



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

2021 Annual Results Presentation

March 2022

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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

Retail of Jewellery and Watches

Wholesale of Precious Metals

**E-commerce Platform
for Lab-Grown Diamond Jewellery**

**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 Personalised Jewellery Service 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 that makes items suitable for the younger generation

MARCO BICEGO

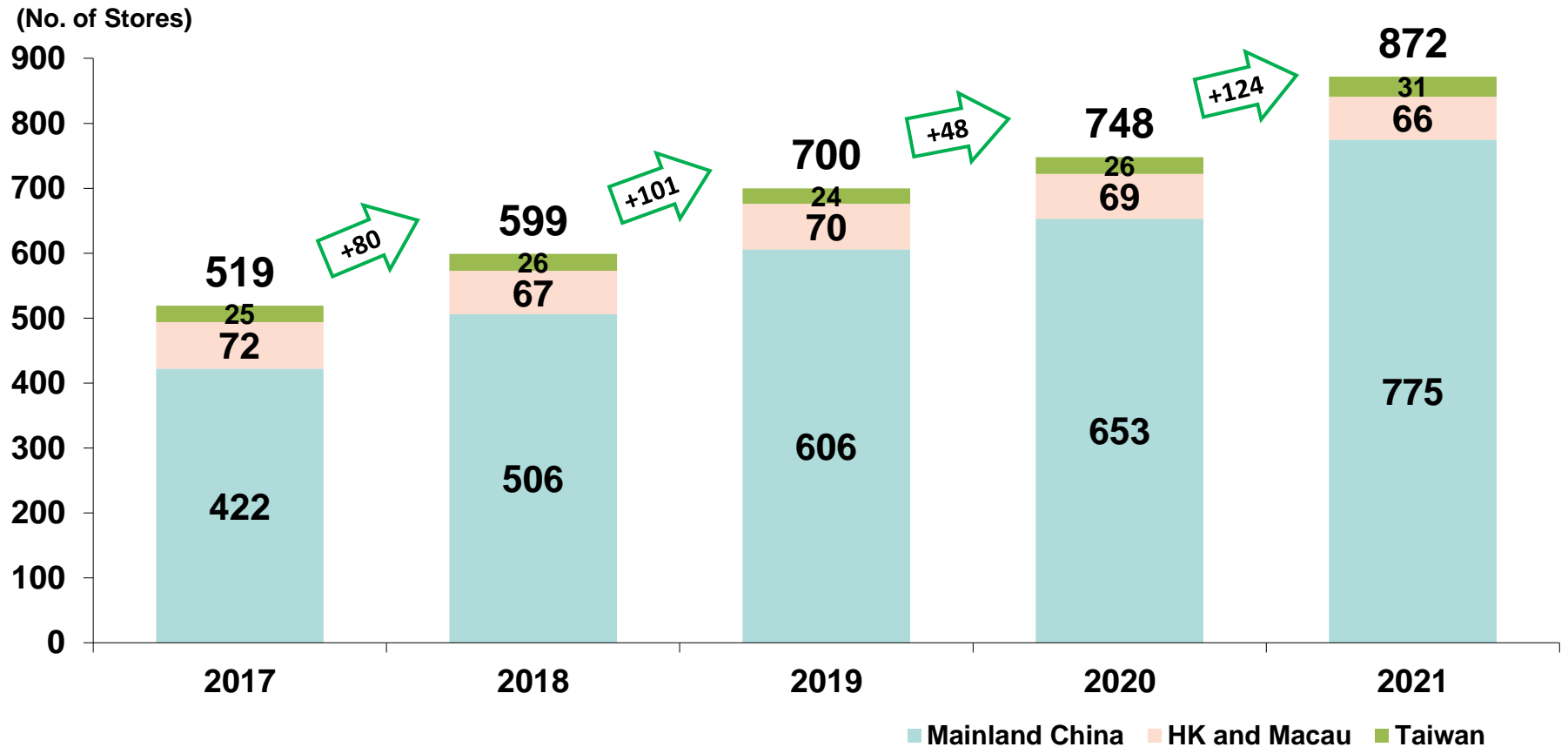
- An Italian jewellery brand featuring artisanal craftsmanship and contemporary design concepts

Store Count by Brand

Region		As at 31 Dec 2020	Opening	Closure	Net change	As at 31 Dec 2021
Mainland China	Chow Sang Sang	591	78	34	+44	635
	周生生 生生•活宇 (Oasis by Chow Sang Sang)	10	45	0	+45	55
	Rolex/Tudor	12	1	0	+1	13
	MINTYGREEN	25	13	4	+9	34
	EMPHASIS	12	8	1	+7	19
	PROMESSA	2	16	0	+16	18
	MARCO BICEGO	1	0	0	0	1
Sub-total:		653	161	39	+122	775
Hong Kong	Chow Sang Sang	48	1	5	-4	44
	Rolex/Tudor	12	0	1	-1	11
	EMPHASIS	4	1	0	+1	5
	PROMESSA	1	0	0	0	1
Sub-total:		65	2	6	-4	61
Macau	點睛品	4	1	0	+1	5
Sub-total:		4	1	0	+1	5
Taiwan	點睛品	25	3	1	+2	27
	PROMESSA	1	3	0	+3	4
Sub-total:		26	6	1	+5	31
Total:		748	170	46	+124	872

Jewellery and Watch Store Expansion

Increasing no. of stores in Mainland China



Jewellery and Watch Store Network as at 31 Dec 2021



Mainland China			
Region	Number of stores	City tier	Number of stores
North	175	1	133
East	194	2	415
South	272	3	156
West	134	4	71
Total	775	Total	775

Hong Kong and Macau
66 stores

Taiwan
31 stores

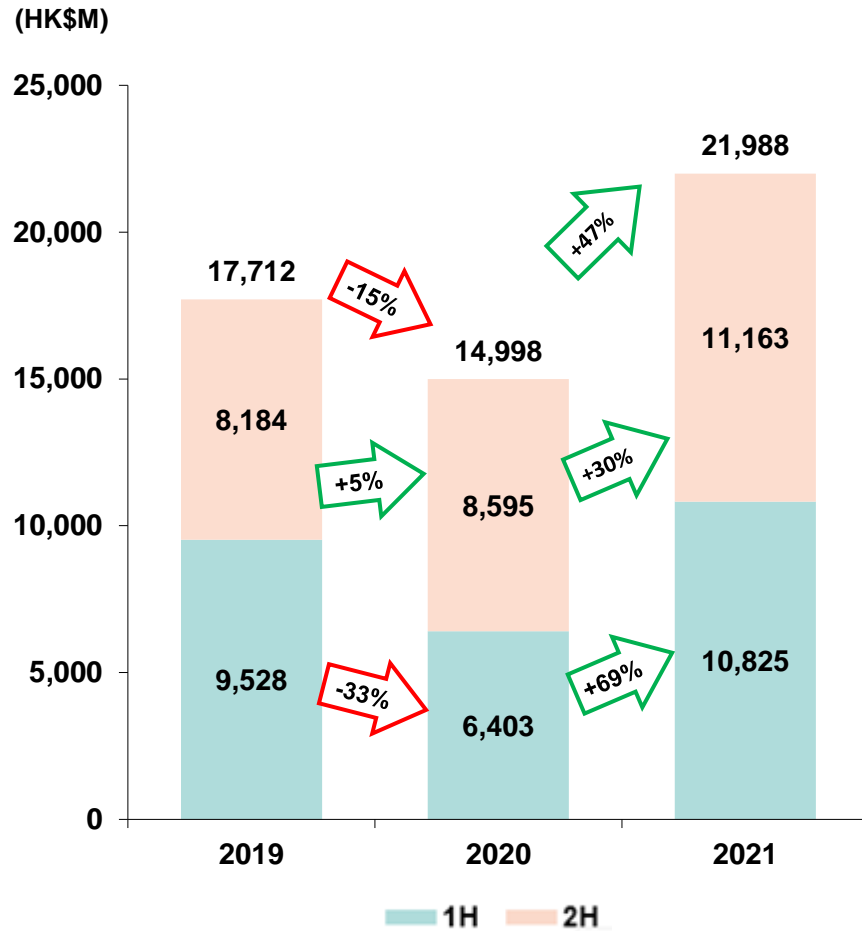
e-shop

- chowsangang.com
- Tmall
- JD
- VIP
- Douyin (newly added)
- other e-Commerce platforms

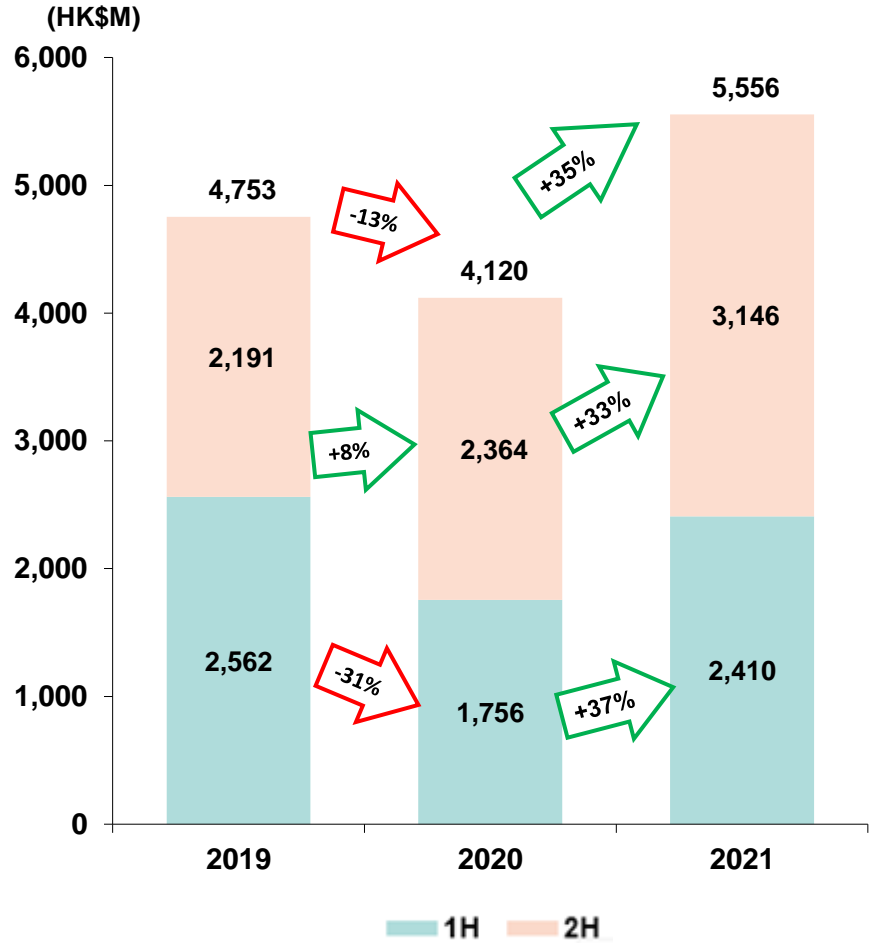
Financial Highlights

Group Operating Performance

Turnover – Continuing operations

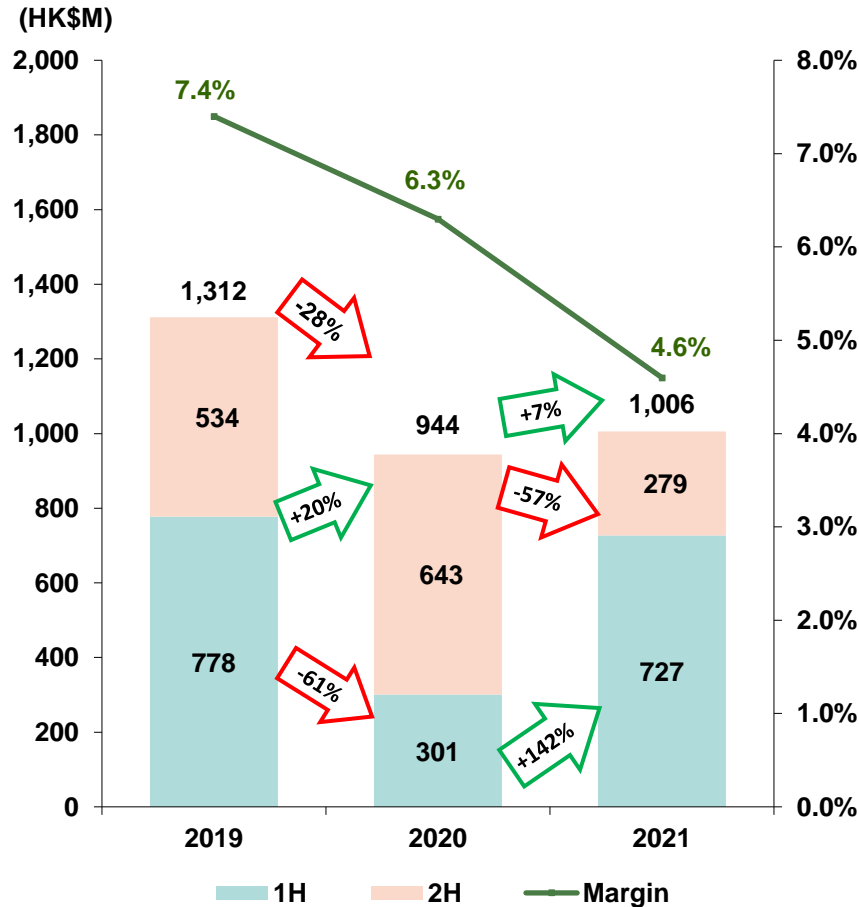


Gross profit – Continuing operations

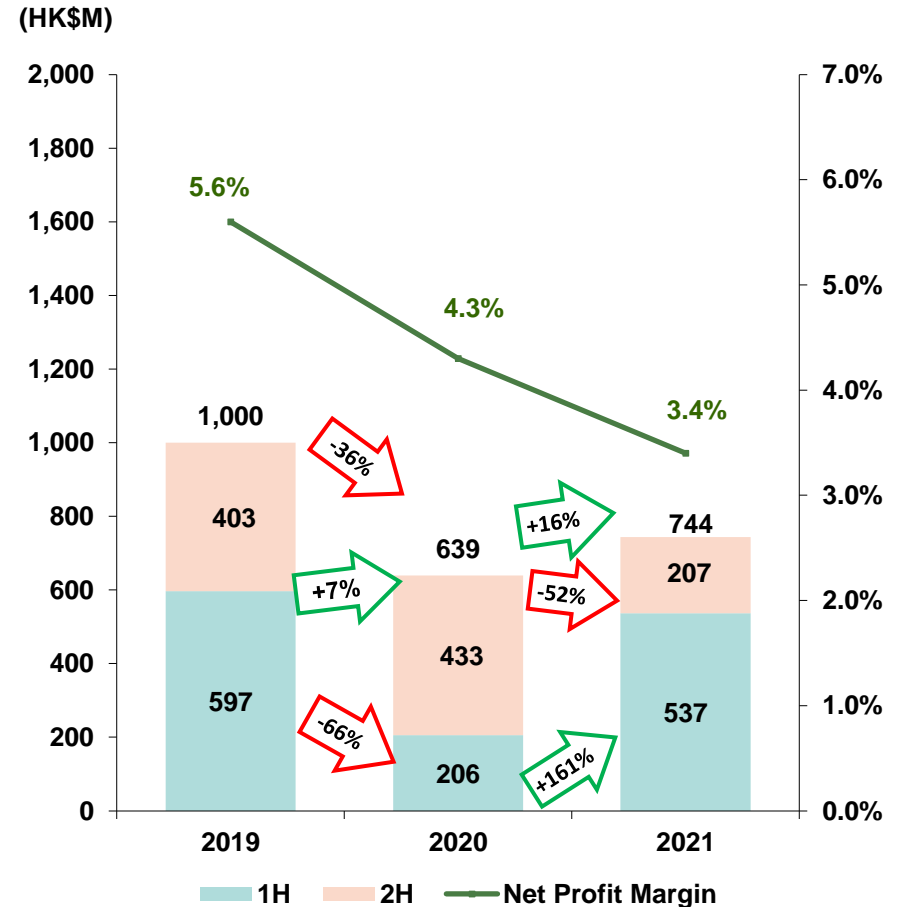


Group Operating Performance (Cont'd)

Profit before tax – Continuing operations

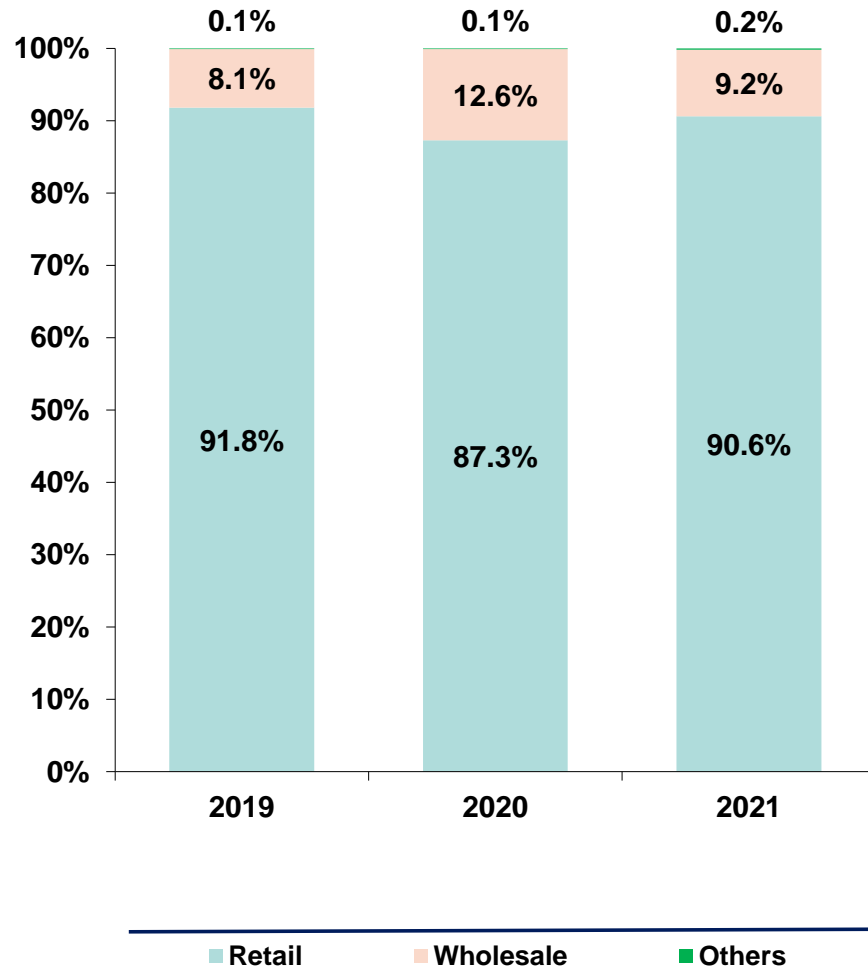


Profit attributable to owners – Continuing operations

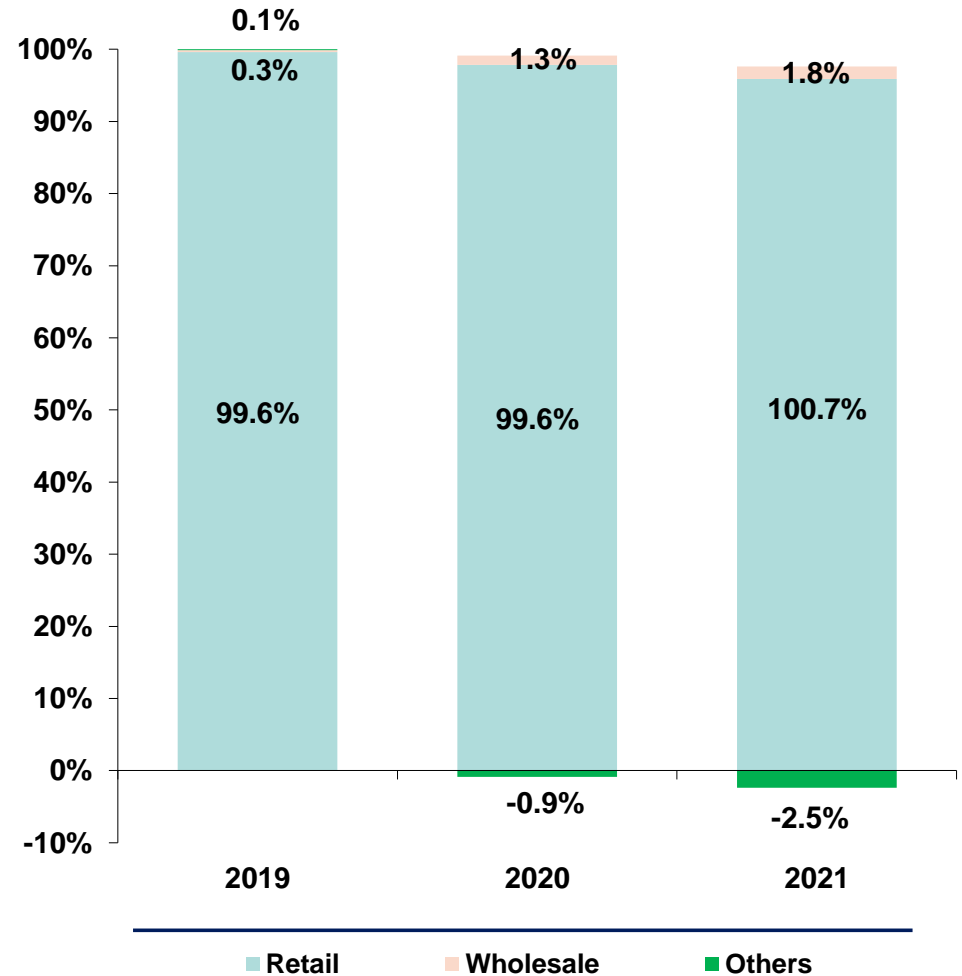


Group Operating Results by Segment

Turnover breakdown – Continuing operations



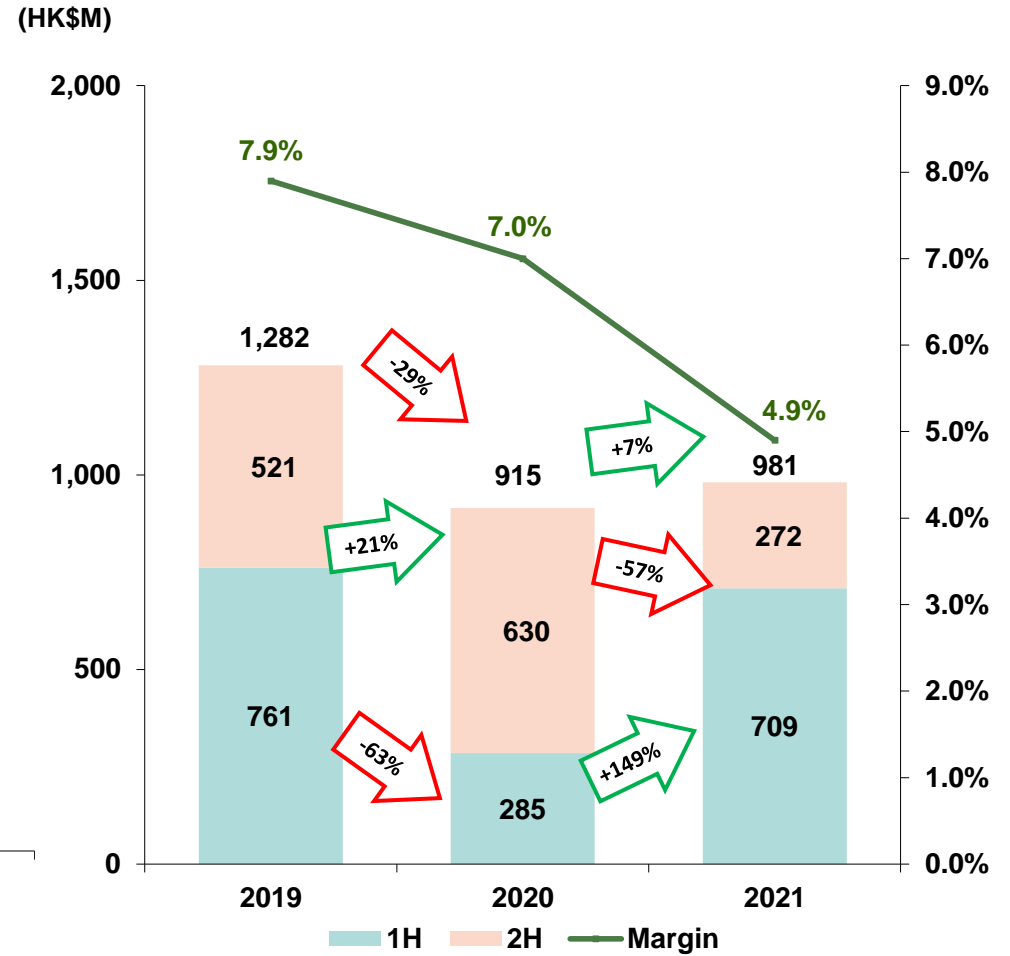
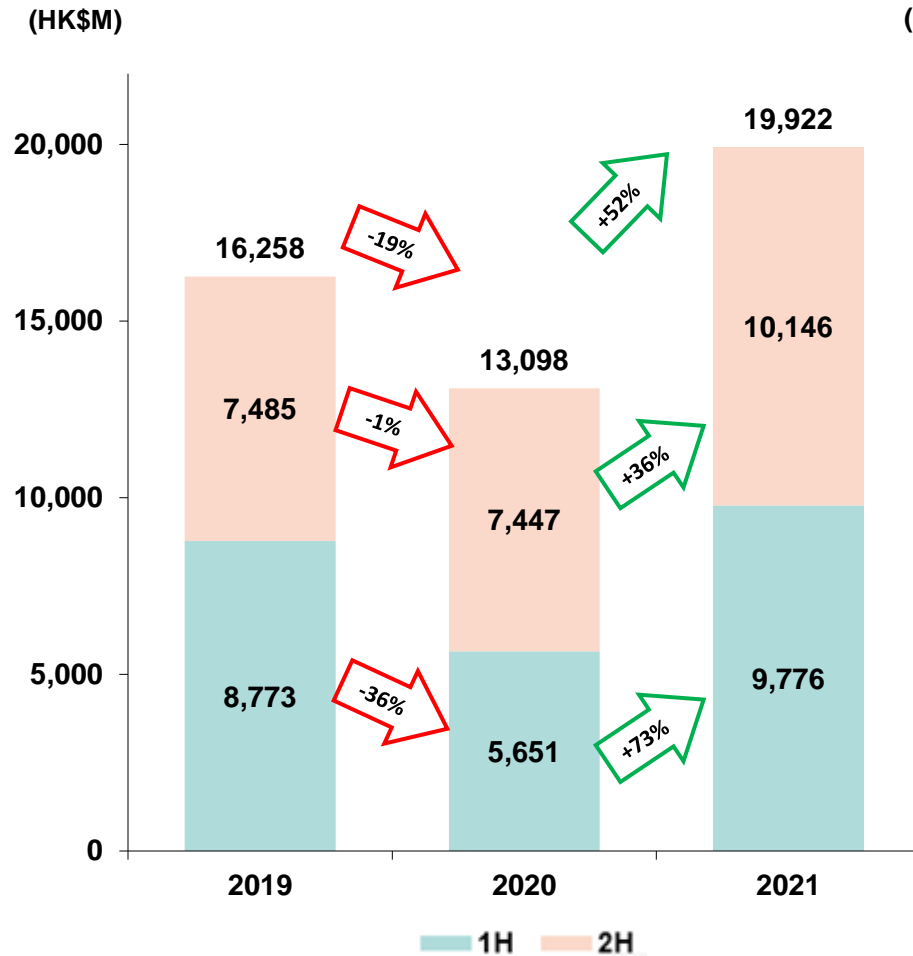
Results breakdown – Continuing operations



Jewellery and Watch Retail Performance

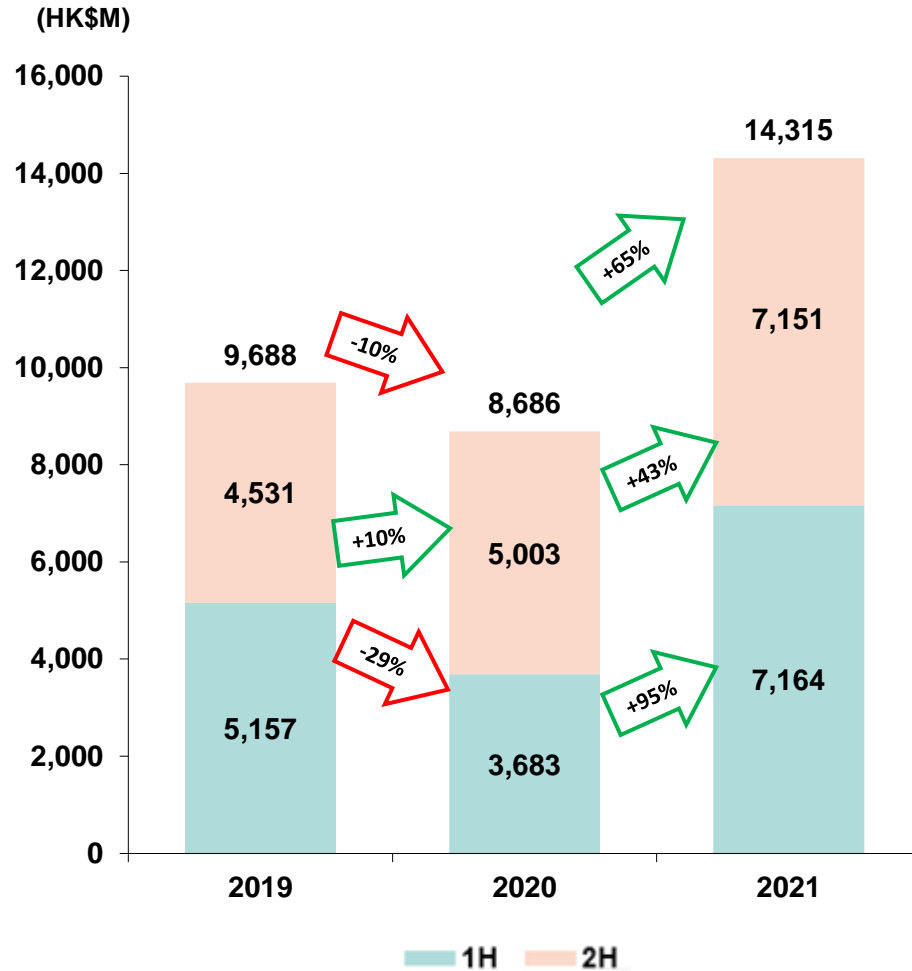
Turnover

Operating results

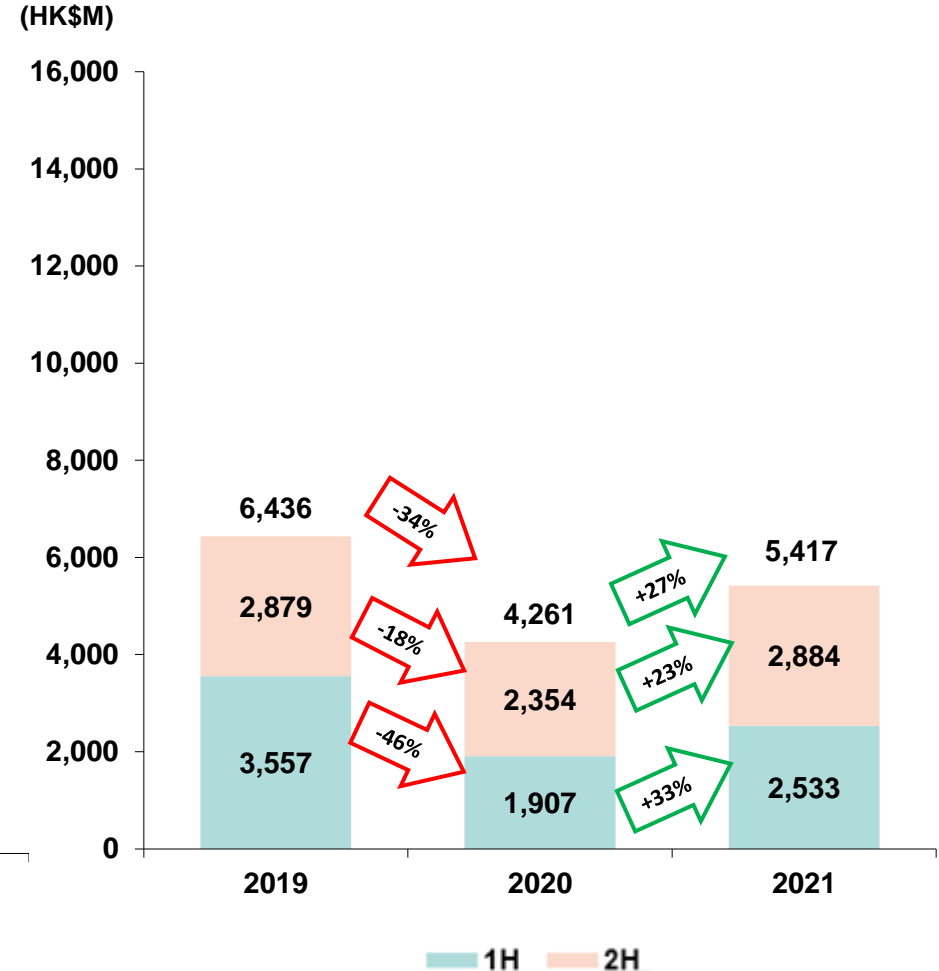


Jewellery and Watch Retail Performance

Mainland China retail turnover



HK & Macau retail turnover

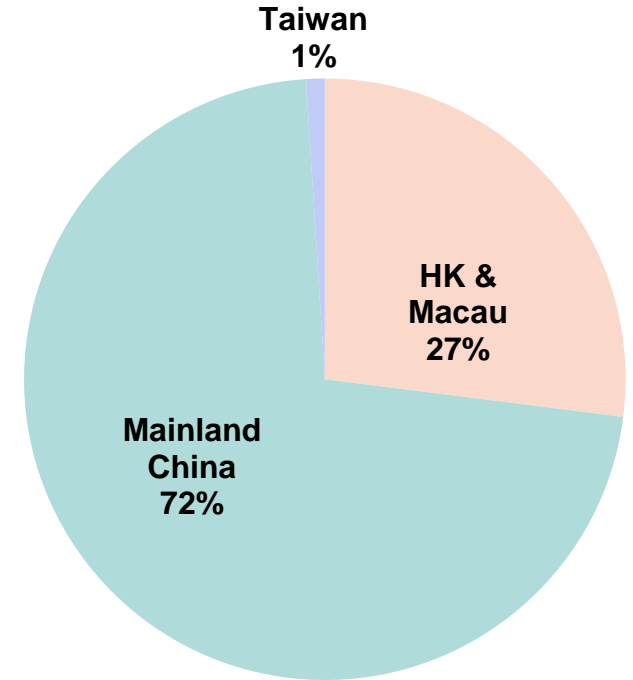
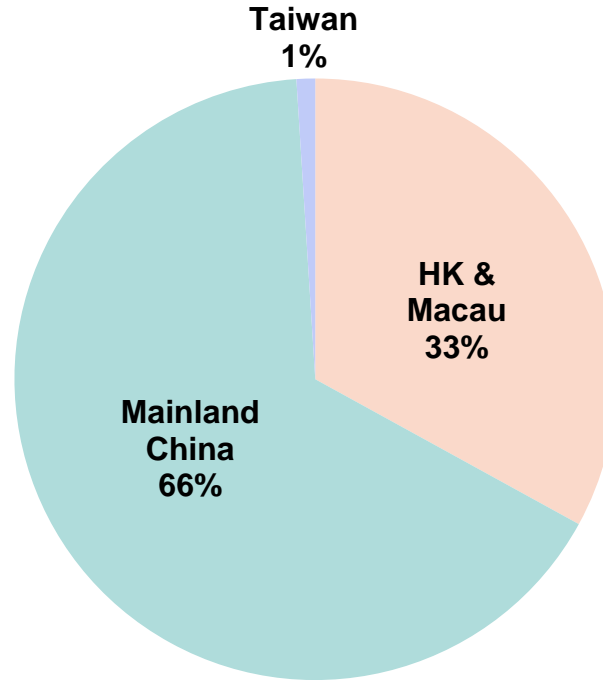
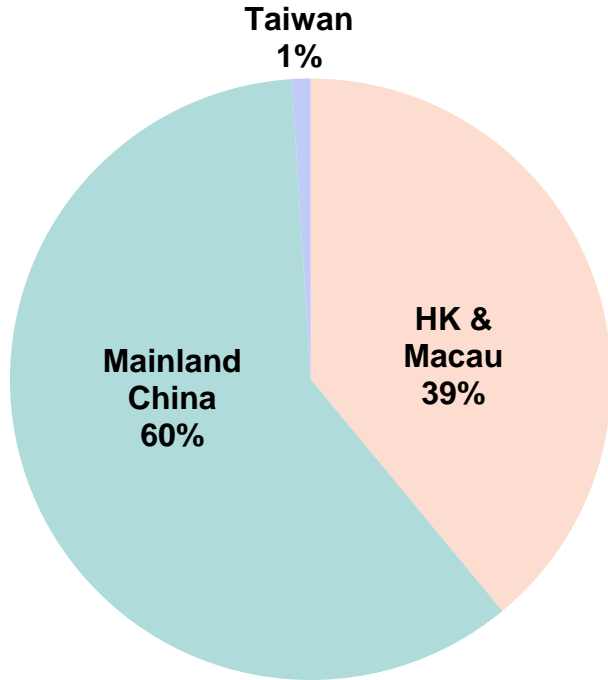


Retail Turnover by Geographical Area

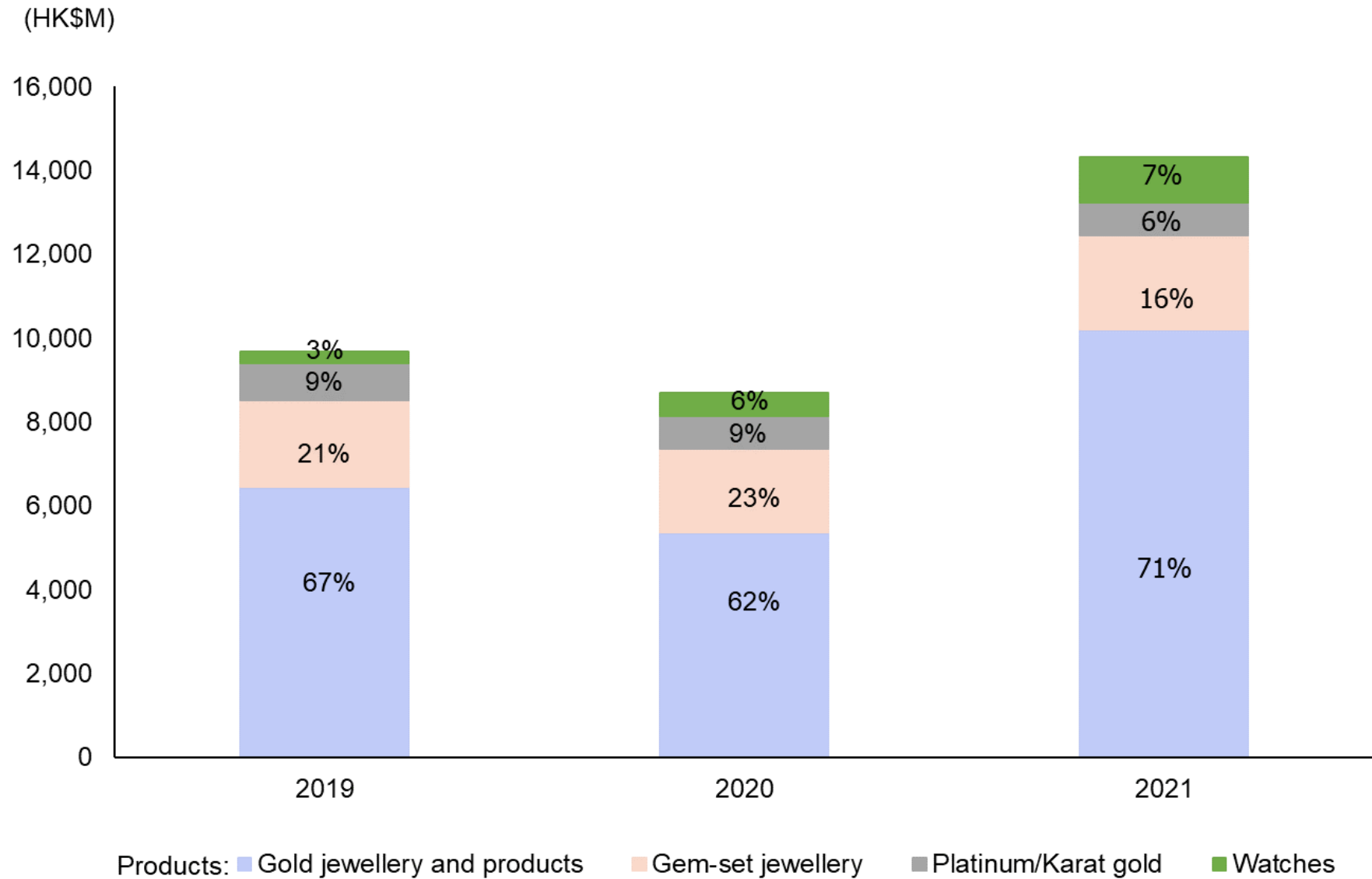
2019

2020

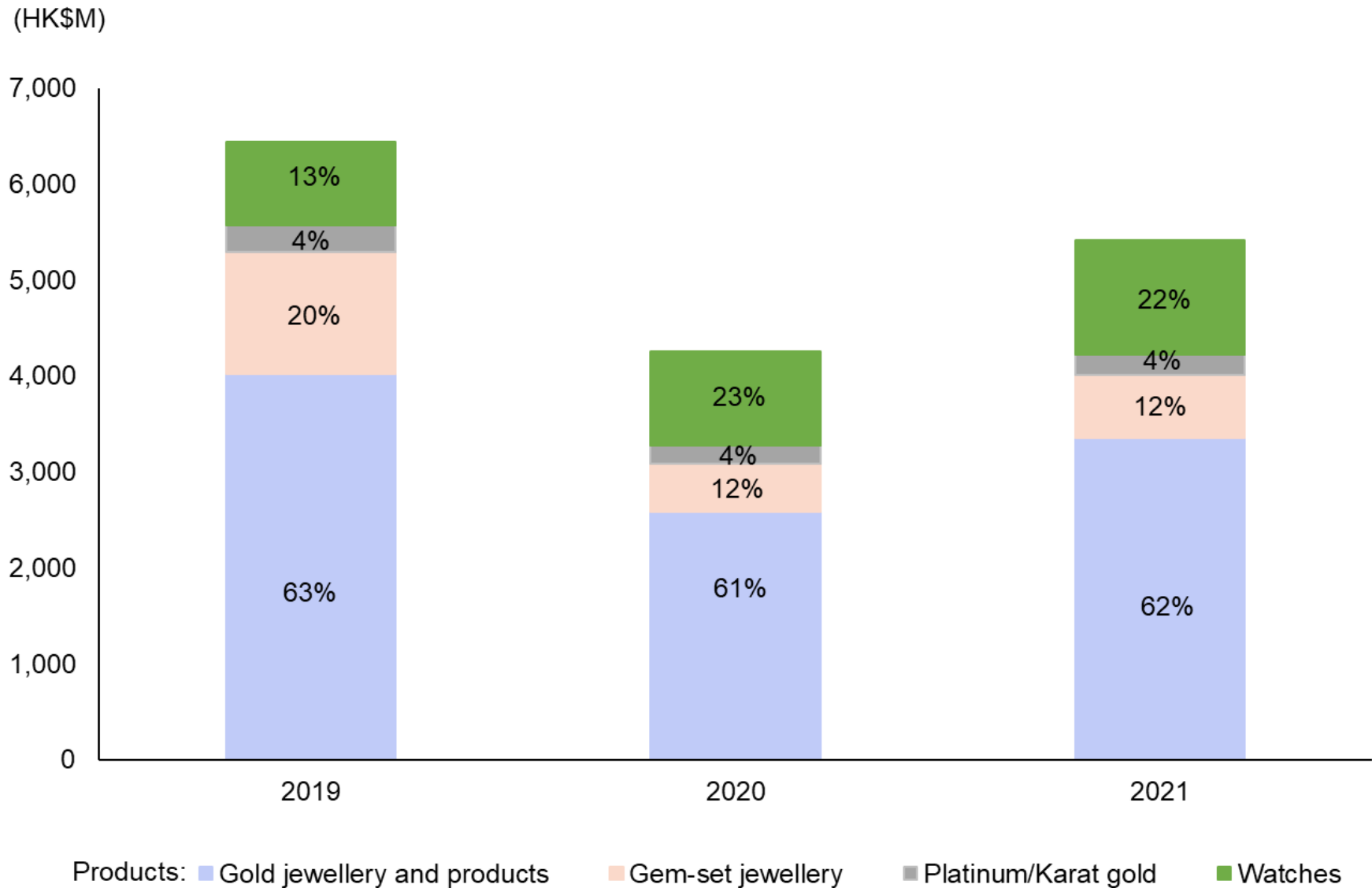
2021



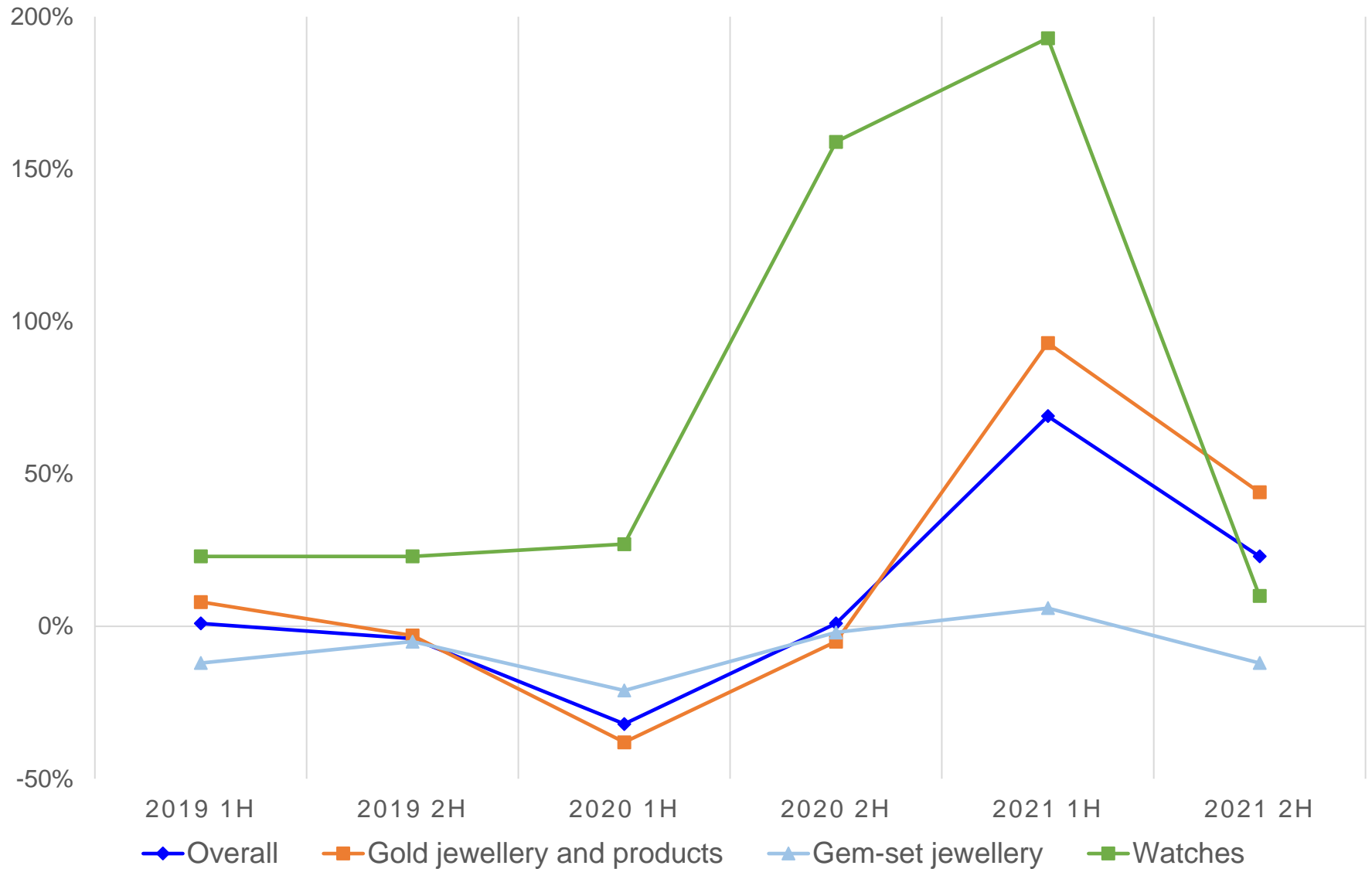
Mainland China Retail Sales Mix



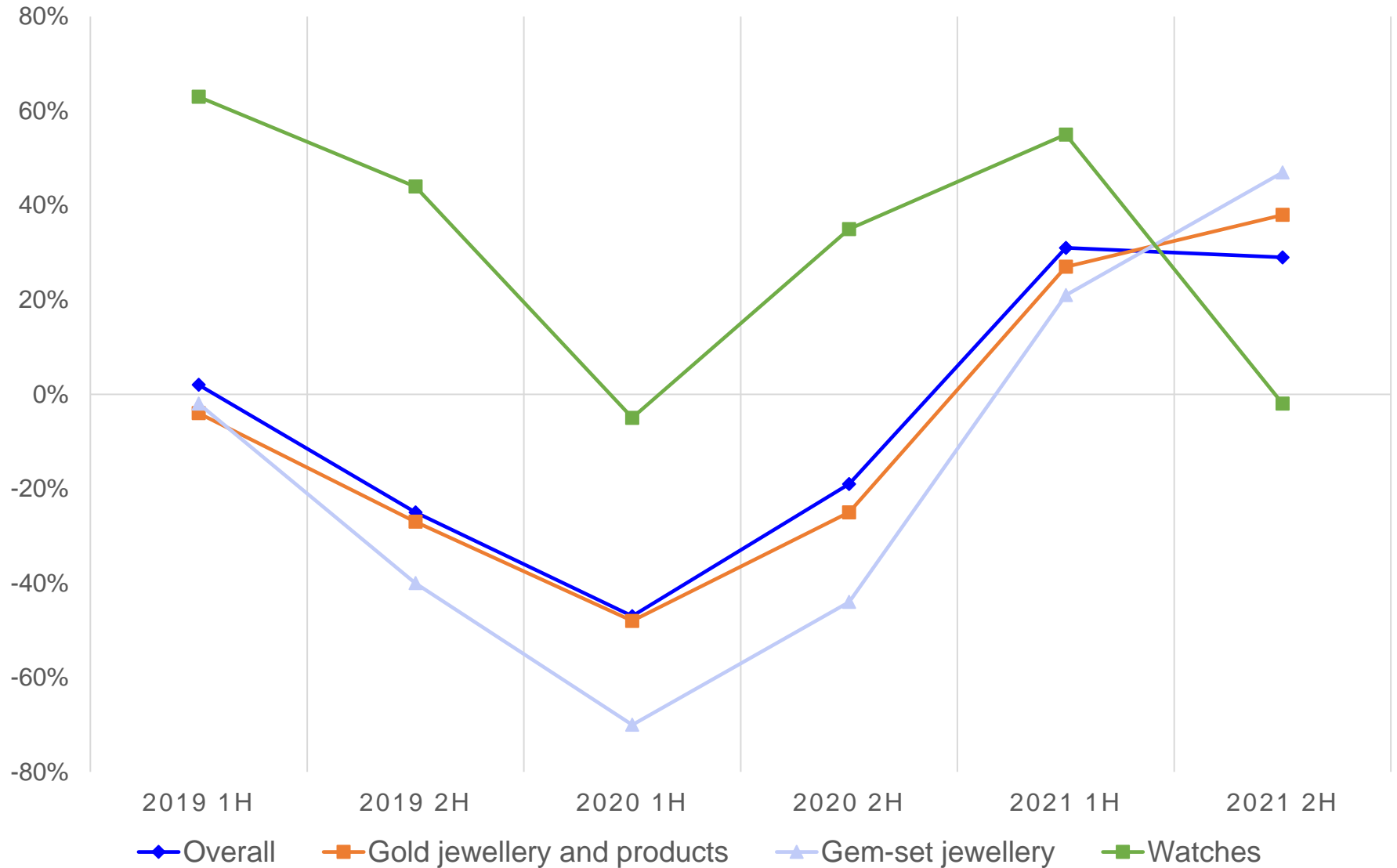
Hong Kong and Macau Retail Sales Mix



Mainland China Retail SSSG

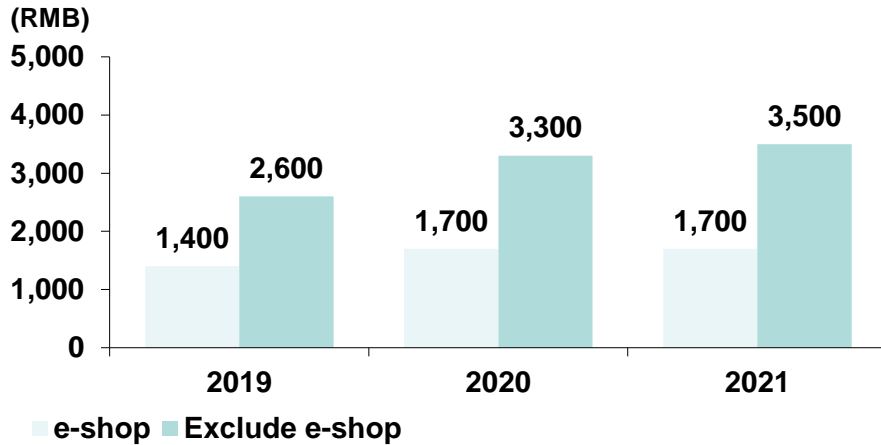


Hong Kong and Macau Retail SSSG

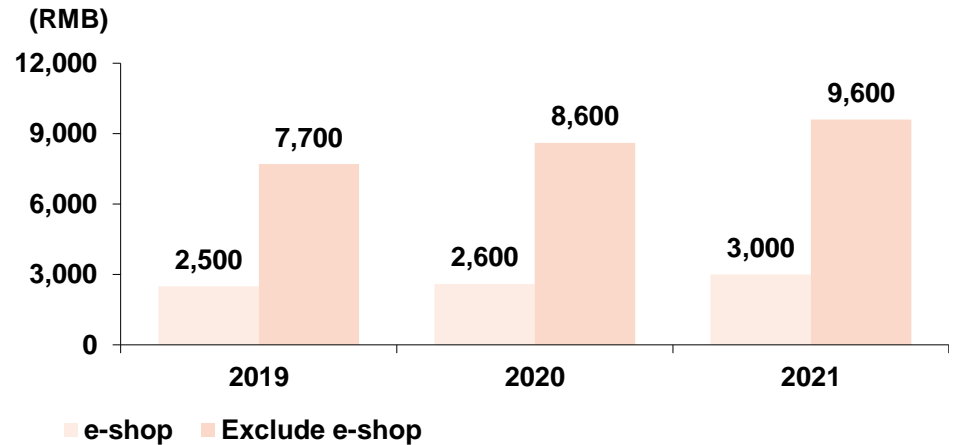


Retail: Change of Average Selling Price

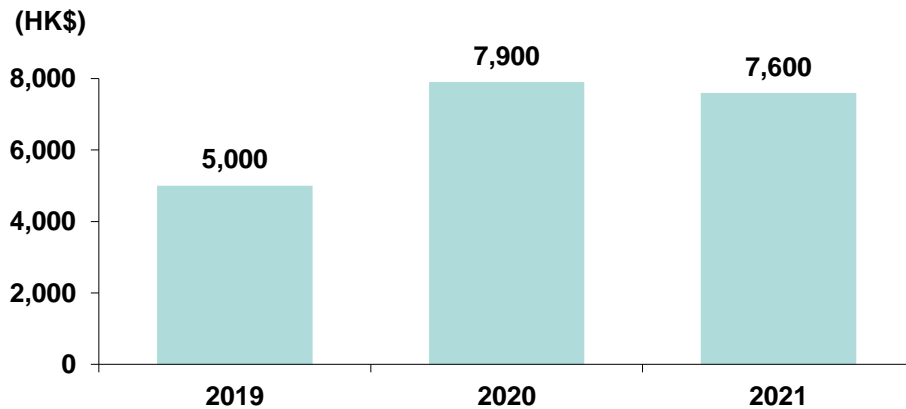
**Mainland China
- Gold jewellery and products**



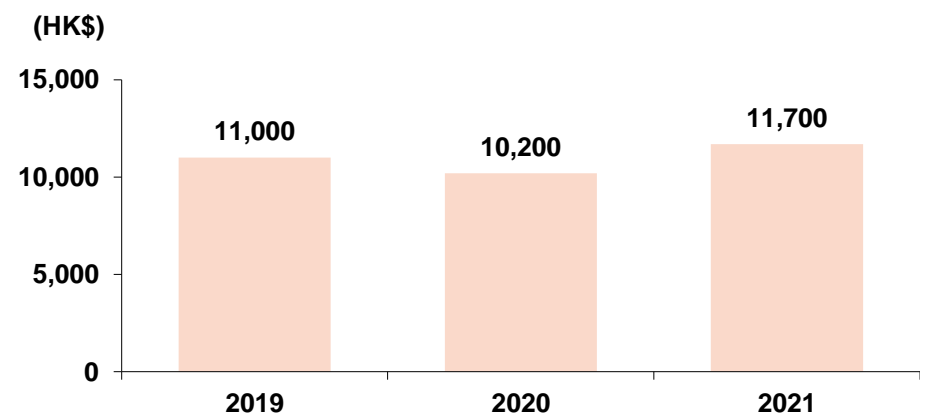
**Mainland China
- Gem-set jewellery**



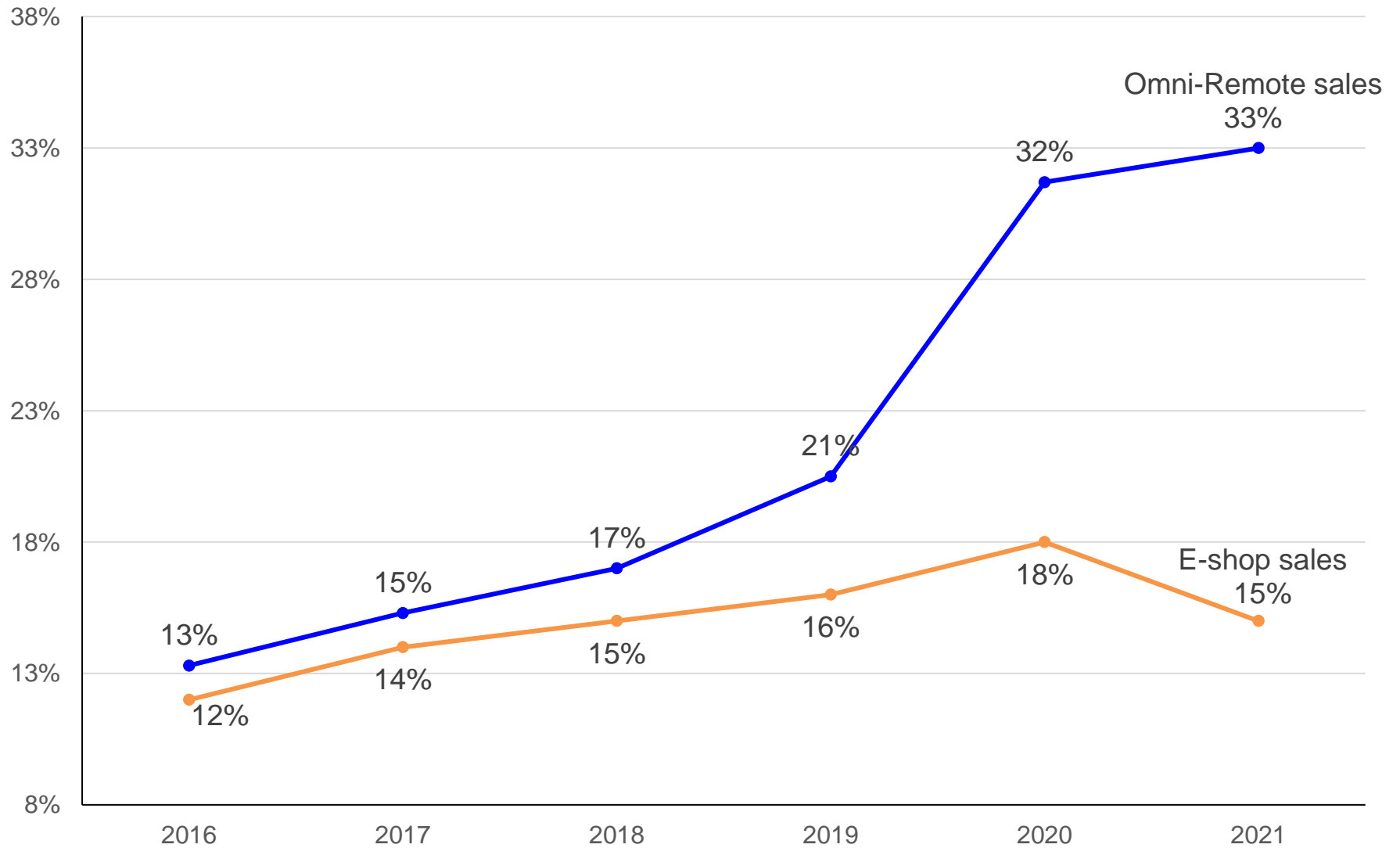
**Hong Kong and Macau
- Gold jewellery and products**



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

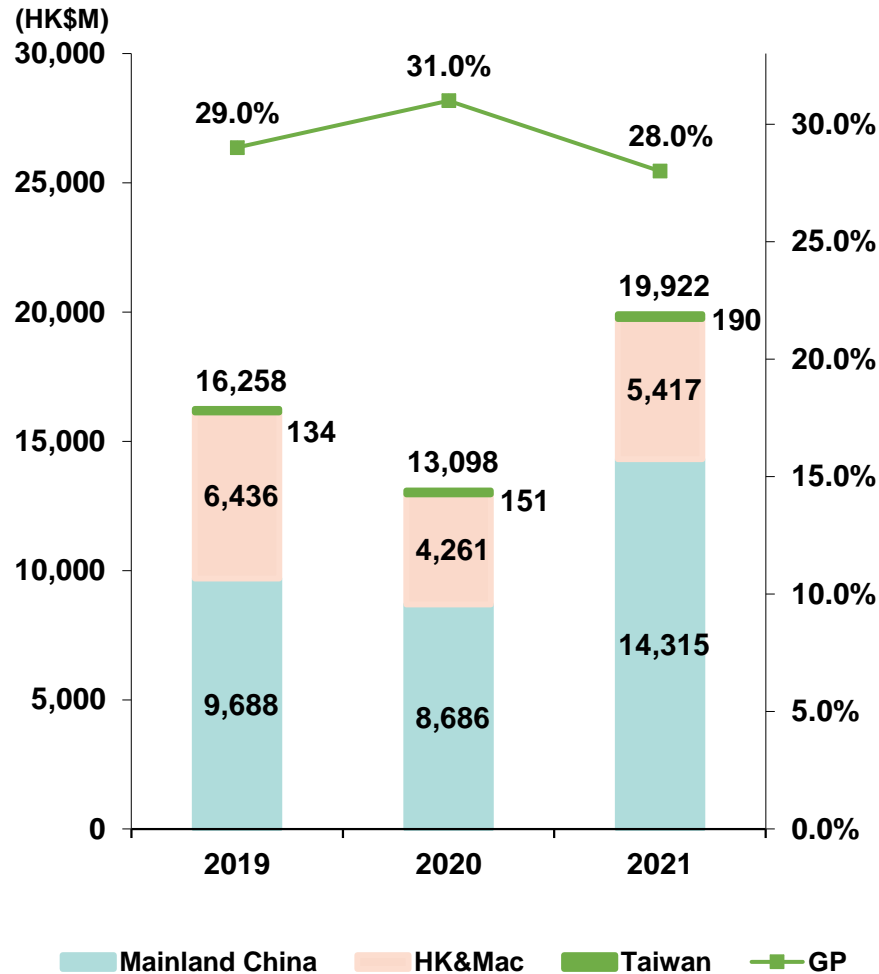


Omni-Remote Sales as a Percentage of Mainland China Sales

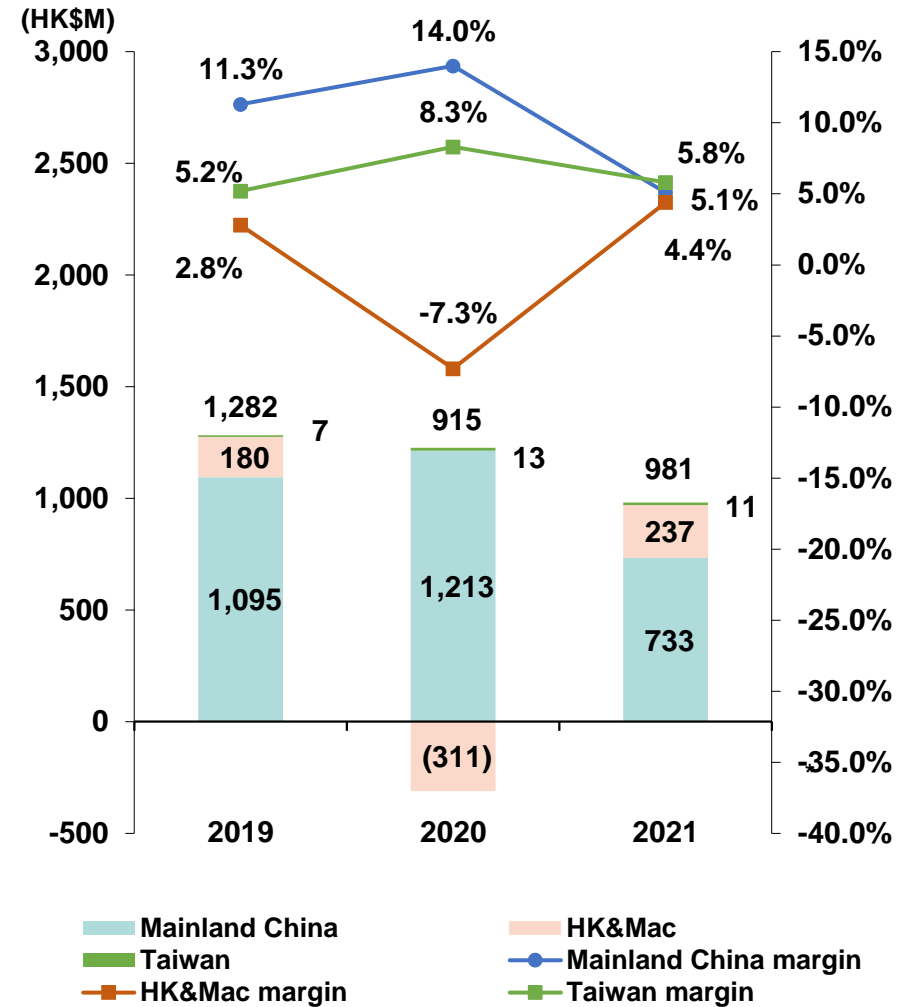


Retail Performance by Geographical Area

Retail segment turnover and GP margin



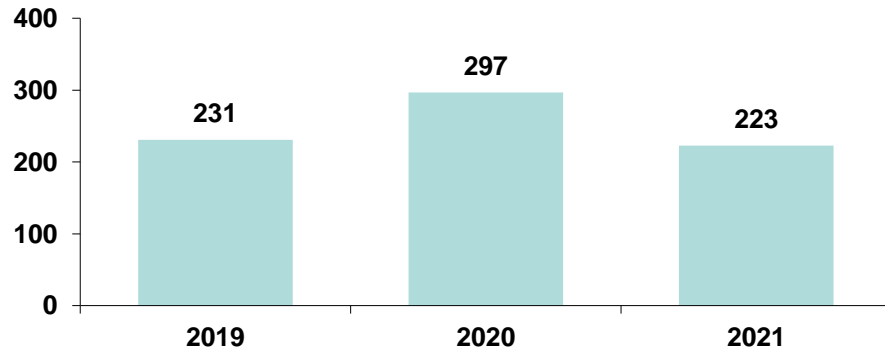
Retail segment results and margin



Working Capital Trends

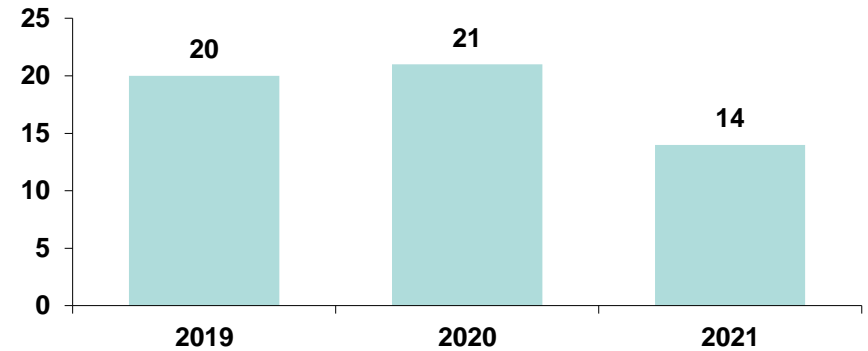
Average inventory turnover days

(No. of Days)



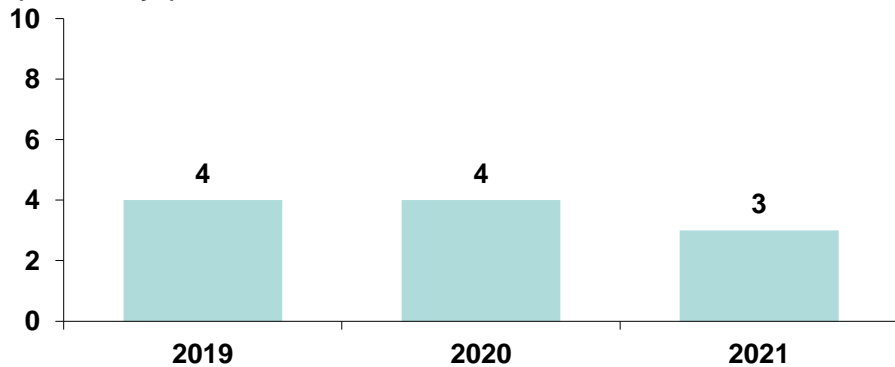
Average receivables turnover days

(No. of Days)



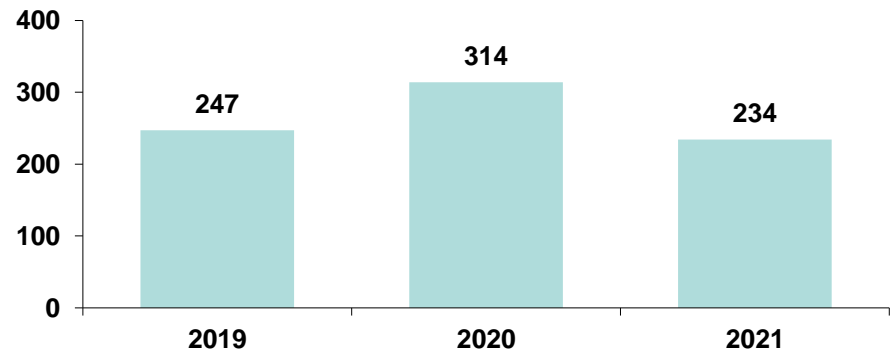
Average payables turnover days

(No. of Days)



Cash conversion cycle

(No. of Days)



Financial Highlights

(HK\$M)	For the year ended			% change
	2019	2020	2021	21 vs 20
	Restated	Restated		
Turnover - Continuing operations	17,712	14,998	21,988	+47%
<i>Retail of jewellery and watches</i>	16,258	13,098	19,922	+52%
<i>Wholesale of precious metals</i>	1,436	1,885	2,033	+8%
<i>Others</i>	18	15	33	+120%
Gross profit - Continuing operations	4,753	4,120	5,556	+35%
Gross profit margin - Continuing operations	26.8%	27.5%	25.3%	
Profit before tax - Continuing operations	1,312	944	1,006	+7%
Profit attributable to owners	644	544	643	+18%
Profit attributable to owners - Continuing operations	999	639	744	+16%
Basic EPS (HK cents)	95.0	80.4	95.0	+18%
Basic EPS - Continuing operations (HK cents)	147.5	94.3	109.8	+16%
Dividend per share (HK cents)	39.0	47.0*	42.0	-11%
Capital expenditure	415	244	397	+63%

*Special final dividend of HK16.0 cents included

Other Financial Information

(HK\$M)

	As at 31 Dec		
	2019	2020	2021
	Restated	Restated	
Cash and cash equivalents	940	1,624	672
Long term listed investments*	901	1,414	1,515
Gearing[#]	22.7%	15.8%	25.2%
Unused banking facilities	3,472	3,513	3,038

* 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 and bullion loans

Business Review

Business Review

Retail - Analysis by Geographic Area

Mainland China

- Revenue for 1H increased by 94% due to pandemic-impacted low base of 2020 1H and new store openings. With a moderate increase of 43% in 2H, full-year segment revenue grew 65%.
- Segment results declined 40% because overall gross margin decreased as the additional margin generated in 2020 by the surging gold price had disappeared and the increase in percentage of gold jewellery sales.
- SSSG narrowed from 102% in 1Q to 40% in 2Q. SSSG declined to 23% in 2H as the low-base factor disappeared. Overall 2021 SSSG amounted to 44%.
- Declining gold price and traditional peak season for gold sales in 1Q, together with reduction in overseas travel boosted domestic consumption led to a significant SSSG for gold jewellery and products in 1H. As the low-base effect receded, SSSG stabilised in 2H.
- Although Personalised Jewellery Service business remained strong and accounted for 42% of diamond jewellery sales, demand for gem-set jewellery was relatively weak.
- Local consumption for Rolex and Tudor remained strong. But SSSG became steady in 2H due to higher base.

Business Review

Retail - Analysis by Geographic Area

Hong Kong and Macau

- Revenue increased by 27% YOY. The easing of the pandemic in 2Q & 3Q, and the release of consumption vouchers in August and October, benefited domestic spending.
- Sales in 1H 2020 were hit hard by the pandemic, resulting in a lower base for 1H 2021, while SSSG in 2H 2021 was driven by positive market conditions. Overall SSSG reached 30%.
- With stabilising local pandemic situation and improving consumer sentiment in 2H, SSSG of gem-set jewellery rebounded as a result of revival of wedding and gifting activities.
- Personalised Jewellery Service business also gave additional impetus to the rebound in gem-set jewellery sales.
- Demand for luxury watches remained exuberant but sales level stabilised in 2H due to a high base.
- Given that 2020 segment results included HK\$170 million impairment losses on right-of-use assets, the recovery in segment revenue in 2021 effectively improved operational efficiency and segment results returned to a profitable position.

Taiwan

- Sales in Taiwan grew at a healthy pace in spite of the pandemic. Revenue grew 26% YOY.
- Encouraging results were achieved from the opening of PROMESSA stores.
- Excluding the factors of gold price and currency fluctuations, segment results grew 122% YOY.

Business Review

Retail - Store Network

- Total store number reached 872 with a net addition of 124 stores. Net store number change for Mainland China, Hong Kong, Macau and Taiwan region are +122, -4, +1 and +5 stores respectively.
- 生生·活字 (Oasis by Chow Sang Sang) has been a key driver in expanding our store network and enhancing our community coverage in Mainland China. Total number of stores increased by more than five-fold to 55 by the end of 2021. More Mainland China stores are being decked out with contemporary interpretations of traditional Chinese motifs.
- In Hong Kong, we continue to rebalance our store network in tourist and local areas.
- We have joined hands with Victoria & Albert Museum in London to create the world's first V&A Chow Sang Sang jewellery concept stores: 1 in Hong Kong and 1 in Macau, in early 2022.
- To strengthen the brand coverage and awareness of PROMESSA, 16 and 3 new PROMESSA stores were opened in Mainland China and Taiwan respectively.



New Store with Traditional Chinese Motifs



V&A Chow Sang Sang Jewellery Concept Store



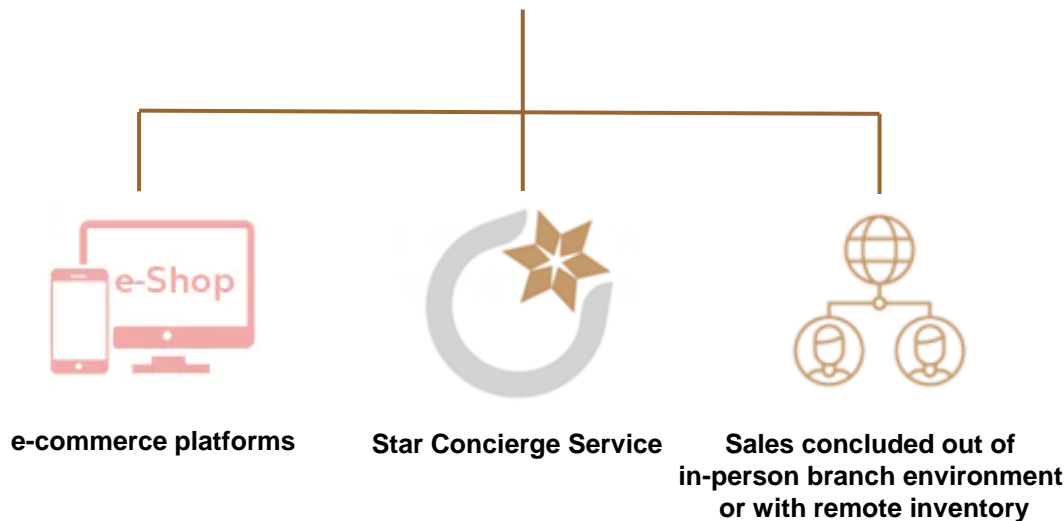
PROMESSA

Business Review

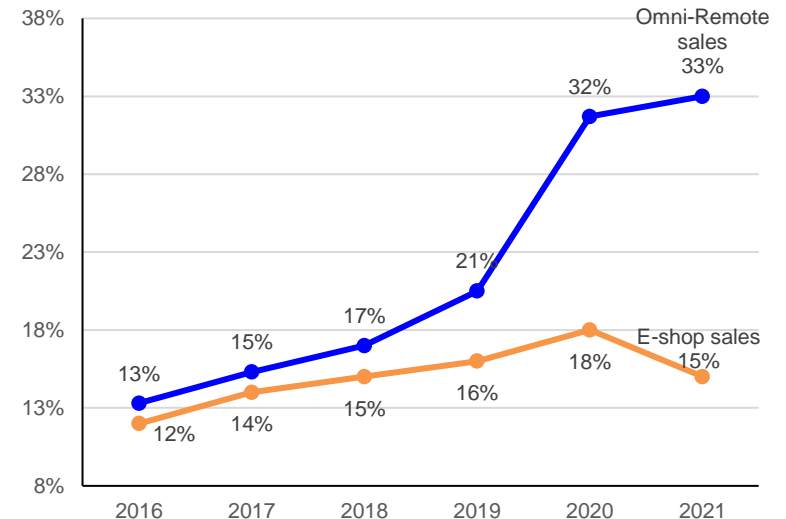
Retail - Omni-Channel Retailing

- In-store sales, sales conducted through various e-commerce platforms, Personalised Jewellery Service and remote inventory sales have integrated online and offline environments to create a seamless customer experience. Its percentage to total sales in Mainland China edged up to 33% (2020: 32%).
- Mainland China online sales grew 42% YOY and exceeded HK\$2 billion. Sales accounted for approximately 15% of overall Mainland China sales (2020: 18%).
- PROMESSA and MINTYGREEN WeChat mini-program e-commerce stores were launched in Mainland China in Jan and Apr respectively. The Group also opened its Chow Sang Sang and MINTYGREEN flagship stores in Douyin live-streaming e-commerce platform in Oct, achieving encouraging results.
- Online sales in Hong Kong, Taiwan and other regions continued to grow 91% YOY. We have been actively exploring overseas markets and expanding sales in other third-party e-commerce platforms.

Omni-Remote Sales



Omni-Remote Sales as a Percentage of Mainland China Sales



Business Review

Retail - Product and Marketing

- Gold ornaments designed with Chinese themes are still the favourite choice of customers. Sales of our “Cultural Blessings” collection delivered prominent growth.
- The new "mini-Charme" products were also well received by customers, driving the overall sales of our signature "Charme" collection.
- We kept on enhancing our Personalised Jewellery Service by launching new designs, new product categories and distinctive services. Customers can virtually examine diamond choices through interactive high resolution videos when creating their own gem-set jewelry.



Cultural Blessings Collection

Mini-Charme



High Resolution Video
for Personalised Jewellery Service



Business Review

Retail - Product and Marketing

- Aiming at attracting young couple clientele, the Group participated in a total of 27 (2020: 10) wedding expos in Mainland China, Hong Kong and Taiwan in 2021.
- Live streaming has become a new trend in omni-channel marketing. We hosted over 7,900 hours (2020: 4,600 hours) of live shows across multiple e-commerce platforms in 2021.
- Chow Sang Sang has been awarded “the Enterprise of the Year” in the Dingge – Digital Transformation Awards 2021, organised by Harvard Business Review and SAP, in recognition of our digital transformation, omni-channel strategy and the pursuit of enhancing customer experience through technology.

Dingge – Digital Transformation Awards 2021
“Enterprise of the Year”



Chow Sang Sang Flagship Store
in Douyin live-streaming platform



Business Review

Other Business Segments

Wholesale of Precious Metals

- Percentage of other precious metals wholesale versus that of gold and platinum increased further and gave rise to higher gross margin.
- Turnover increased by 8% to HK\$2,033 million and segment operating profit increased by 57% to HK\$18 million.

E-commerce Platform for Lab-Grown Diamond Jewellery

- An e-commerce platform at www.thefuturerocks.com has been created for the trading of jewellery that are set with laboratory-grown diamond.
- It connects consumers with select jewellery brands from the USA, the UK, Israel, Japan and other countries. The business is run as an entity separate from the Chow Sang Sang network.

Securities and Futures Broking – the discontinued operation

- The business has since early May 2021 ceased operation, save the processing assets yet-to-be reclaimed by customers. 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 obtained.
- Provisions for impairment losses on margin loans totalling HK\$93 million and HK\$44 million were made for the years ended 31 Dec 2021 and 2020 respectively. As at 31 Dec 2021, total loans due from the customers in default, net of total credit loss allowance, amounted to HK\$155 million.

Strategy Outline

Strategy Outline

Jewellery and Watch Store Expansion

- Continue to expand store network selectively and cautiously
- Implement multi-brand strategy and target to appeal to different groups of clientele
- Continue to rebalance our store network in tourist and local areas in Hong Kong to better serve local customers and provide new customer experience
- Expect the number of net store additions to be around 100 in 2022

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
- Optimise our Personalised Jewellery Service to complement and synergise with our omni-channel retailing
- Expand live streaming e-commerce

Product and Marketing

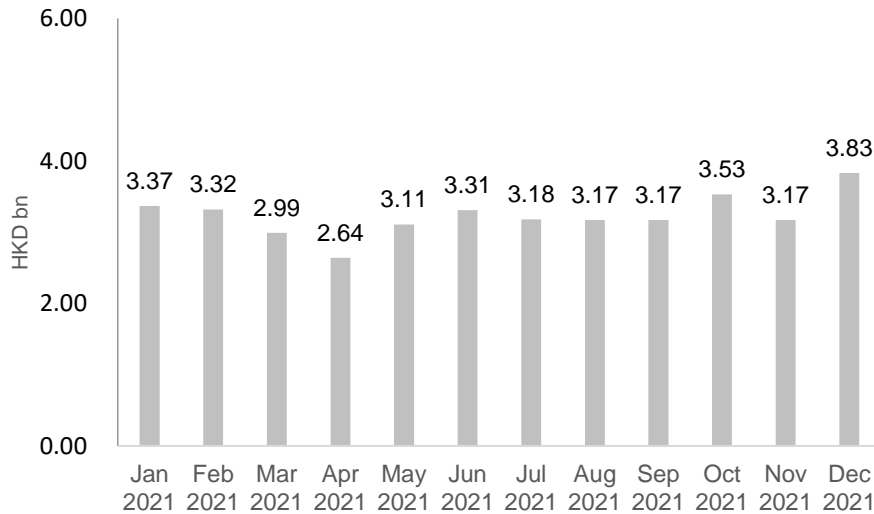
- Keep on launching new designs, new product categories and distinctive services for our Personalised Jewellery Service
- Expand product collections embodying heritage and cultural themes
- Engage customers through streaming shows, participation in wedding expos and other promotion channels

Q&A Session

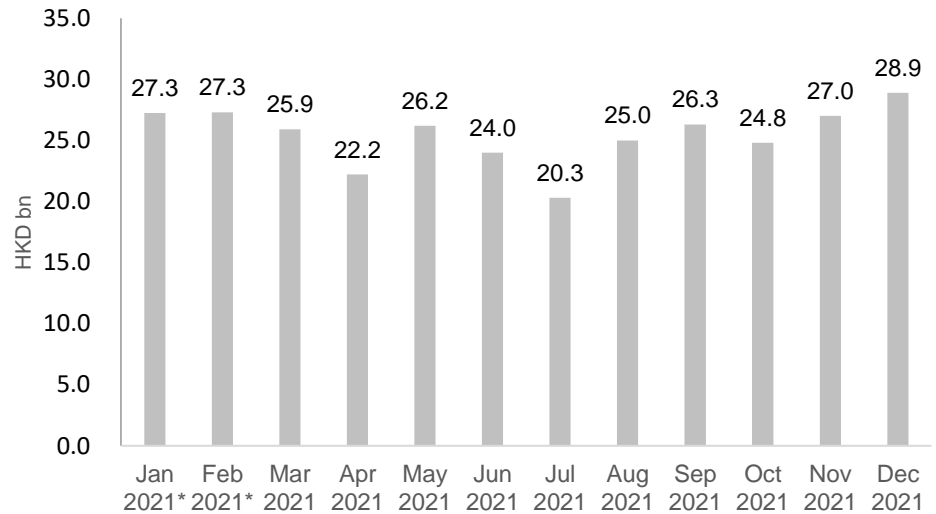
Appendix

Industry Analysis – Hong Kong and Mainland China

**Value of retail sales of FY2021
Hong Kong Jewellery, Watches and Clocks, and Valuable Gifts**



**FY2021
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 FY2021 was HKD38.77 billion, increase of 27.3% compared with HKD30.46 billion in FY2020, according to HK Census and Statistics Department.

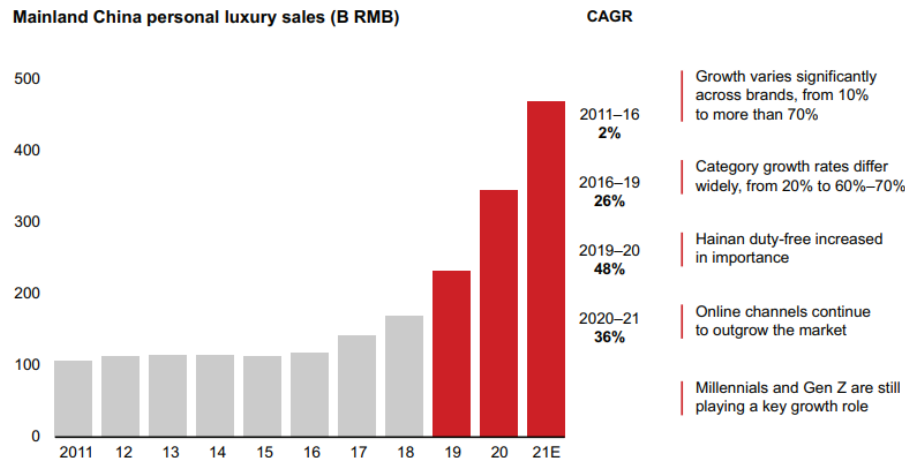
Retail sales for jewellery products in Mainland China were RMB304.1 billion in FY2021, increased 27.9%, compared with RMB237.6 billion in FY2020, according to the data from National Bureau of Statistics of People's Republic of China.

* 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 2021 were investigated and released together. Here the data is evenly divided as RMB27.3 billion.

Industry Analysis – Mainland China Luxury Market Overview

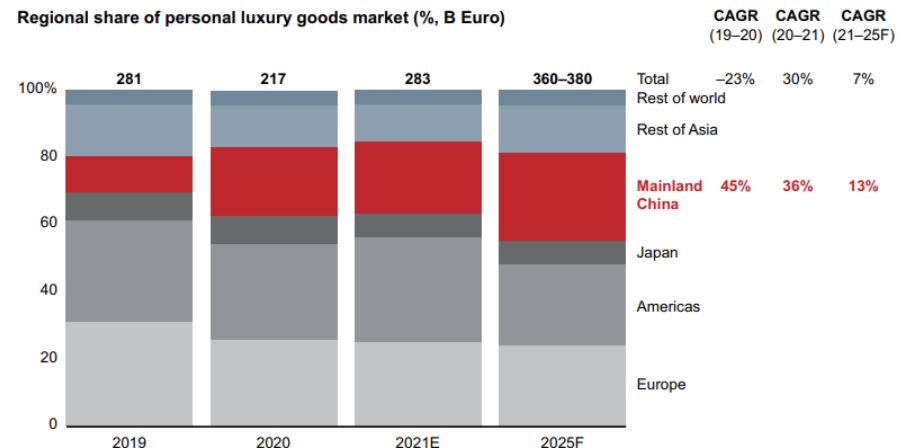
- In 2021, Mainland China’s luxury market continued the double-digit growth trends of 2020, putting the country on pace to become the world’s largest luxury market by 2025.
- Even as the global luxury market regained 2019 levels, Chinese consumers continued to shop mostly in the mainland, given limited international travel options. Following a 48% increase in 2020, China’s domestic sale of personal luxury goods grew 36% in 2021, totaling nearly RMB 471 billion (see Figure 1).
- Globally, Mainland China’s share of the luxury market grew from about 20% in 2020 to approximately 21% in 2021 (see Figure 2). Bain & Company anticipates this growth to continue, putting the country on track to become the world’s largest luxury goods market by 2025—regardless of future international travel patterns.

Figure 1: China’s personal luxury market grew an estimated 36% in 2021



Note: Hainan island’s duty-free sales are part of mainland China luxury sales
 Source: Bain-Altgamma 2021 Worldwide Luxury Market Monitor; expert interview; Lit research; Bain analysis

Figure 2: Mainland China’s increasing share of the global personal luxury goods market has put it on the path to becoming the biggest luxury market by 2025



Note: Mainland China 2019–20 growth rate 45% and 2020-21 growth rate 36% are in current exchange rate in 2020 and 2021 respectively
 Source: Bain-Altgamma 2021 Worldwide Luxury Market Monitor; Bain analysis

Source :
 Bain & Company

- “A Year of Contrasts for China’s Growing Personal Luxury Market” <https://www.bain.com/insights/a-year-of-contrasts-for-chinas-growing-personal-luxury-market/> ; https://www.bain.com/globalassets/noindex/2022/bain_brief_a_year_of_contrasts_for_chinas_growing_personal_luxury_market.pdf

Thank you