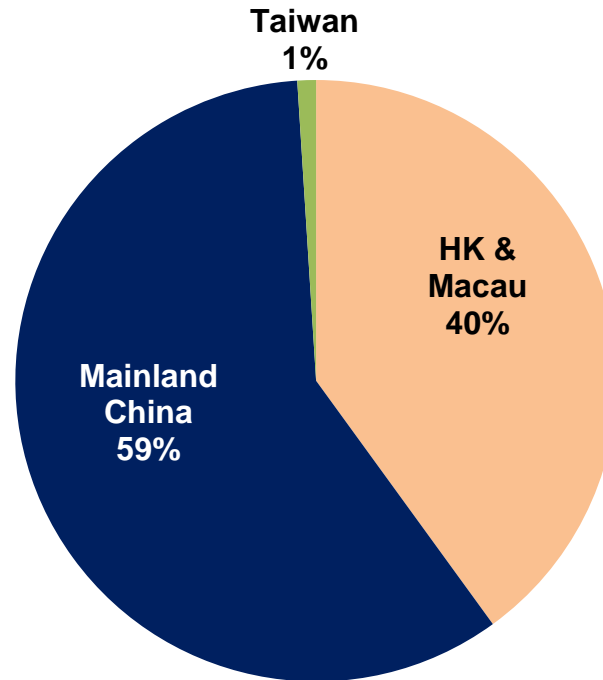


Jewellery Gross Profit by Geographical Area

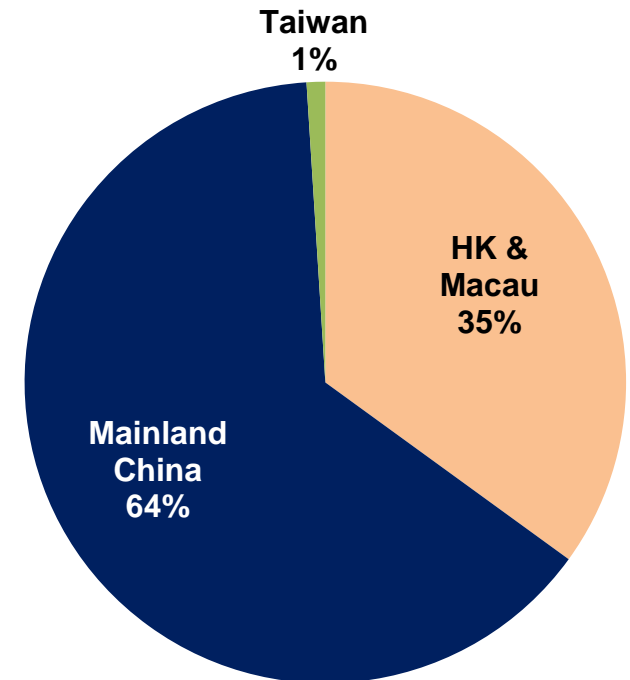
2017



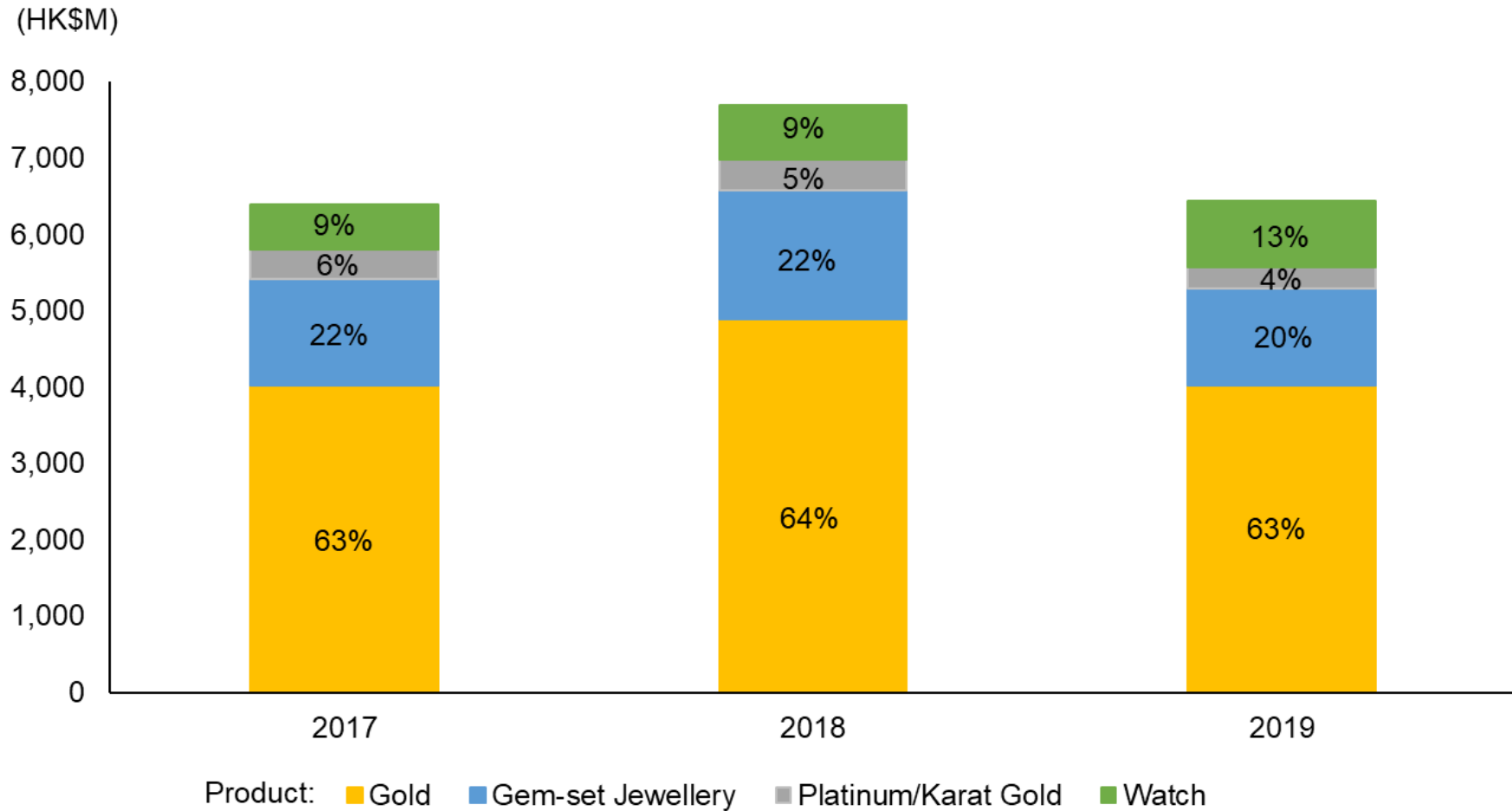
2018



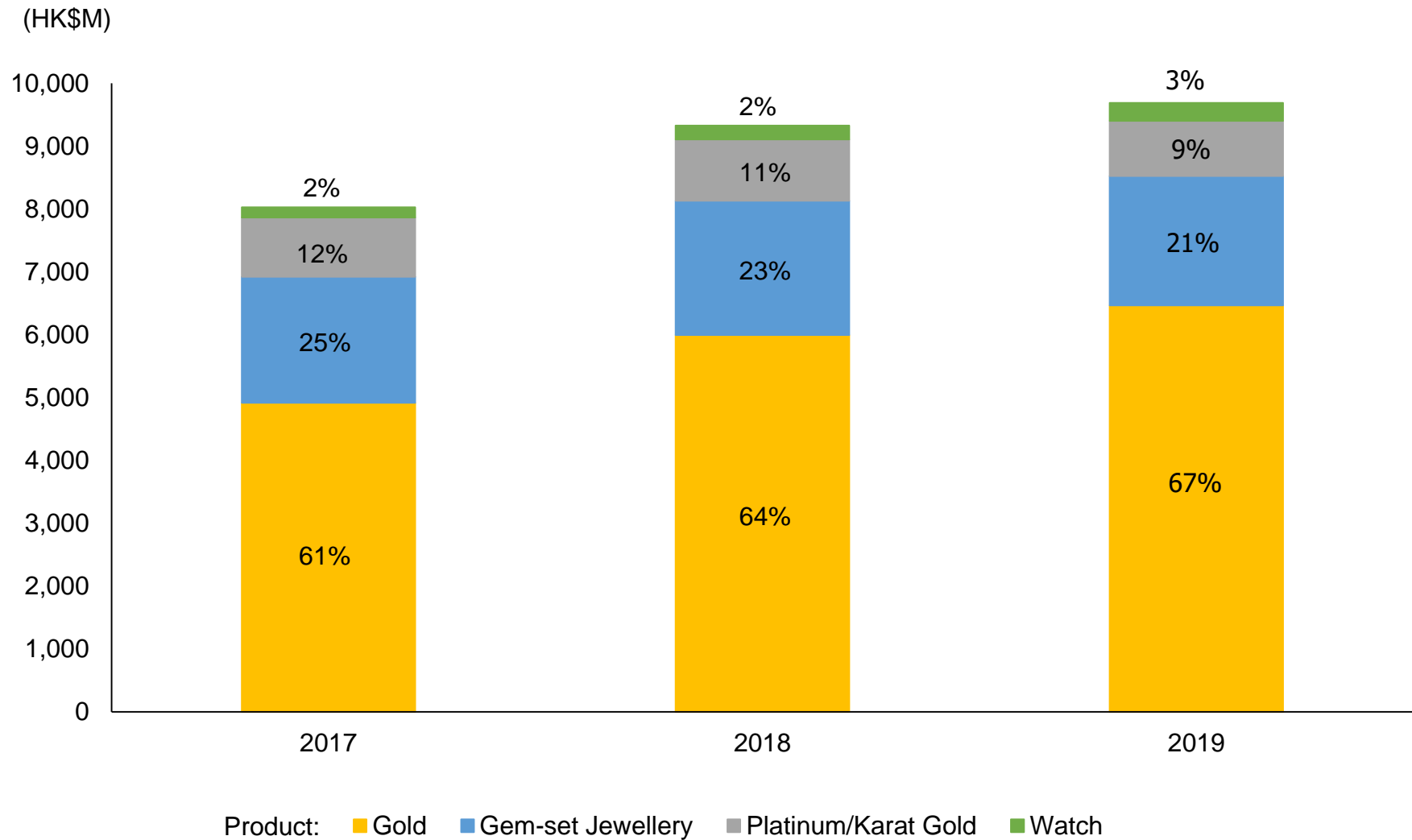
2019



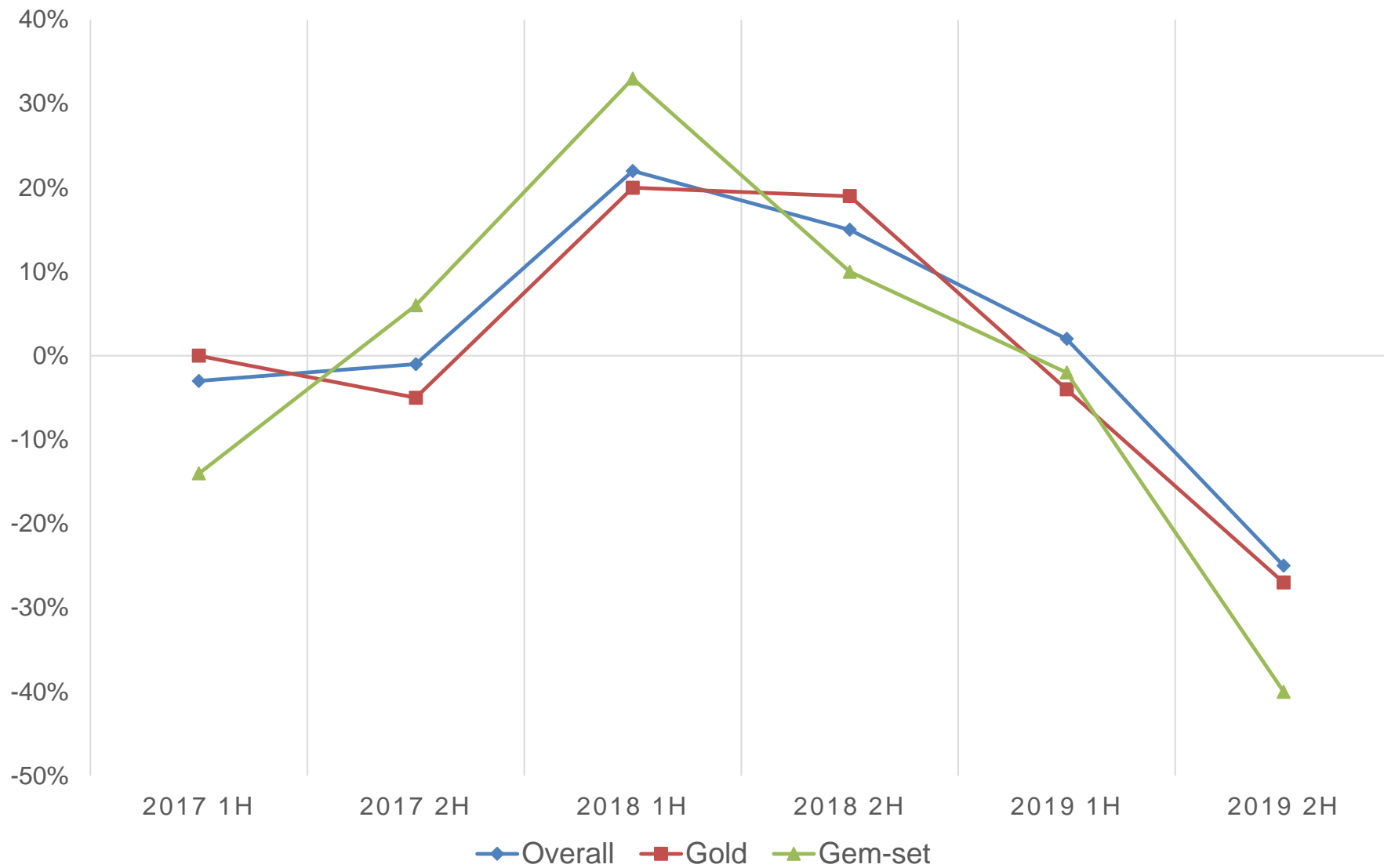
Hong Kong and Macau Jewellery Sales Mix



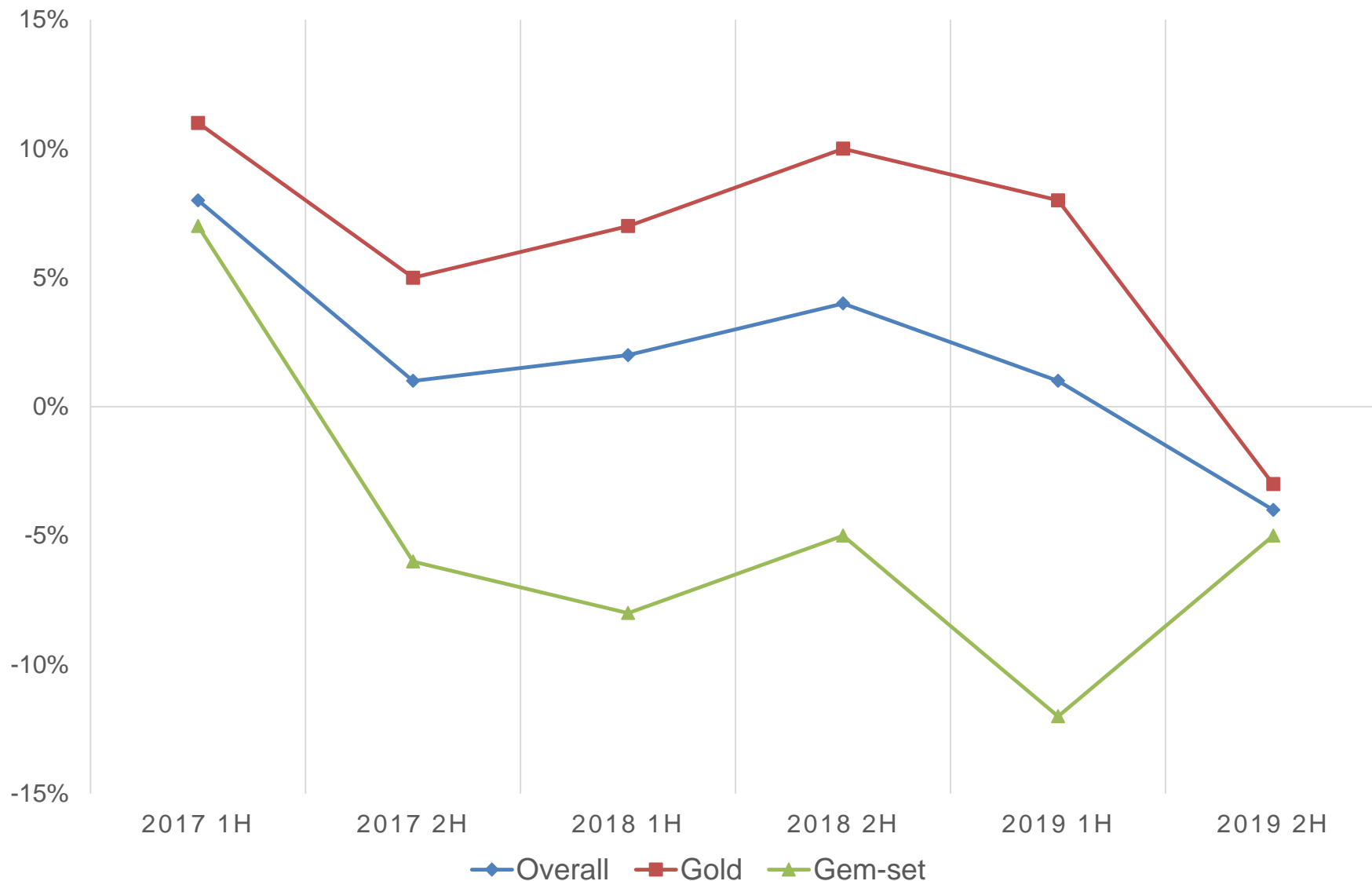
Mainland China Jewellery Sales Mix



Hong Kong and Macau Jewellery SSSG

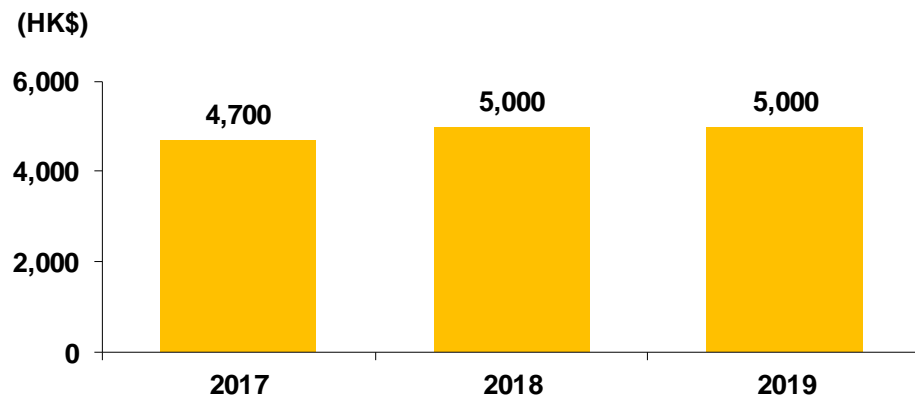


Mainland China Jewellery SSSG

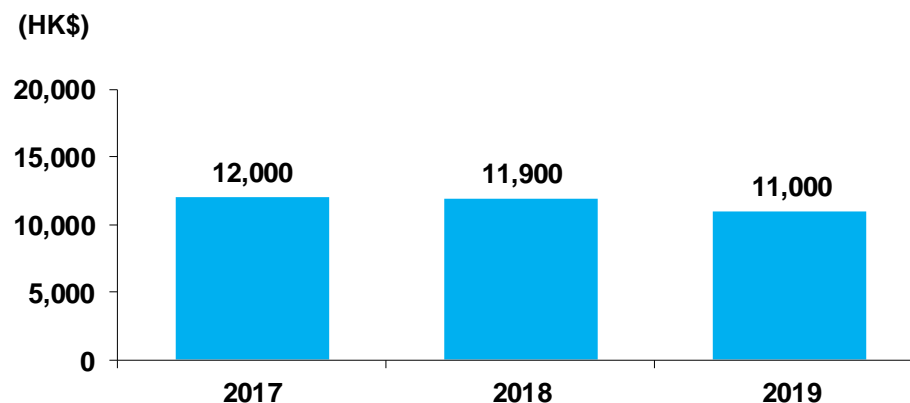


Jewellery: Change of Average Selling Price

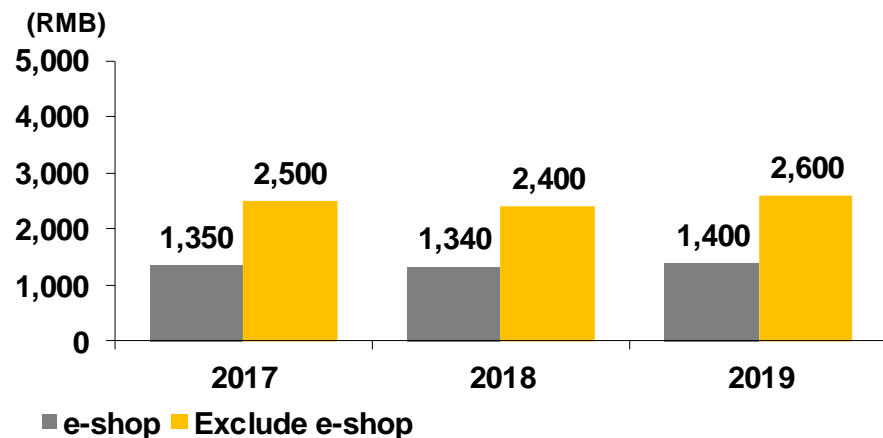
Hong Kong and Macau - Gold



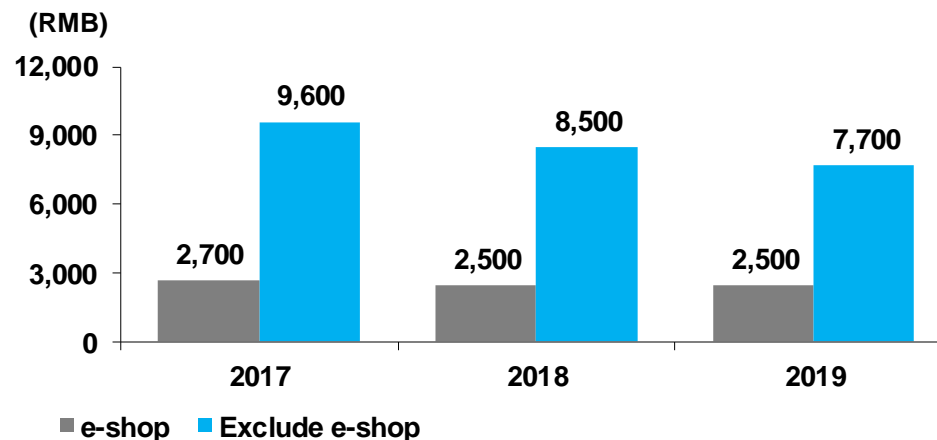
Hong Kong and Macau - Jewellery



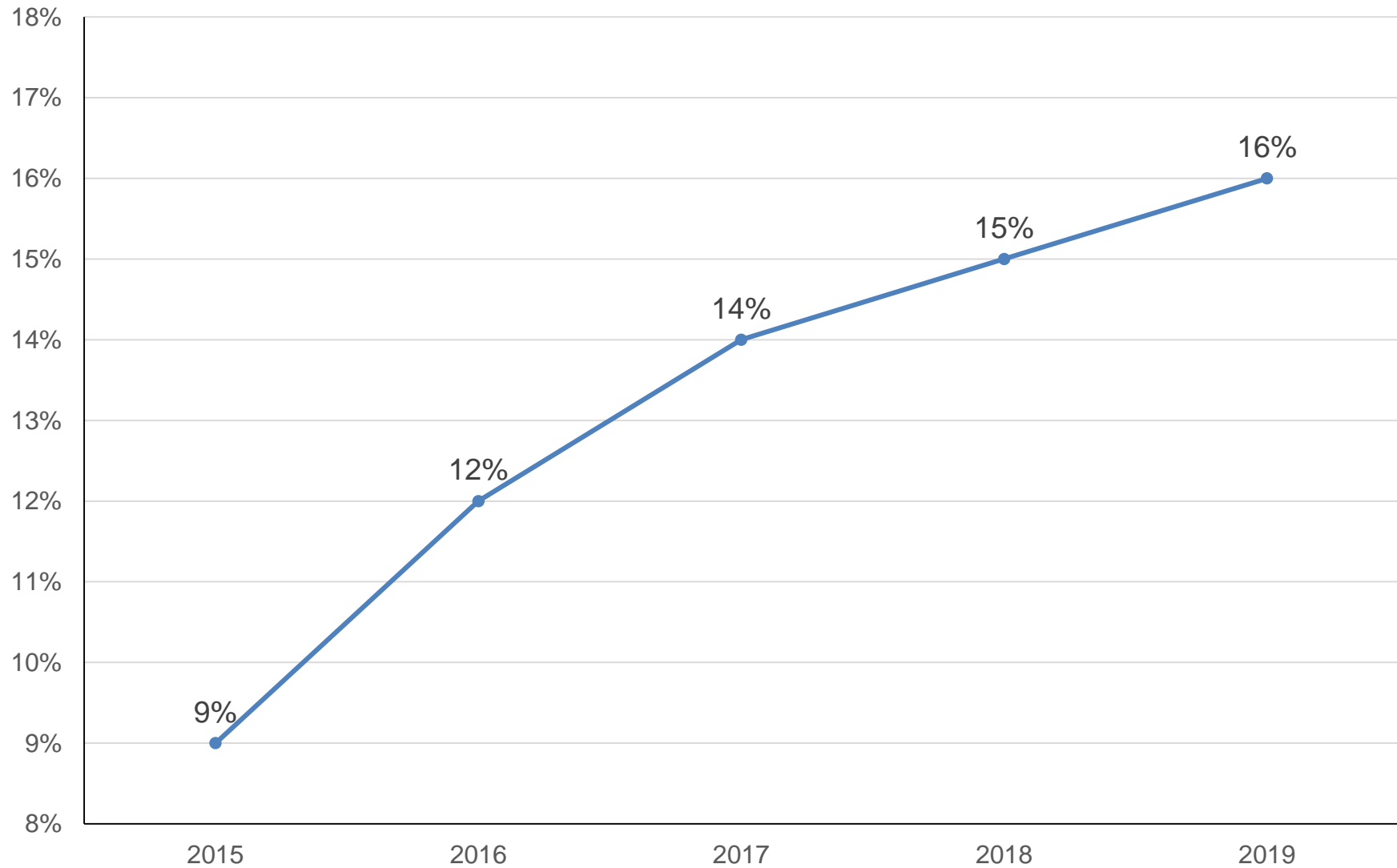
Mainland China - Gold



Mainland China - Jewellery

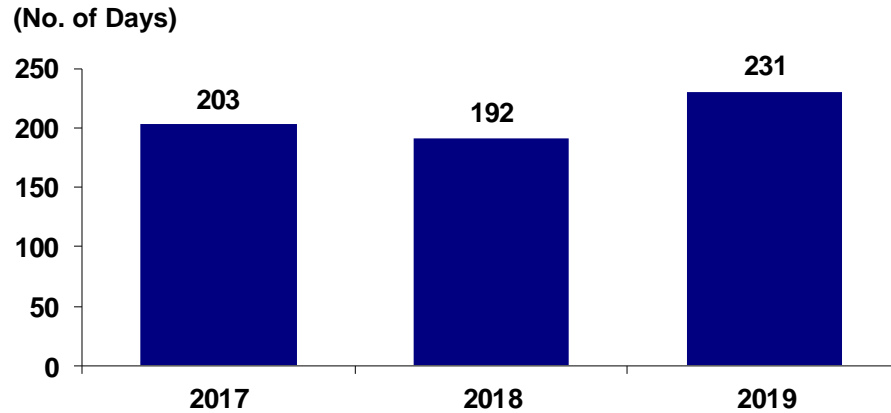


E-shop Sales as a Percentage of Mainland China Sales

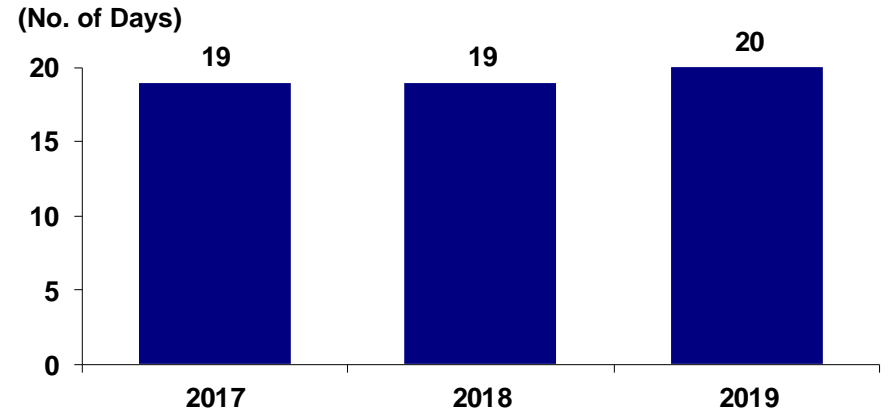


Working Capital Trends

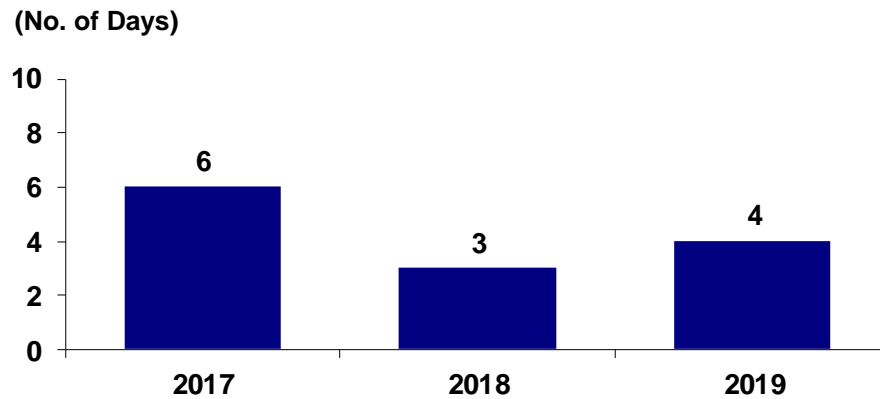
Average Inventory Turnover Days



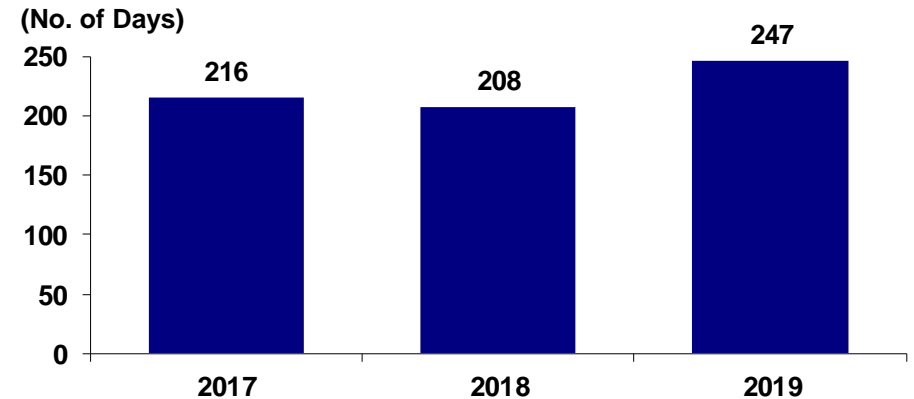
Average Receivables Turnover Days



Average Payables Turnover Days



Cash Conversion Cycle



Financial Highlights

(HK\$M)

	For the 12 months ended			% change
	2017	2018	2019	19 vs 18
Turnover	16,633	18,806	17,736	-5.7%
<i>Jewellery</i>	14,516	17,130	16,258	-5.1%
<i>Other businesses</i>	2,117	1,676	1,478	-11.8%
Gross profit	3,991	4,631	4,777	+3.2%
Operating profit*	1,055	1,333	926	-30.5%
EBITDA*	1,361	1,573	1,162	-26.1%
Profit attributable to equity holders	876 [^]	1,012	644 [#]	-36.4%
Basic EPS (HK cents)	129.5	149.4	95.0	-36.4%
Dividend per share (HK cents)	51.0	59.0	39.0	-33.9%

* On pre-HKFRS 16 basis

[^] Included a gain on disposal of HKEx shares of HK\$114M

[#] Included margin loan provisions of HK\$372M

Other Financial Information

(HK\$M)	For the 12 months ended or as at 31 Dec		
	2017	2018	2019
Cash and cash equivalents	1,200	1,303	1,028
Long term listed investments*	854	807	901
Capital expenditure	216	338	415
Gearing[#]	20.5%	18.6%	25.3%
Unused banking facilities	4,128	4,080	3,992

* 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 Update

Business Update

Hong Kong and Macau

- Majority of stores remained open with shortened business hours during Jan-Mar 2020
- Jan-Feb 2020 SSSG: -44%
- Rental reductions for some stores after assiduous negotiation

Mainland China

- Up to 77% of stores suspended operations in first two weeks of Feb 2020
- Jan-Feb 2020 SSSG: -45%
- By late Mar over 95% of stores operating but some with curtailed business hours

Near-term Measures

- Cost control (optimising staff, delaying capex, etc.)
- Aggressively negotiate rental with landlords
- Rationalise inventory to provide liquidity

Strategy Outline

Strategy Outline

Store Expansion

- **Maintain steady store expansion in Mainland China**
- **Continue self-run store model to provide consistent and superior service quality**
- **Multi-brand strategy: EMPHASIS and MINTYGREEN**
- **In Hong Kong, realign network to take into account fewer tourist shoppers**

Products

- **Develop house brands and collections**
- **Tap on MINTYGREEN to spearhead entry-mid end consumers**
- **Reinforce Wedding and expand on Daily Wear market segments**
- **Provide Personalised Jewellery Service to offer customised products and contents**

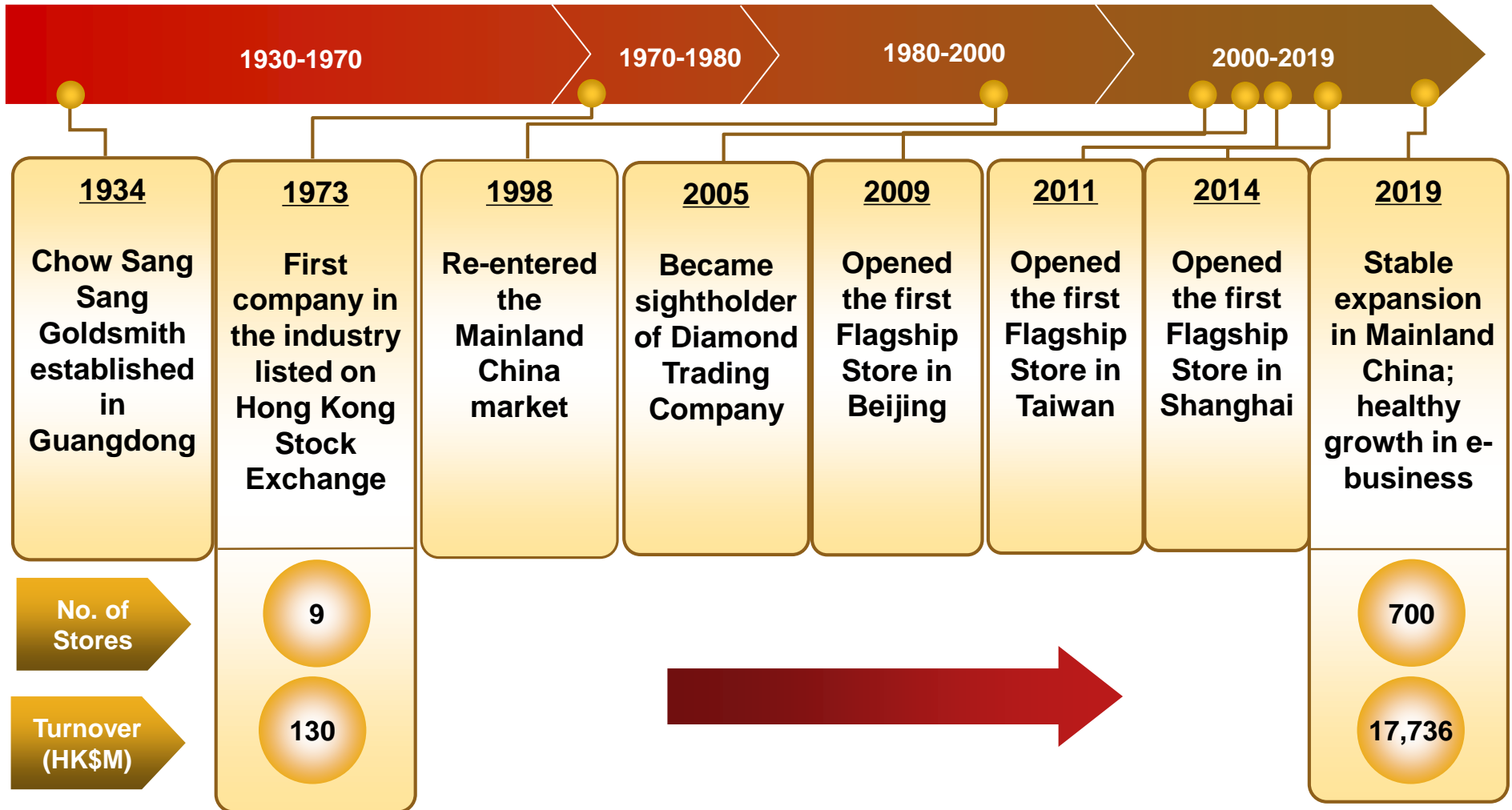
Omni-channel Platform

- **Seamless on-line / off-line shopping experience**
- **Integration of sales force, physical stores and e-commerce platforms**
- **Personalised services**

Q&A Session

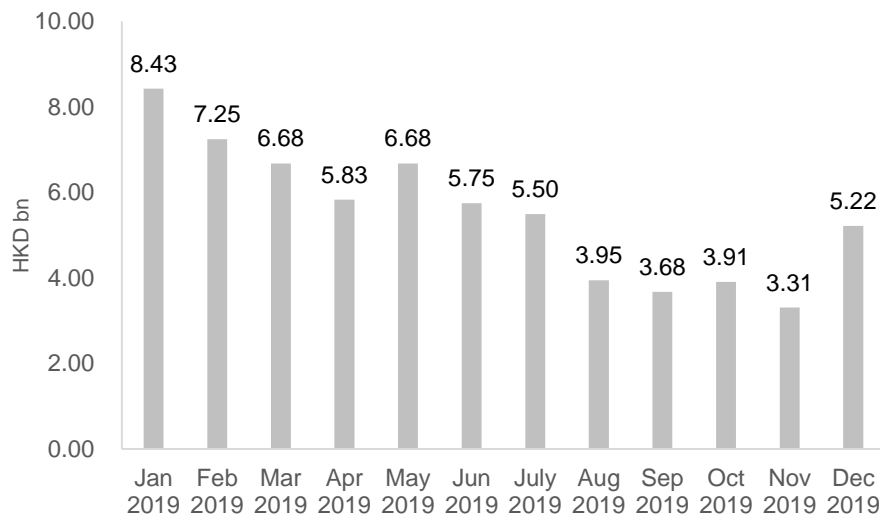
Appendix

Company History



Industry Analysis – Hong Kong and Mainland China

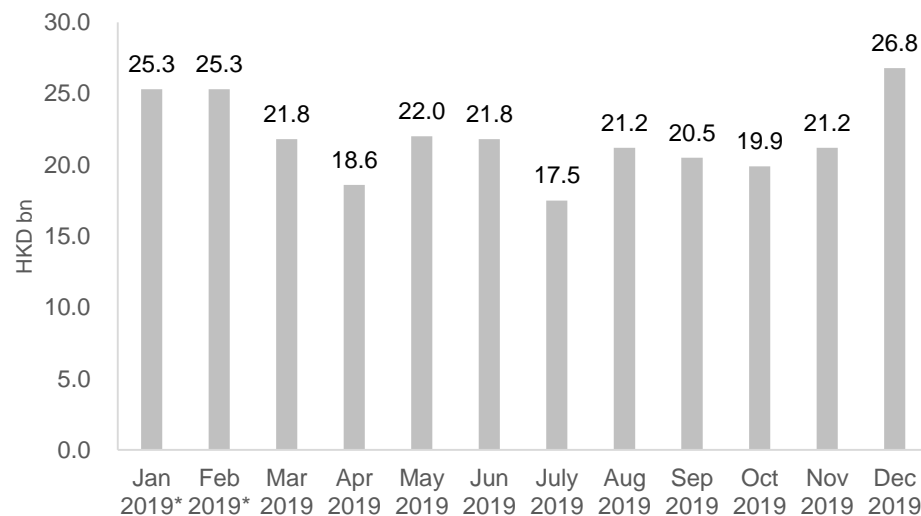
Value of retail sales of FY2019: Hong Kong Jewellery, Watches and Clocks, and Valuable Gifts



Source: Hong Kong Census and Statistics

By comparing FY2019 with FY2018, the value of sales of jewellery, watches and clocks, and valuable gifts were HKD 66.20 billion and HKD 85.36 billion respectively, decreased 22.45% y-o-y, according to Hong Kong Census and Statistics Department

FY2019 Mainland China Gold, Silver and Jewellery Sales



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

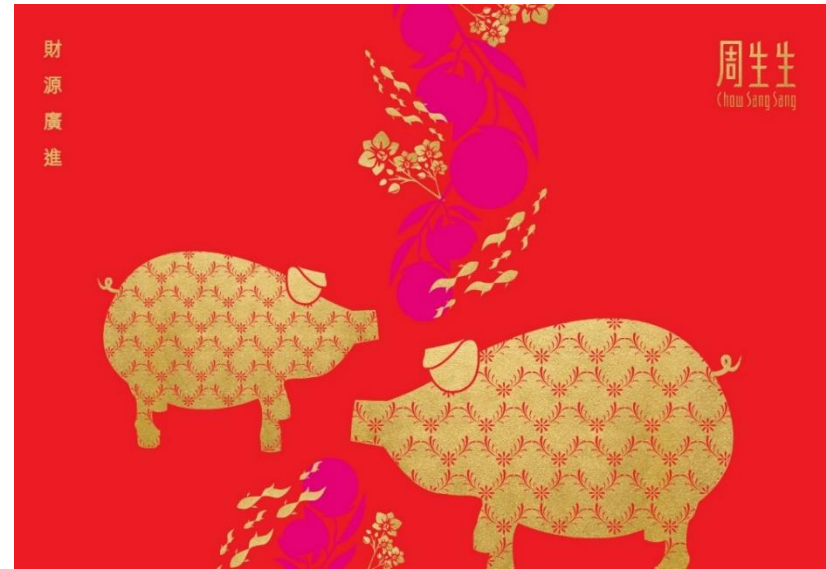
Retail sales for jewellery products in Mainland China were RMB260.6 billion and RMB275.8 billion for FY2019 and FY2018, decreased 5.5% y-o-y, according to the data from National Bureau of Statistics of People's Republic of China.

* 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 2019 were investigated and released together. Here the data is evenly divided as RMB25.3 billion.

Marketing Programme Highlights 2019

Seasonal Promotions – Chinese New Year

- Celebrating the Chinese New Year, seasonal blessings were brought to the mass audience, wishing them a prosperous year of Pig. Aim to drive top of mind awareness for seasonal gifting.
- Touch points included digital (social media and website), POSM, printing collaterals and store display. Media gift were prepared to share the new year's joy to our business partners and guests.



Seasonal Promotions – Valentine’s Day

- Launched a Valentine’s Day campaign – “Love That Binds Us” featuring range of jewellery which are ideal for seasonal gifting.
- Inspired by the “red string” from “God of Love”, the visuals show a princess and a prince playing around with the “red string” and forming different symbols of love, aiming to drive the festive emotion and hence boosting the gifting atmosphere.
- Touch points covered social media campaign, digital touch points, PR, store POSM, gift with purchase and window display.

Key visuals



Seasonal Promotions – Women’s Day and Spring

- To celebrate independent women and to seize business opportunity for self-reward, a spring-themed campaign for 3.8 International Women’s Day was launched together with attractive promotion in store.
- Touch points covered digital and social media campaign, website and store display.



Social media campaign



Store POSM

Seasonal Promotions – Mother's Day

- Celebrating a lively Mother's Day, we have extended the spring theme to showcase the jewellery. The beautiful jewellery blended in with nature and flowery, fostering the self-purchase as well as the gifting initiatives.
- Touch points covered digital campaign, social media seeding, PR and store POSM.

Key visual



Social media campaign



Seasonal Promotions – Summer

- Launching our first Summer Campaign with cool and freshness graphics, blending our sparkling jewellery into the summer vibe to boost up the atmosphere for a greater purchasing desire.
- Touch points covered digital and social media campaign, website and store display.



Store display

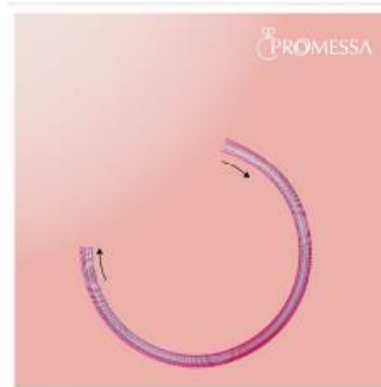


Social media



Seasonal Promotions – Qixi

- Echoing our “Tie-the-knot” platform in Promessa, which was the core promoting platform in 2019, a new set of creative visuals related to the “love knot” had been created for this loving season. Both on-line / off-line campaign has been launched in Mainland China and Taiwan to engage consumers in this sales peak.



Seasonal Promotions – Mid-Autumn Festival

- The Mid-Autumn Festival was a key festival to promote gold-related products, especially products with fortune and blessings analogy.
- To further drive awareness to our revamped collection image, media gift has been done, wrapped in Cultural Blessings theme for our business partners and media friends.

e-card



Media gift



Seasonal Promotions – Christmas

- A peak season to celebrate relationships and self-rewarding, an energetic, vibrant yet contemporary series of creative assets and contents had been done for Christmas. The shapes and motifs are all 3D rendered with 360° views, echoing with the theme “Christmas all rounded”.
- The store front was wrapped with vibrant and contemporary theme, together with attractive promotions, in order to indulge our customers to the ample spending atmosphere.
- Social media promotions and KOL campaign had been launched to create top of mind awareness to our brand and jewellery in the gifting season.

Social media and Store POP



Campaigns and Roadshows - Wedding

- Leveraged regional level celebrity couple, Yoga Lin and Kiki Ting were appointed as our Promessa wedding ambassadors, the mega size 360 campaign across CN / TW / HK had created big impact and talk of town in all markets.
- Besides key visuals, a song <少女> and its music video has been tailor-made from Yoga Lin to narrate the love relationship among young generation, with our products softly blended in. On the other hand, social media videos had been launched to drive attention to our hero products (tie-the-knot) and created “爆款” (style which is popular and always sold out) both on-line and off-line, with soft selling and product-driven approach to create strong association with the brand and products.
- A series of communication materials were used including TVC, outdoor level key visuals, in-store wedding zone with key visuals' presence, product catalog, roadshow and surprise consumer events in Mainland China and Taiwan, to celebrate the grand launch of the new “Tie-the-Knot” products.

Key visuals



Campaigns and Roadshows – Cultural Blessings

- In daily wear and gifting segments, gold products are undoubtedly one of the jewellery essentials in Mainland China, especially those carrying special meaning and blessings. With the launch of the 2 new sub-collections “The Oriental” (東方古祖) and “The Legend” (傳奇), a roadshow was held to refresh the overall cultural blessings image with introduction to craftsmanship details and the 6 sub-collections.
- Interactive engagement were set up in the roadshow to strengthen the product message offerings and created photo opportunity to customers.



Brand Promotions - EMPHASIS

- EMPHASIS held a store opening event on Sept 7, 2019 at Grand Gateway in Shanghai. One of the most popular idols in Mainland China, also as the ambassador of our “M” collection, Wang Yibo, has been invited to attend the event. The event attracted lots of media and fans showing up and celebrating the grand opening of EMPHASIS store.
- With a vision to capture a new consumer segment, EMPHASIS underwent a rebranding exercise in 2018 to become a design and style focused daily wear fine jewellery brand. The brand is currently expanding its retail network in Hong Kong and Mainland China, also aims to reach out to the international market via emphasis.com.



Brand Promotions - MINTYGREEN

- To reinforce and enhance the lively and young image of MINTYGREEN, a series of IP collaborations with exclusive products were launched, and different omni channel promotions were run to reach our target customers.
- A launch event was held in Shenzhen KK One Shopping Mall, featuring the popular mobile game “Honor of Kings” (皇者榮耀). The event was a huge success with media exposure and massive traffic drawn to the store and on-line eshop. Another event was held in Chengdu where cosplayers (related to the product launched) were invited to the store to act as the “store manager” and interact with fans. The event attracted numerous fans and customers to our MINTYGREEN store generating leads to sales.
- Monthly promotion, aligning both on-line and off-line channels, was launched to boost the sales.



New Stores 2019



Mainland China	120
Hong Kong and Macau	8
Taiwan	1

Thank you