



CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司

Stock code: 116

# ***2019 Interim Results Presentation***

***August 2019***

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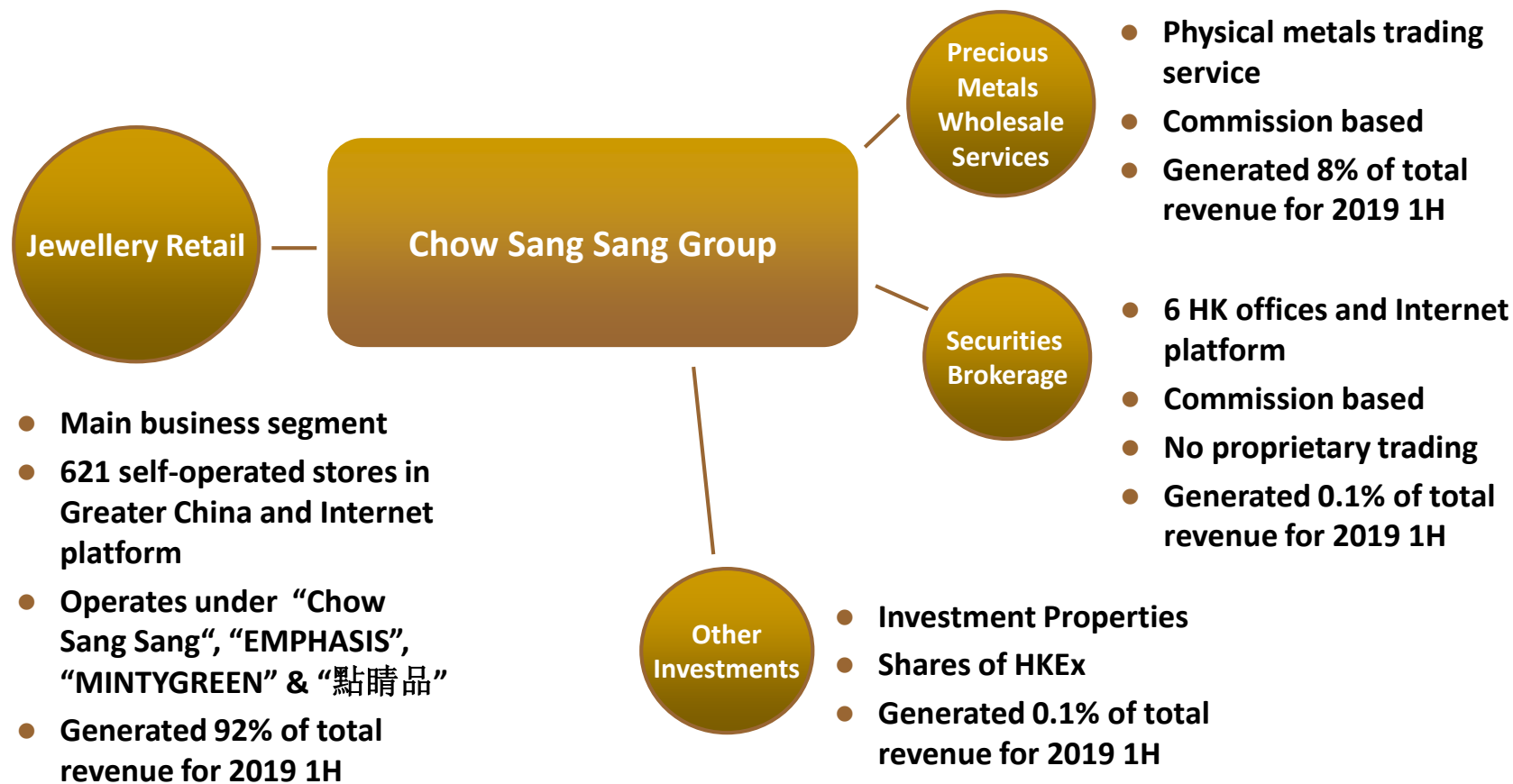
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# Presentation Outline

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

# Business Overview

# Company Structure



# Business Overview: Jewellery Segment

# Product mix: Jewellery

Gold based Items

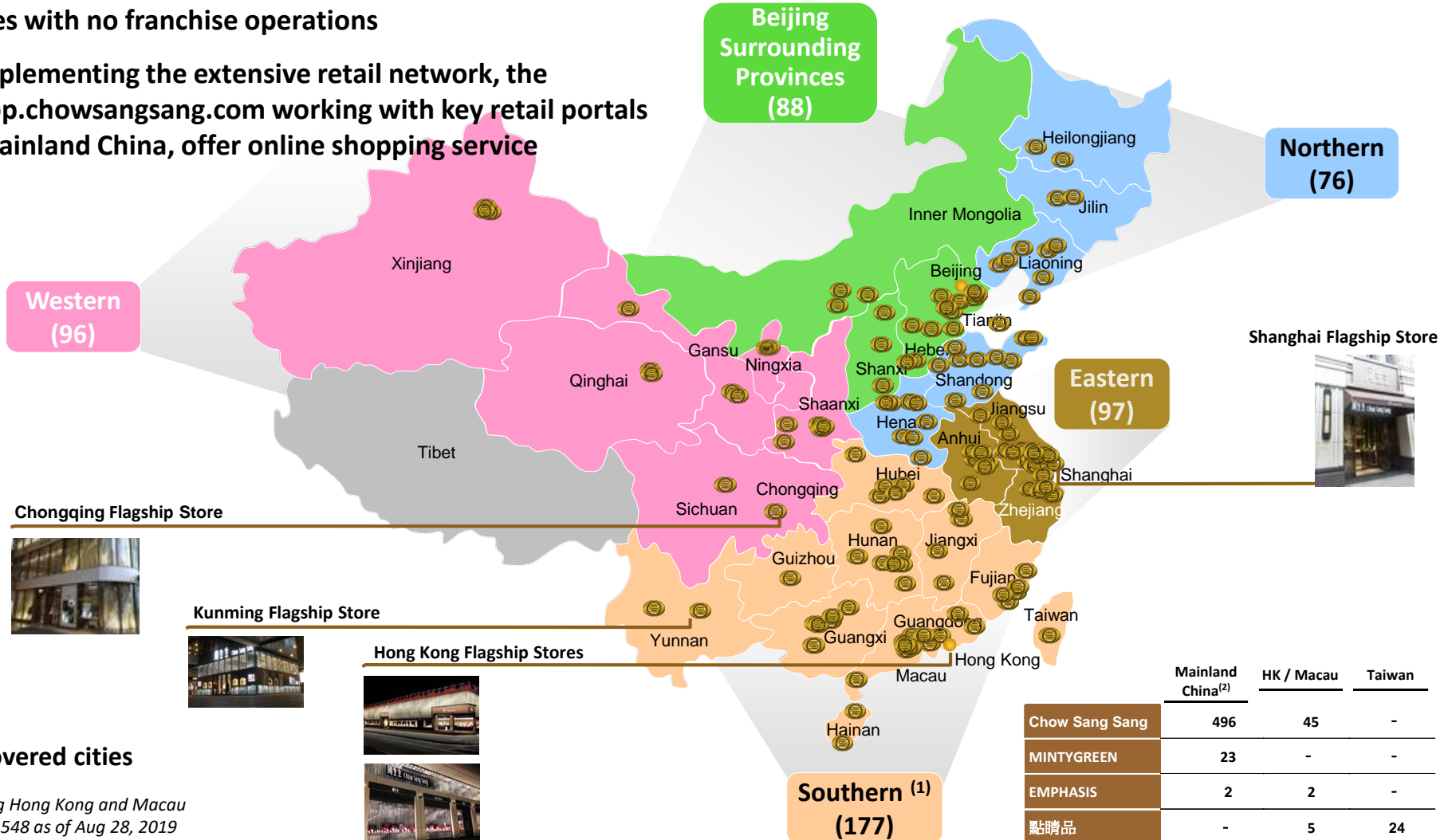
Gem-set Items

Licensed Products

International Brands (Rolex, Tudor)

# Distribution Network

- Chow Sang Sang directly runs and controls all of its retail stores with no franchise operations
- Complementing the extensive retail network, the [eshop.chowsangsang.com](http://eshop.chowsangsang.com) working with key retail portals in Mainland China, offer online shopping service



	Mainland China <sup>(2)</sup>	HK / Macau	Taiwan
<b>Chow Sang Sang</b>	496	45	-
<b>MINTYGREEN</b>	23	-	-
<b>EMPHASIS</b>	2	2	-
<b>點睛品</b>	-	5	24
<b>Rolex/Tudor</b>	13	11	-
<b>Total:</b>	<b>534</b>	<b>63</b>	<b>24</b>

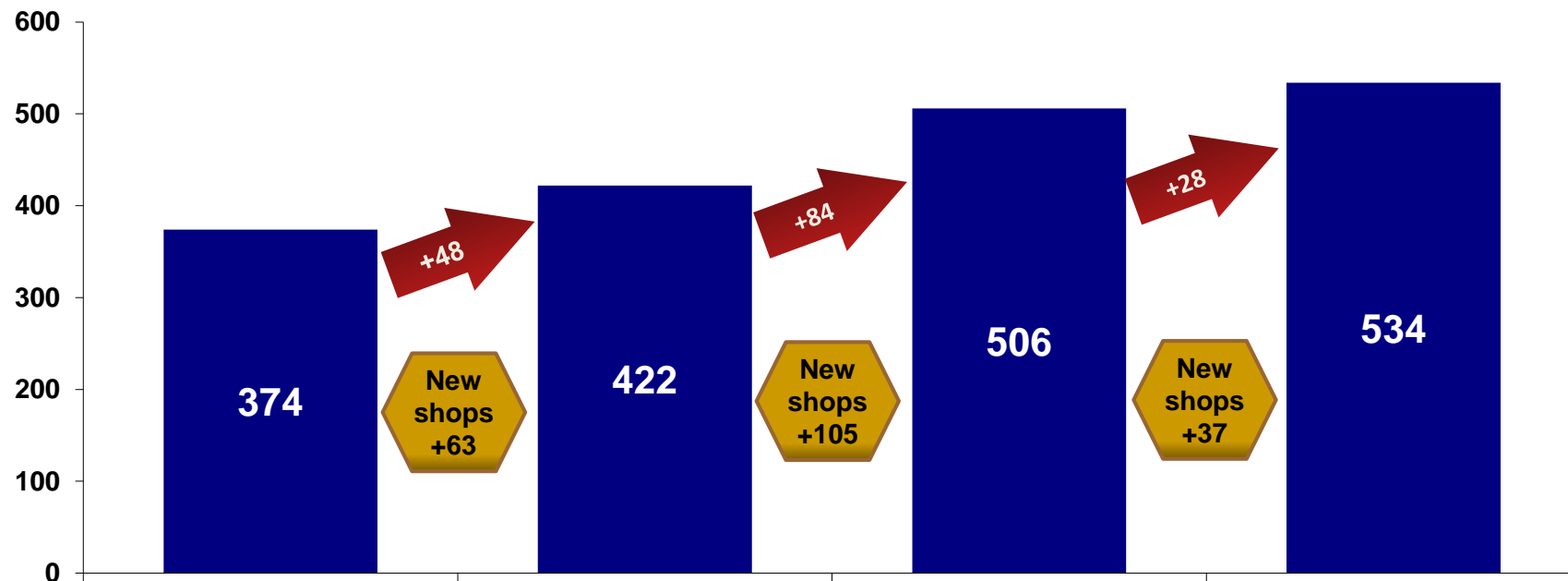
as at Jun 30, 2019



# Focus on Growth in Mainland China

## Increasing No. of Stores in Mainland China

(No. of Stores)

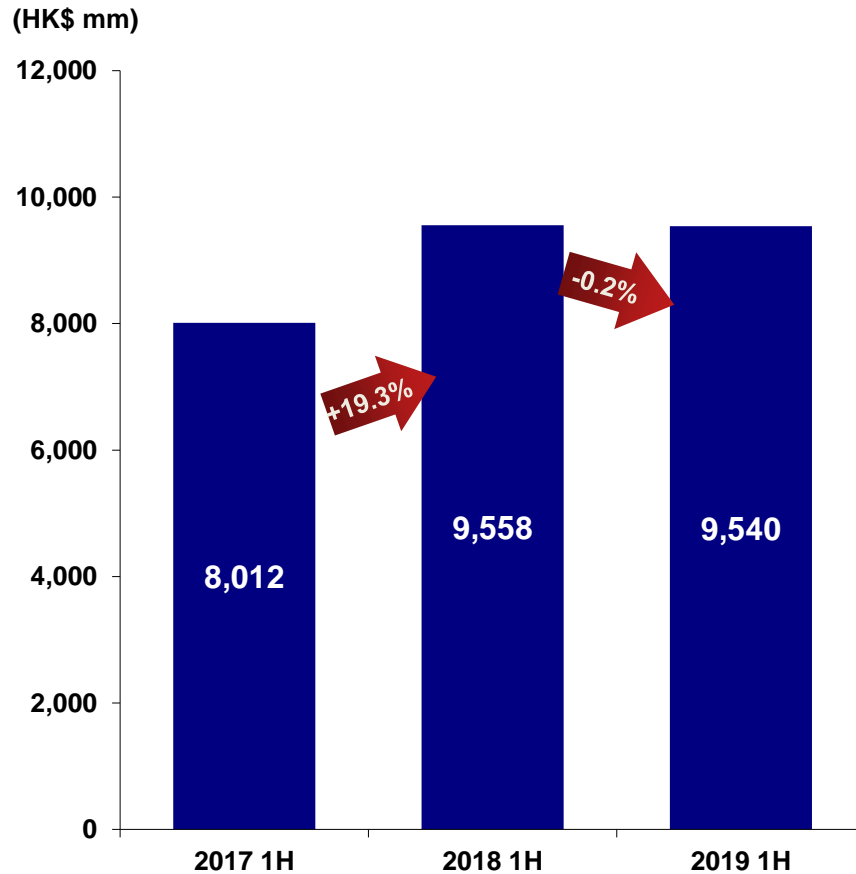


	2016	2017	2018	2019 1H
Same-store Sales Growth – Mainland China	-4%	+5%	+3%	+1%
Same-store Sales Growth – HK/Macau	-25%	-2%	+18%	+2%

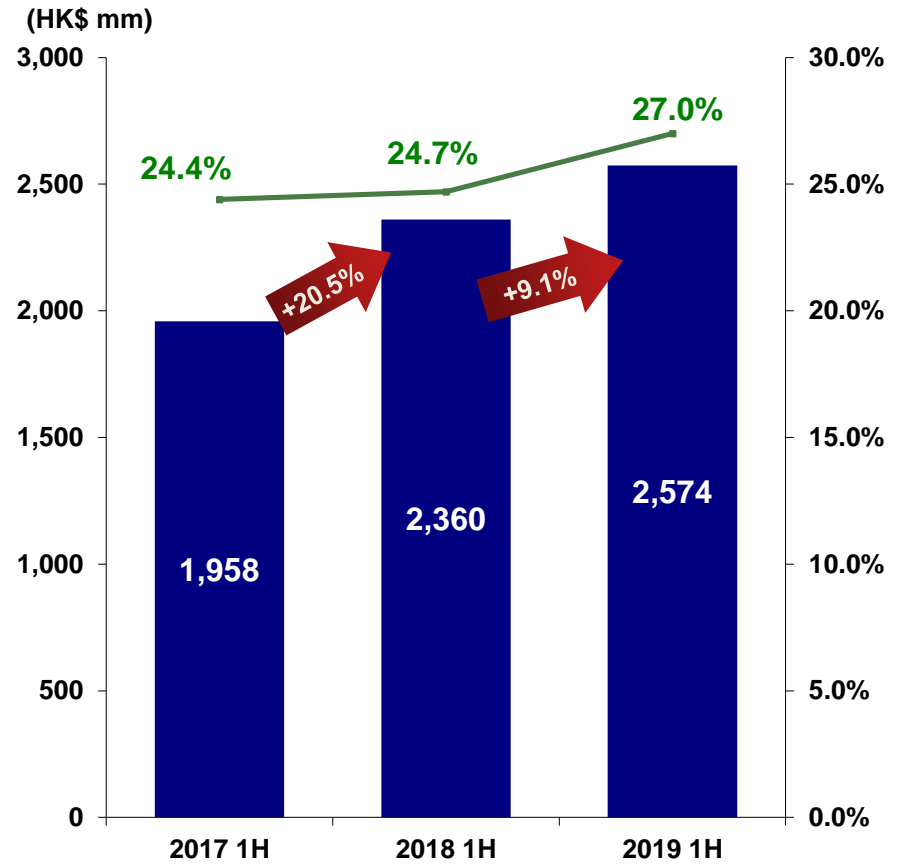
# Financial Highlights

# Operating Performance ...

## Turnover



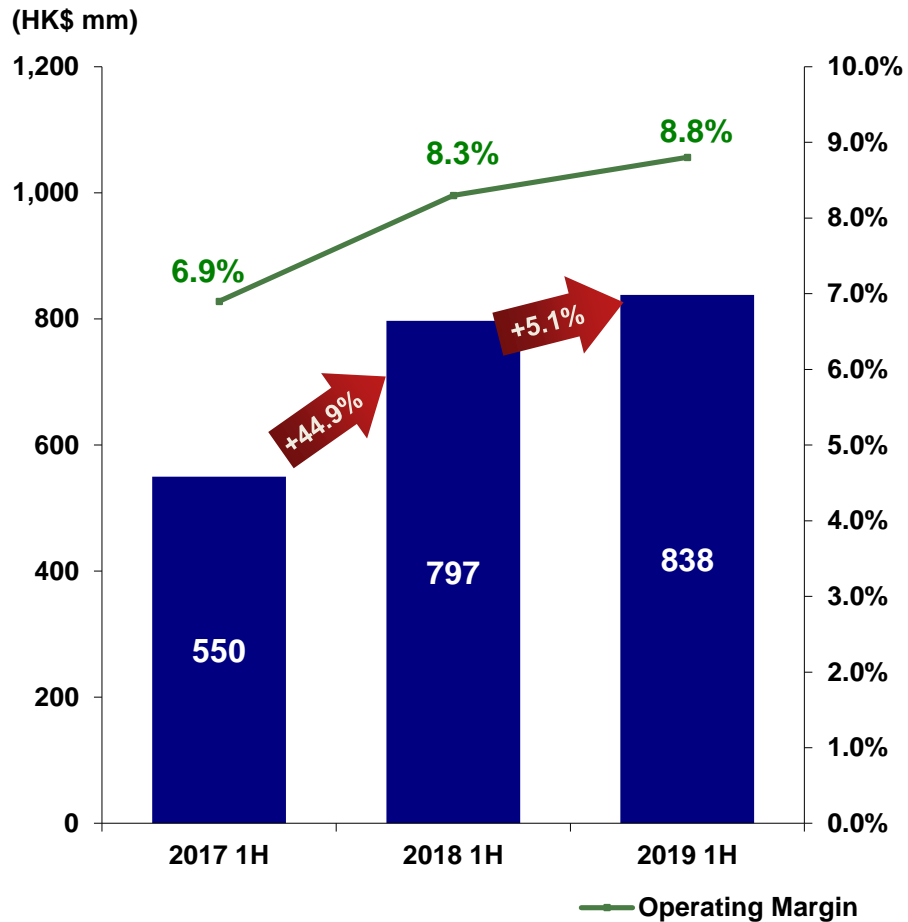
## Gross Profit



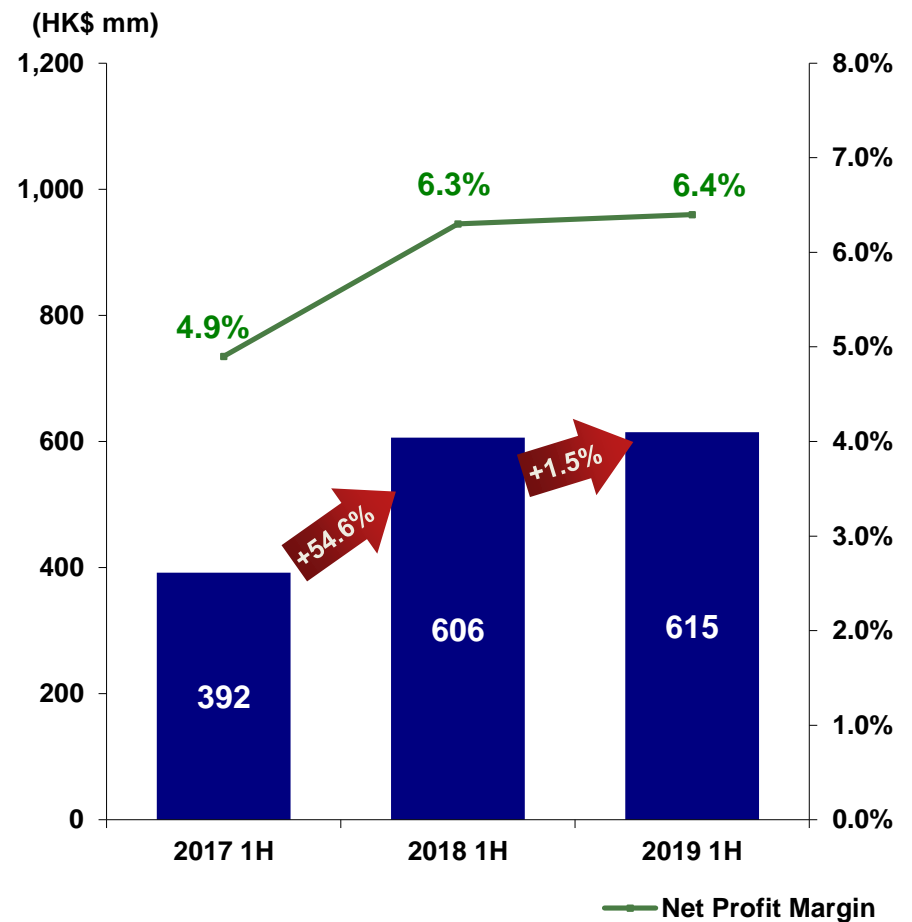
— Gross Margin

# Operating Performance (Cont'd) ...

## Operating Profit

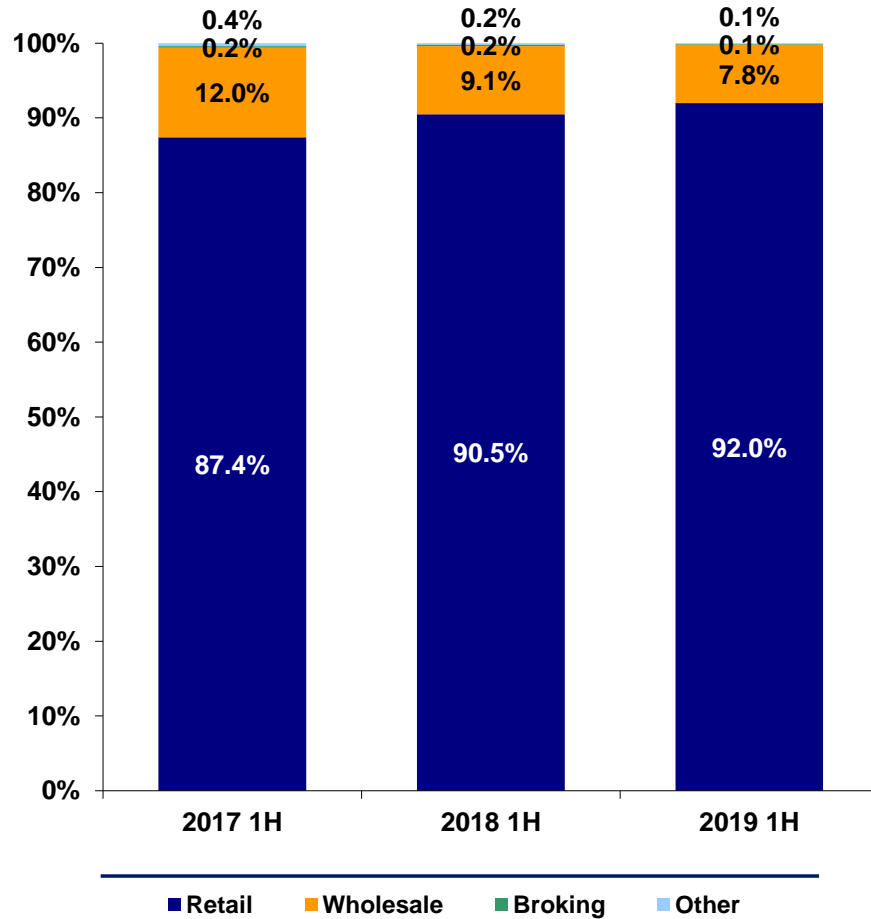


## Profit attributable to equity holders

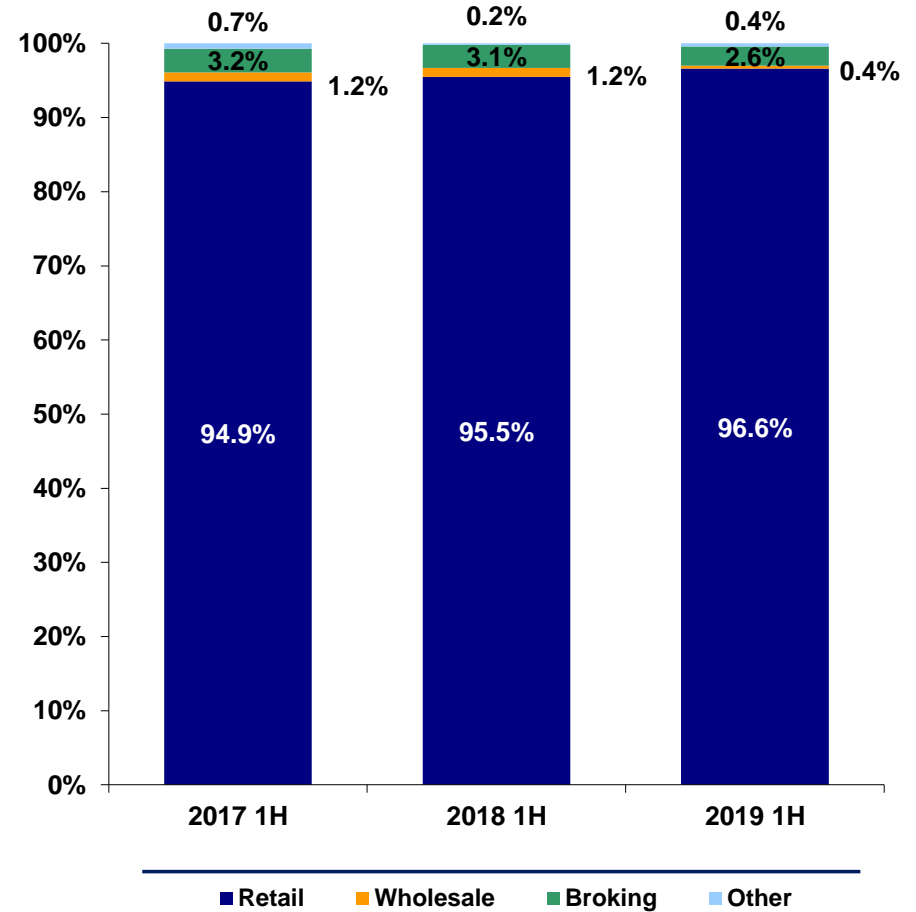


# ...Driven by Retail Segment...

## Revenue Breakdown

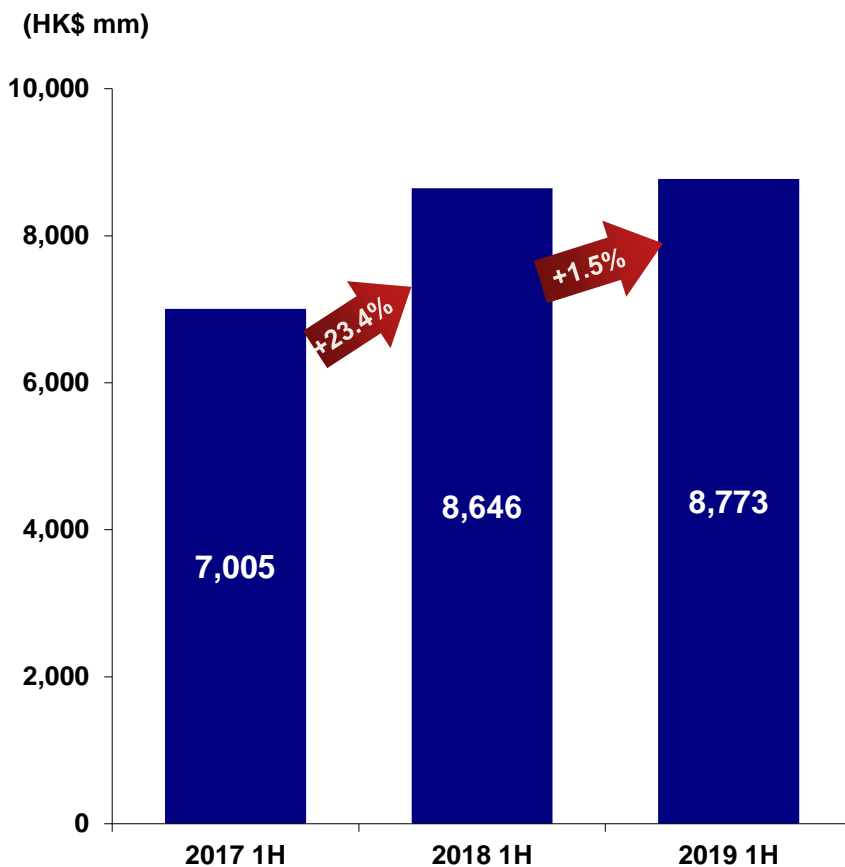


## Results Breakdown

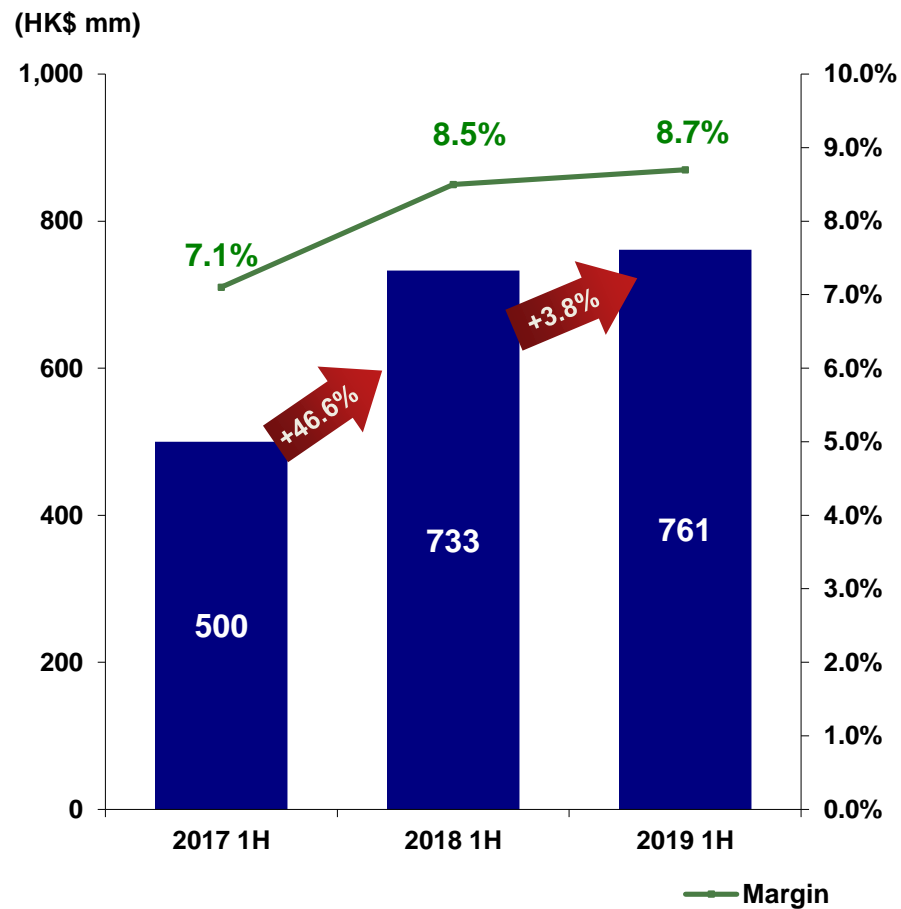


# ...Retail Performance...

## Retail – Revenue

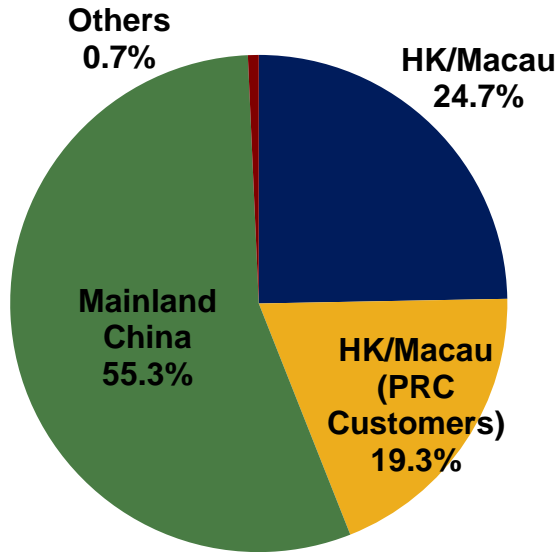


## Retail – Operating Results

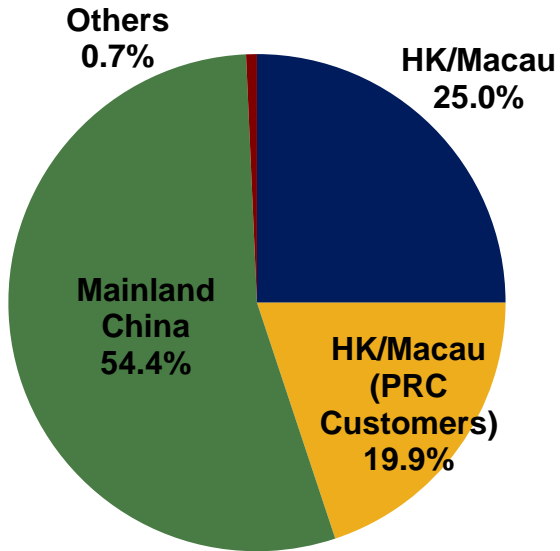


## ... Steady Demand in Mainland China

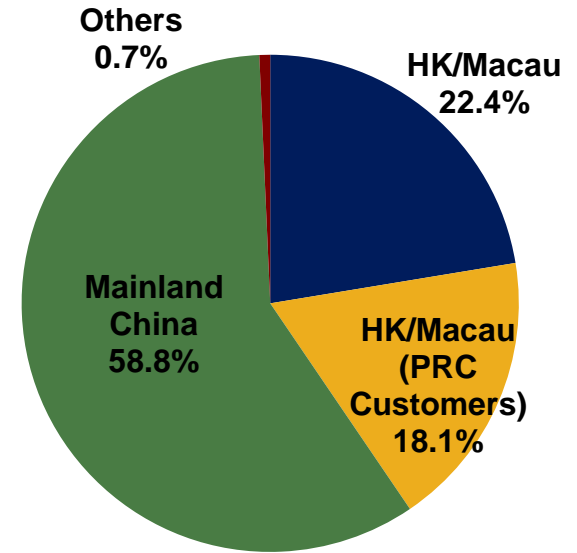
2017



2018



2019 1H



Sales  
Attributable  
to PRC  
Customers<sup>(1)</sup>

75%

-1%

74%

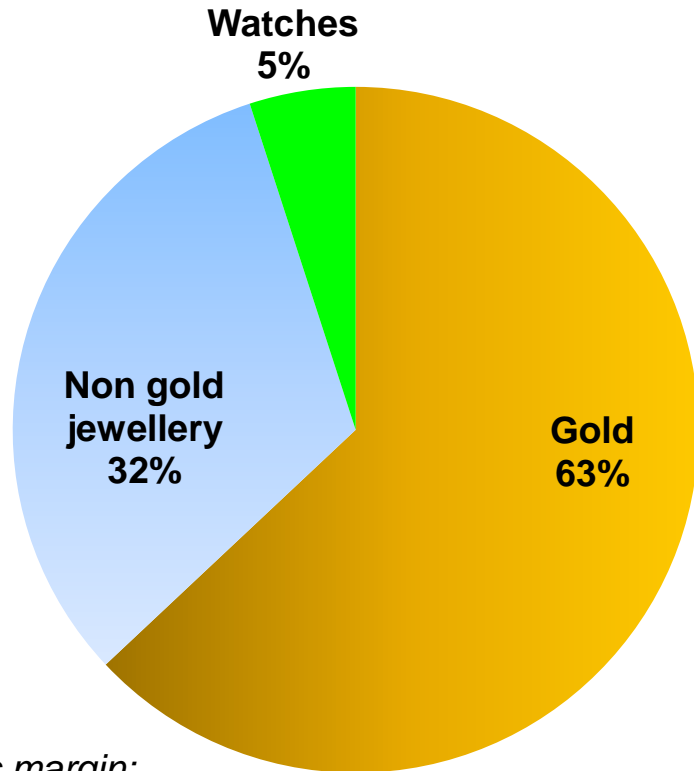
+3%

77%

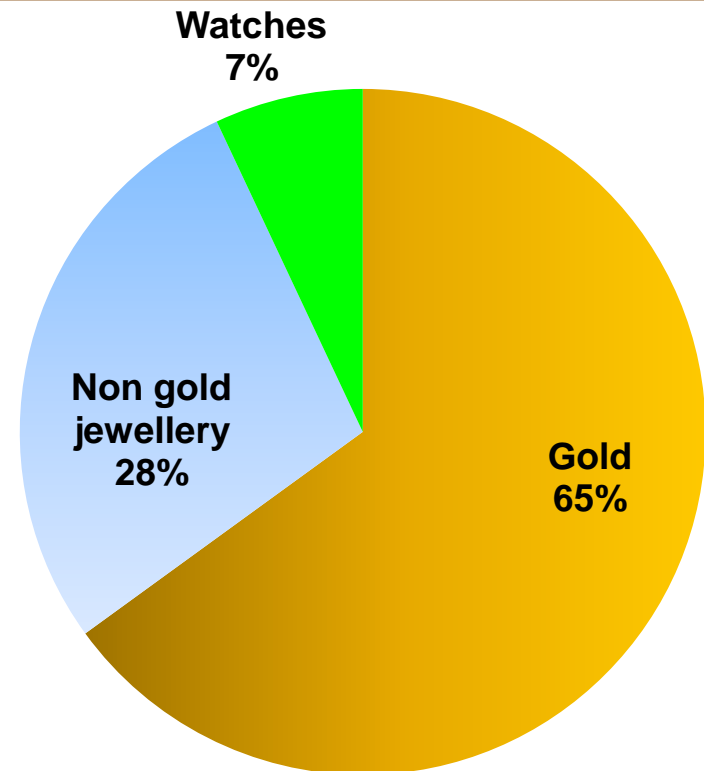
(1) Mainland China sales + HK/Macau sales by PRC customers

# Consolidated Sales Mix – (Retail)

2018 1H



2019 1H



Gross margin:

Gold\* : 16%-23%

Non gold jewellery: 38%-42%

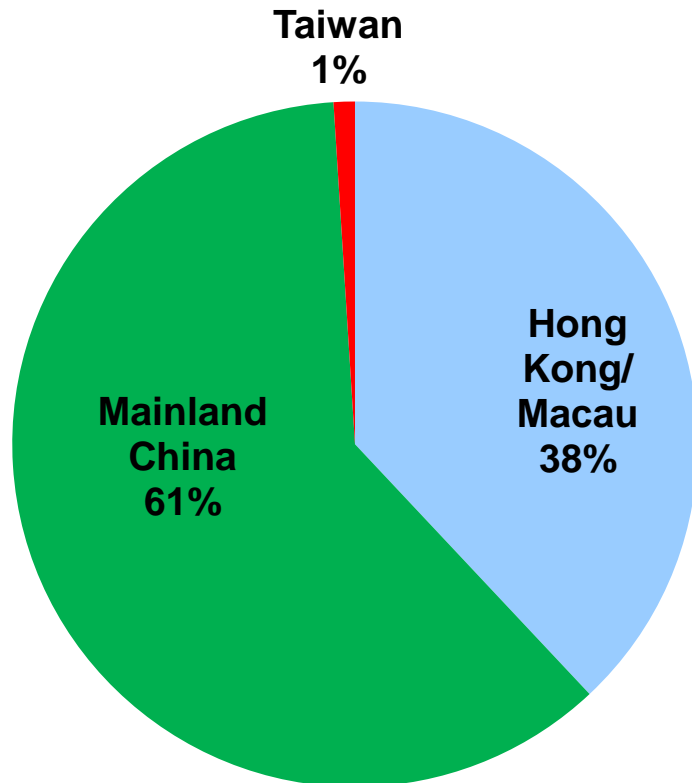
Watches: 22%-34%

\* Include gold price movement

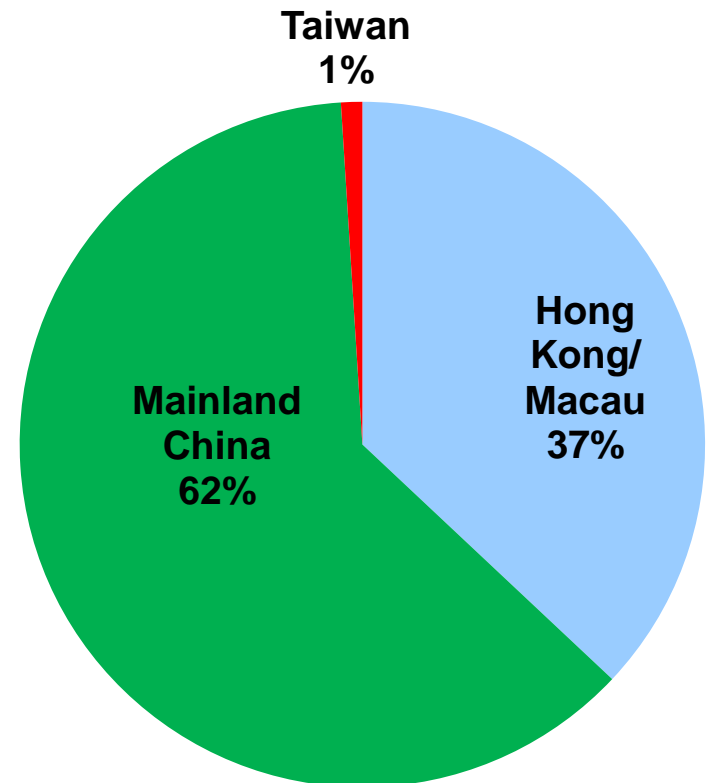


# Consolidated Gross Profit Contribution – (Retail)

2018 1H

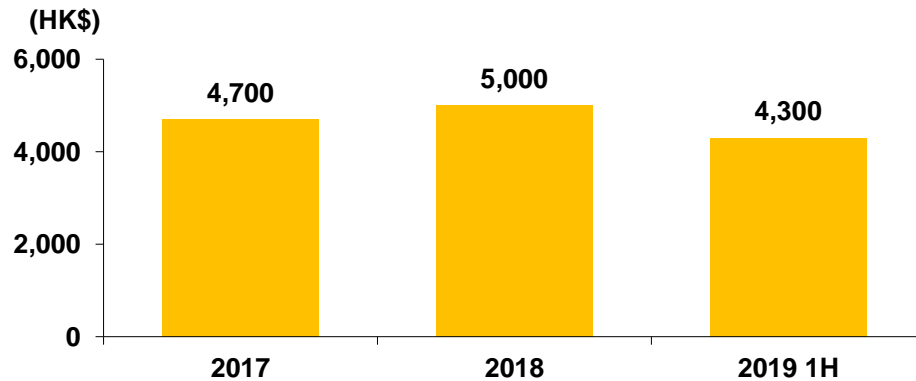


2019 1H

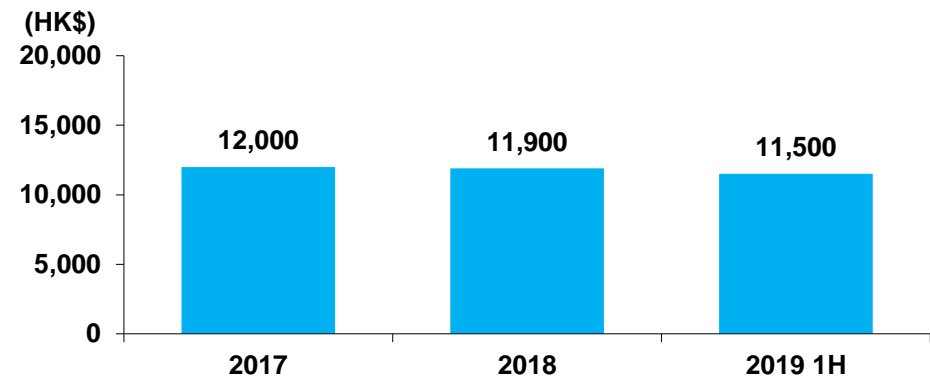


# Change of Average Selling Price

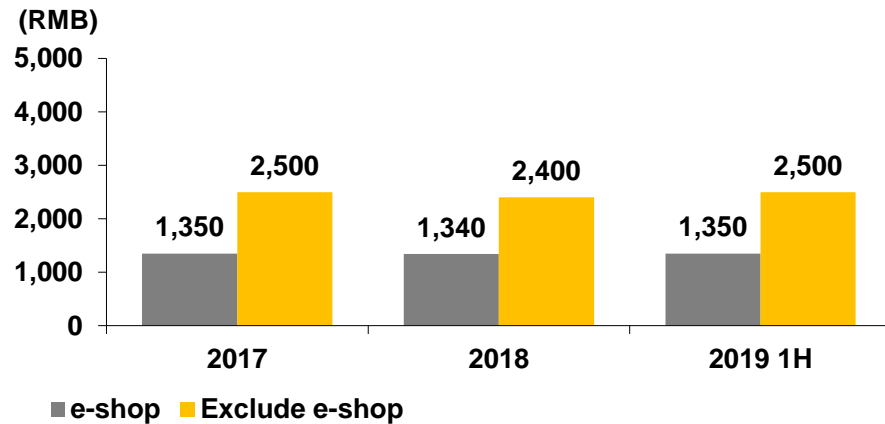
## Hong Kong/Macau - Gold



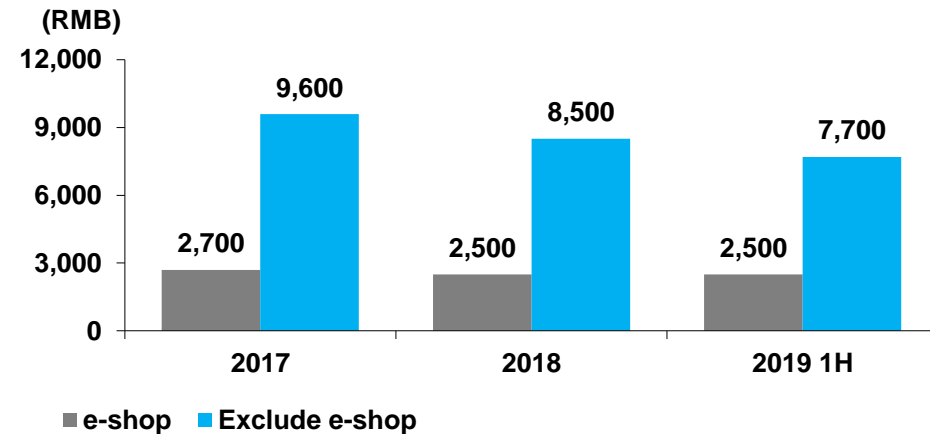
## Hong Kong/Macau - Jewellery



## Mainland China - Gold



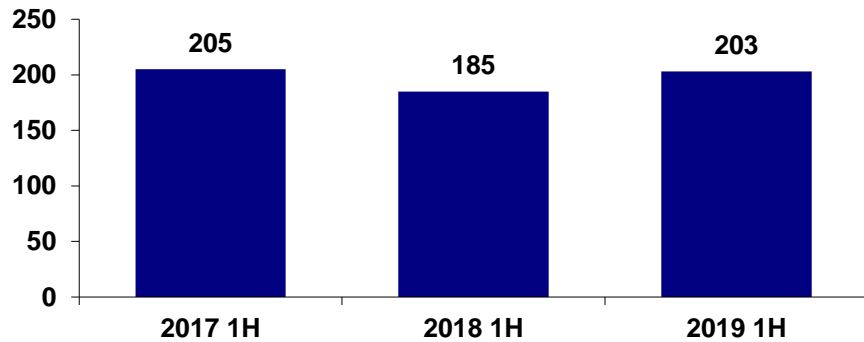
## Mainland China - Jewellery



# Working Capital Trends

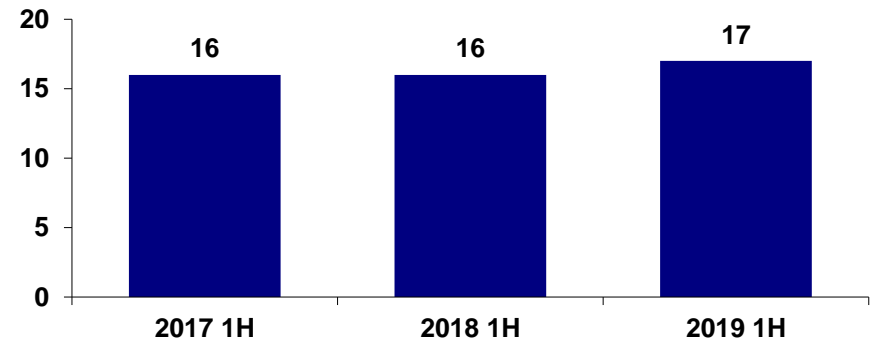
## Average Inventory Turnover Days

(No. of Days)



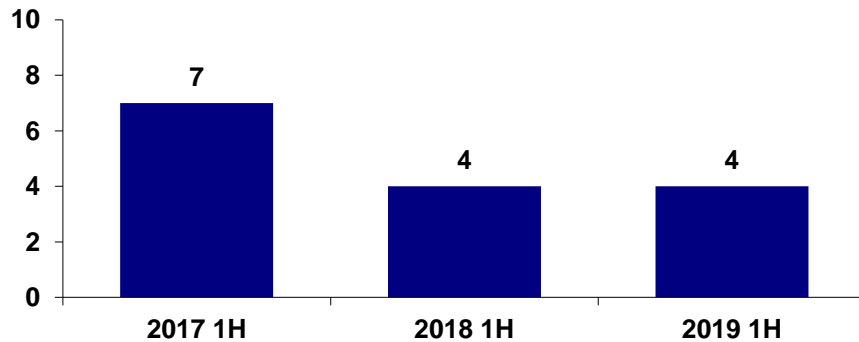
## Average Receivables Turnover Days

(No. of Days)



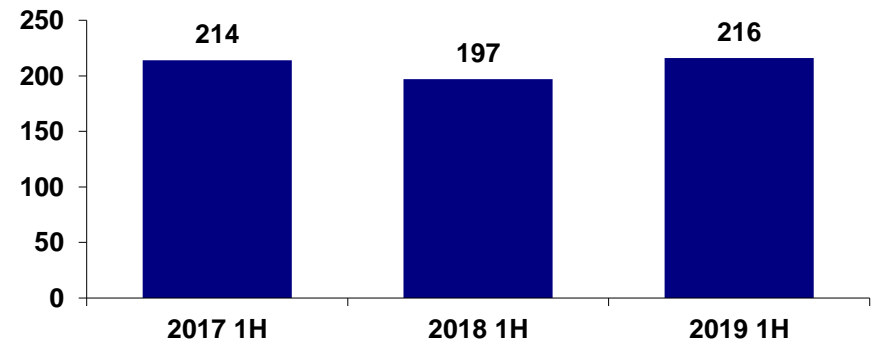
## Average Payables Turnover Days

(No. of Days)



## Cash Conversion Cycle

(No. of Days)



# Financial Highlights

(HK\$ million)

	For the 6 months ended			% change
	2017	2018	2019	19 vs 18
<b>Turnover</b>	8,012	9,558	9,540	-0.2%
<i>Jewellery Retail</i>	7,005	8,646	8,773	+1.5%
<i>Other businesses</i>	1,007	912	767	-15.9%
<b>Gross profit</b>	1,958	2,360	2,574	+9.1%
<b>Operating profit</b>	550	797	838	+5.1%
<b>EBITDA</b>	640	929	952	+2.5%
<b>Profit attributable to equity holders</b>	392	606	615	+1.5%
<b>Basic EPS (HK cents)</b>	57.9	89.4	90.8	+1.6%
<b>Dividend per share (HK cents)</b>	9.0	15.0	14.0	-6.7%
<b>Capital expenditure</b>	72	133	145	+9.0%

## Other Financial Information

(HK\$ million)

	As at		
	Dec-31		Jun-30
	2017	2018	2019
<b>Cash and cash equivalents</b>	1,200	1,303	1,147
<b>Long term listed investments<sup>1</sup></b>	854	807	982
<b>Gearing<sup>2</sup></b>	20.5%	18.6%	20.7%
<b>Unused banking facilities</b>	4,128	4,080	4,084

<sup>1</sup> Long term listed investments represents HKEX shares which valued at quoted market prices

<sup>2</sup> 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.

# Strategy Outline

# Expansion with Distinctiveness in Mainland China

Around 60 new stores in Mainland China in 2019

## Expansion Philosophy

- Target entry-mid end consumers
- Leverage on high-end shopping malls and department stores' own positioning to enhance image
- Expand coverage and reach via e-shops and multi-brands

## Self-Run Store Model

- Enable consistent and superior service quality with seamless delivery
- Brand development and fine-tuning are more important than growth in the number of stores
- Refresh store image to meet consumer preferences

# Product Mix and Branding

## Jewellery Focus and Product Differentiation

- Clear presence and visibility of international brands and signature collections
- Develop house brands - focus on quality and sophistication appropriate to different customer segments
- Selected cooperations with IP owners

## Marketing Initiatives

Continue existing programs with focus:

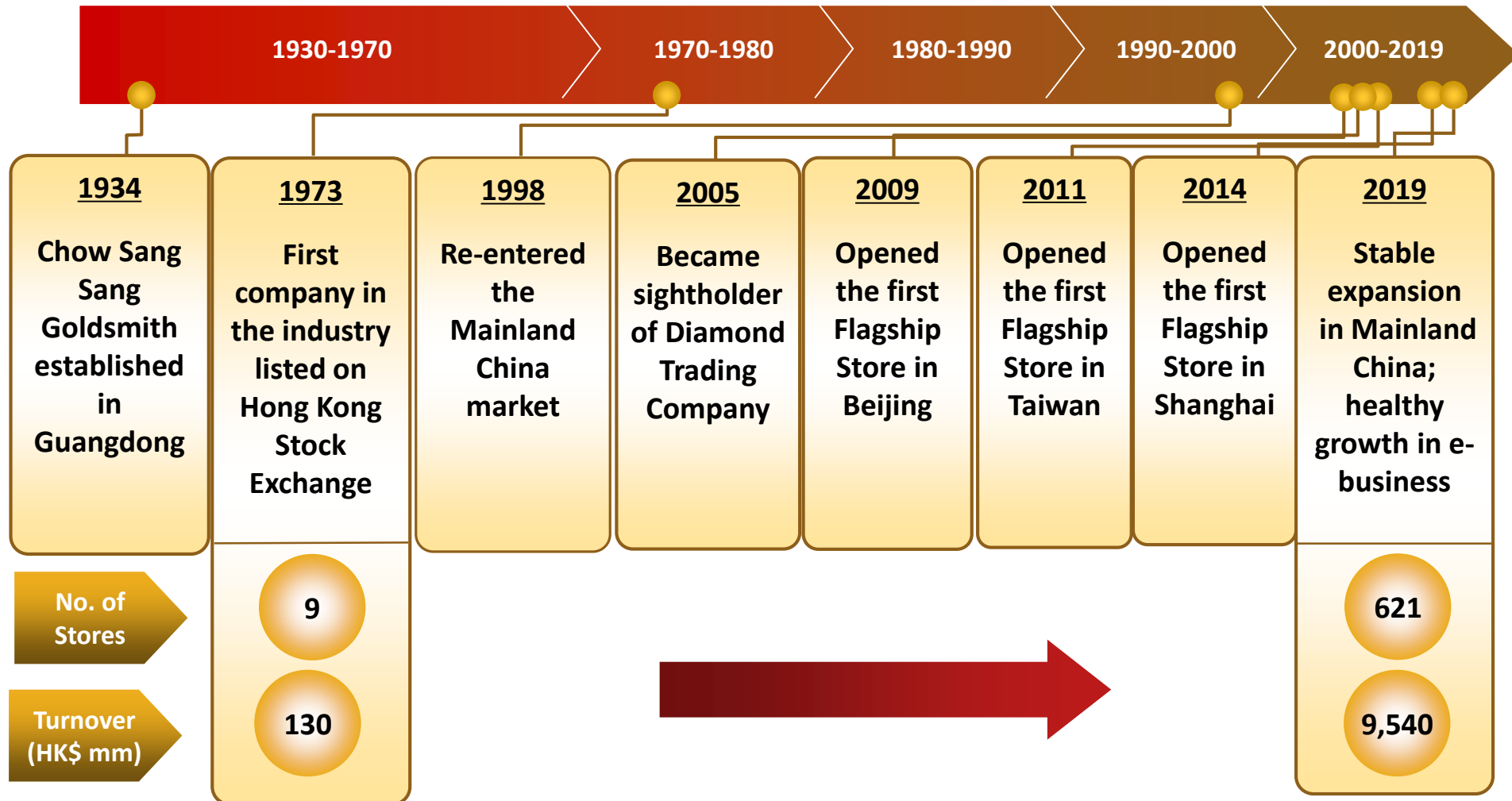
- Expand e-shop, synergizing with physical stores
- Capitalize on CRM database
- Reinforce Wedding; expand on Daily wear
- Revamp VM at stores



# Q&A Session

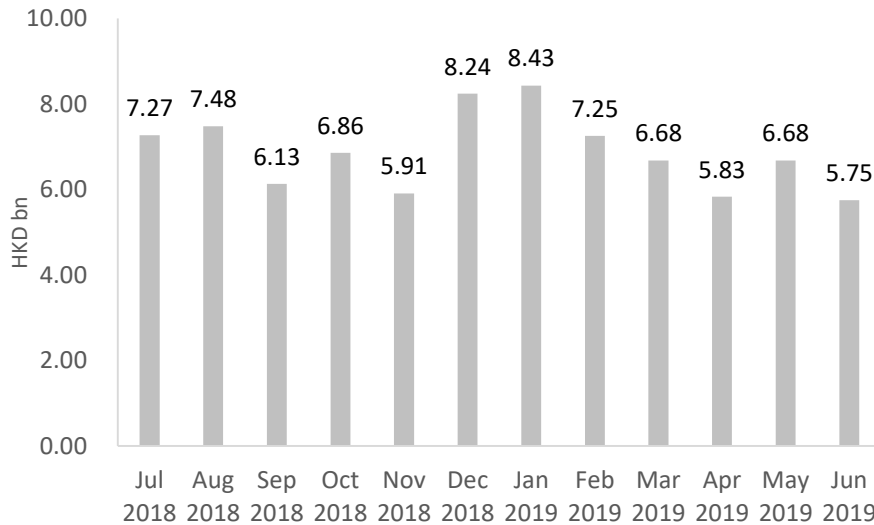
# Appendix

# Company History



# Industry Analysis – HK & Mainland China

## Value of retail sales of 2H FY2018 - 1H FY2019 HK Jewellery, Watches and Clocks, and Valuable Gifts

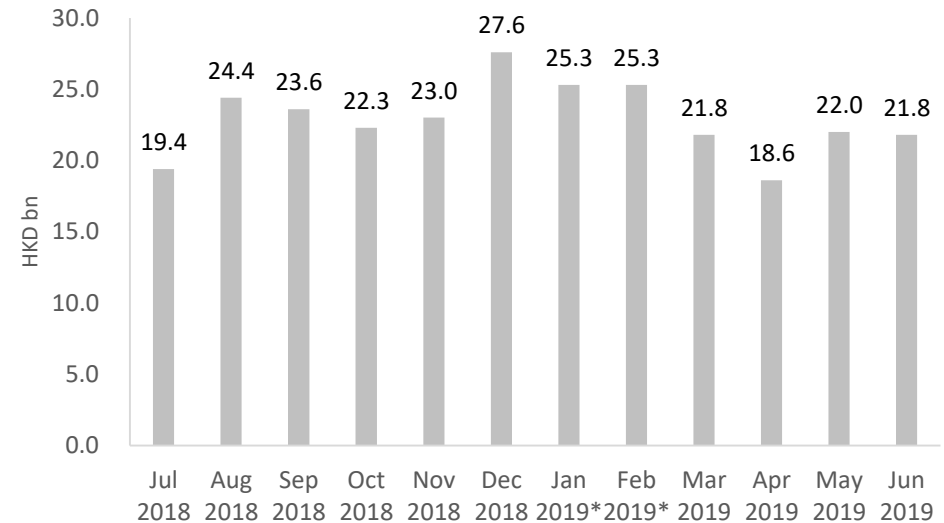


Source: HK Census & Statistics

**The value of retail sales of jewellery, watches and clocks, and valuable gifts in 1H FY2019 was HKD40.62 billion, drop of 3.05% compared with HKD41.90 billion in 2H FY2018, according to HK Census and Statistics Department**

\* 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.

## 2H FY2018 - 1HFY2019 Mainland China Gold, Silver and Jewellery Sales



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

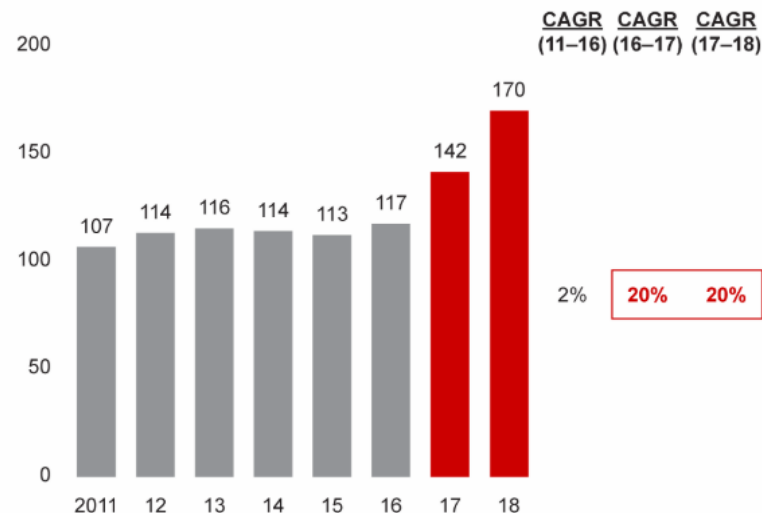
**Retail sales for jewellery products in Mainland China were RMB140.3 billion and RMB134.8 billion for 2H FY2018 and 1H FY2019, decreased 3.9%, according to the data from National Bureau of Statistics of People’s Republic of China.**

# Industry Analysis – Mainland China Luxury Market Overview

- ◆ Mainland China continues to dominate the global market as local consumers demonstrate a strong preference for purchasing luxury goods at home thanks to price harmonization, consumer-centered strategies, and governmental initiatives. Solid consumer confidence and willingness to buy, especially among young generations, are expected to drive year-over-year growth of 18-20 percent (at constant exchange rates) in the region.\*

Fig 1: The domestic luxury market posted 20% growth in 2018, driven by millennials and women purchases\*\*

Mainland China luxury market (RMB billions)



## Highlights

- After spectacular growth in 2017, momentum remained strong
- Millennials contributed almost all of the incremental growth of China's luxury market over the past year
- Category rebalancing continued, with women's spending outpacing men's

Note: CAGRs are based on constant exchange rates  
Sources: Bain Luxury Goods Worldwide Market Study, 2018; Bain analysis

Source: Bain & Company,

\*"Global personal luxury goods market expands to €260bn in 2018, with similar growth forecasted for 2019"

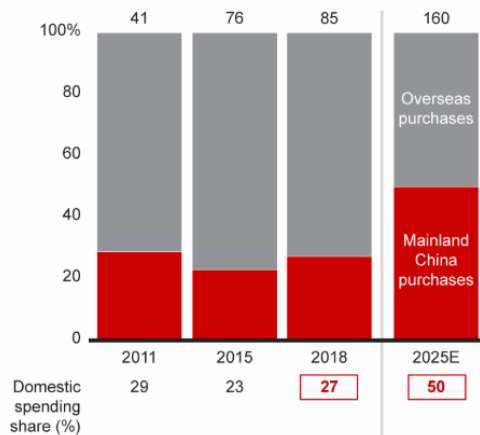
\*\*"What's Powering China's Market for Luxury Goods?"

# Industry Analysis – Mainland China Luxury Market Overview

- ◆ The Chinese government’s reduction in import duties and stricter controls over gray markets—combined with brands’ efforts to narrow the price gap with overseas markets—have led more Chinese consumers to make their luxury purchases in China, instead of traveling to previous bargain locales such as Hong Kong, Seoul, Tokyo and cities in Europe. Chinese consumers made 27% of their luxury purchases in China in 2018, up from 23% in 2015, and the report anticipates that this share will increase to 50% by 2025 (see Figure 2). But this doesn’t mean that Chinese consumers are buying less abroad. Luxury spending by Chinese shoppers now represents 33% of the global market (see Figure 3).\*

**Fig 2: The repatriation of spending will continue in the coming years purchases**

Channel breakdown for Chinese luxury goods spending (€ billions)



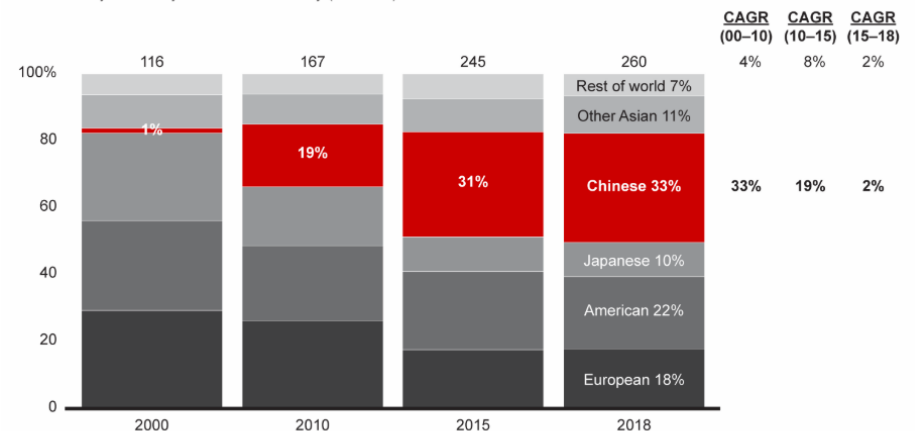
Sources: Bain Luxury Goods Worldwide Market Study, 2018; Bain analysis

Why Chinese shoppers are buying locally instead of overseas

- Import duty reductions**
- Stricter control over gray markets**
- Price harmonization**

**Fig 3: Chinese spending represented 33% of the global luxury market in 2018**

Global luxury market by consumer nationality (€ billions)



Note: Segments do not add up to 100% due to rounding  
Sources: Bain Luxury Goods Worldwide Market Study, 2018; Bain analysis

# Marketing Program Highlights 2019 Jan - Jun

# Chinese New Year Campaign

- 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 & website), POSM, printing collaterals and store display. Media gift were prepared to share the new year's joy to our business partners and guests.





# Valentine's Day Campaign

- 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 Visual

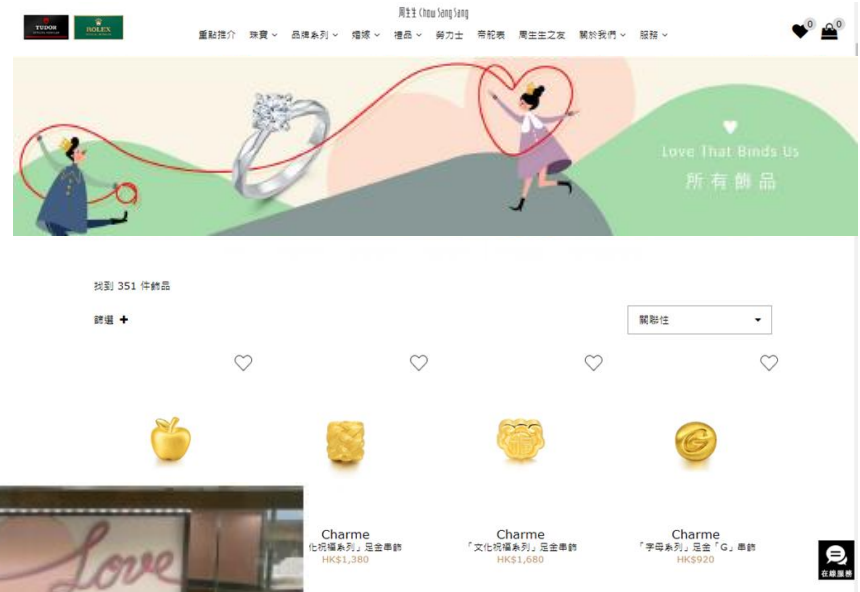


# Valentine's Day Campaign



Animated Gif for social media

Brand website



Store display



## 3.8 Women's Day & Spring Campaign

- 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 & social media campaign, website and store display.



Social media campaign



Store POSM

# Mother's day Campaign

- 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

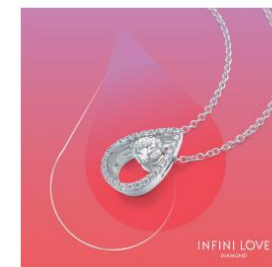
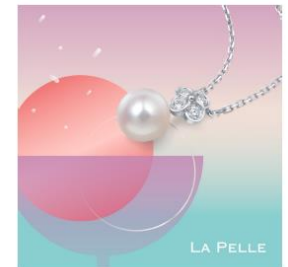
## Social media campaign



# Summer Campaign

- 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 & social media campaign, website and store display.

## Store display



Social media

周生生 (how Sang Sang 37)

# MINTYGREEN (CN)

- 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” (王者荣耀). Showcasing a series of exclusive new products, we invited the up-and-coming local girls’ group as our guests and witnessed a splendid live “mobile battle” with a local game narrator. The event was a huge success with media exposure and massive traffic drawn to the store & online eShop.
- Monthly promotion, aligning both online and offline channels, was launched to boost the sales.



# New Stores

