



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

2022 Interim Results Presentation

August 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

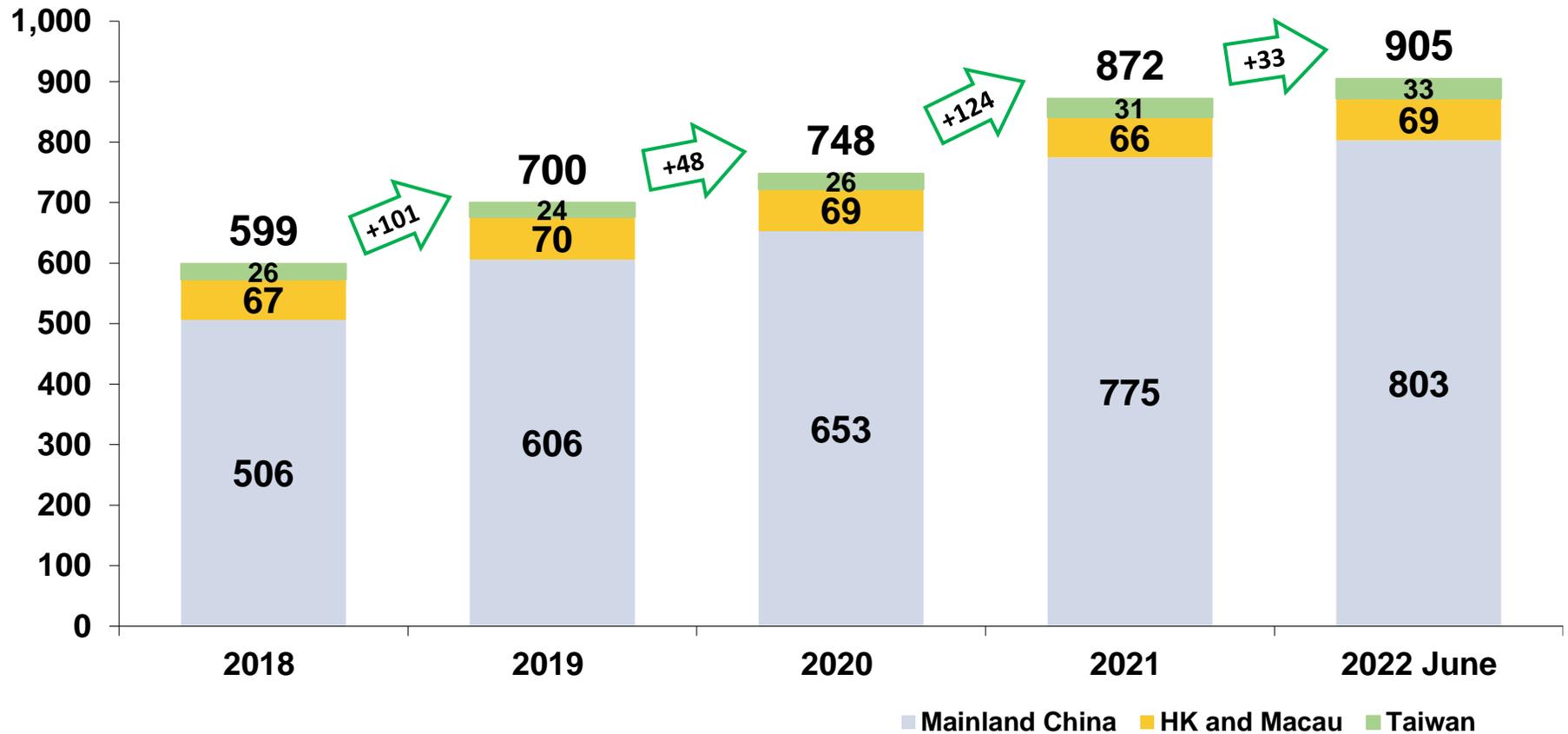
Store Count by Brand

Region		As at 31 Dec 2021	Opening	Closure	Net change	As at 30 Jun 2022
Mainland China	Chow Sang Sang	635	33	15	+18	653
	周生生 生生•活字 (Oasis by Chow Sang Sang)	55	7	3	+4	59
	Rolex/Tudor	13	0	0	0	13
	MINTYGREEN	34	5	2	+3	37
	EMPHASIS	19	0	1	-1	18
	PROMESSA	18	4	0	+4	22
	MARCO BICEGO	1	0	0	0	1
Sub-total:		775	49	21	+28	803
Hong Kong	Chow Sang Sang	44	1	1	0	44
	Rolex/Tudor	11	0	0	0	11
	EMPHASIS	5	0	0	0	5
	PROMESSA	1	1	0	+1	2
Sub-total:		61	2	1	+1	62
Macau	點睛品	5	2	0	+2	7
Sub-total:		5	2	0	+2	7
Taiwan	點睛品	27	2	0	+2	29
	PROMESSA	4	0	0	0	4
Sub-total:		31	2	0	+2	33
Total:		872	55	22	+33	905

Jewellery and Watch Store Expansion

Increasing no. of stores in Mainland China

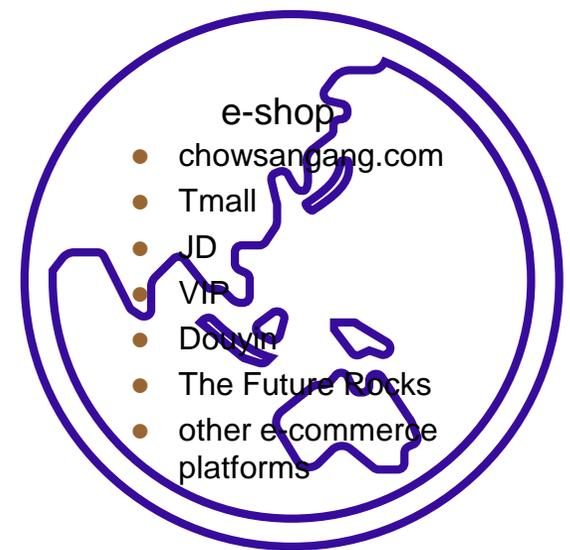
(No. of Stores)



Jewellery and Watch Store Network as at 30 Jun 2022



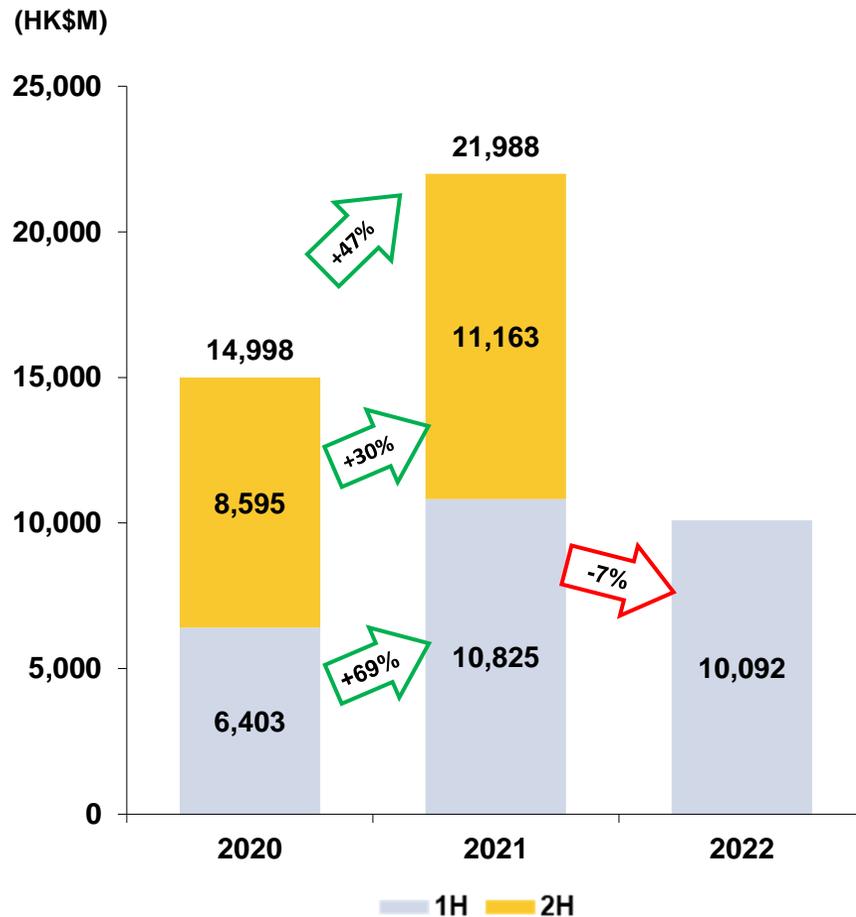
Mainland China			
Region	Number of stores	City tier	Number of stores
North	181	1	160
East	206	2	451
South	282	3	129
West	134	4	63
Total	803	Total	803



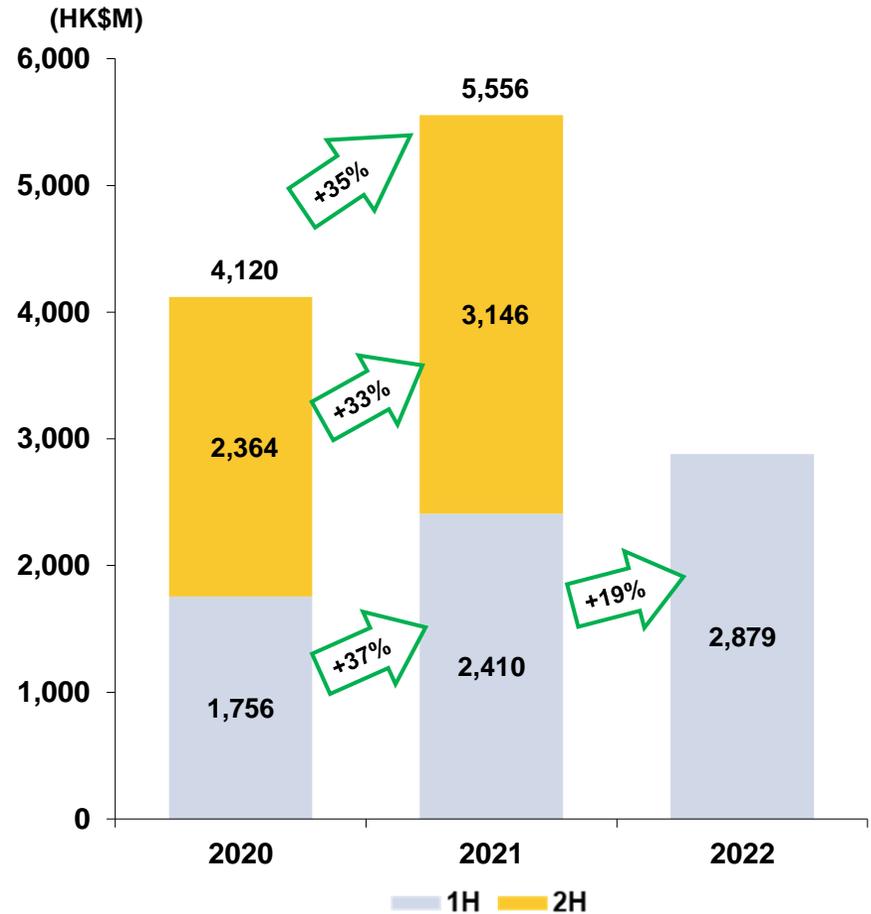
Financial Highlights

Group Operating Performance

Turnover – Continuing operations

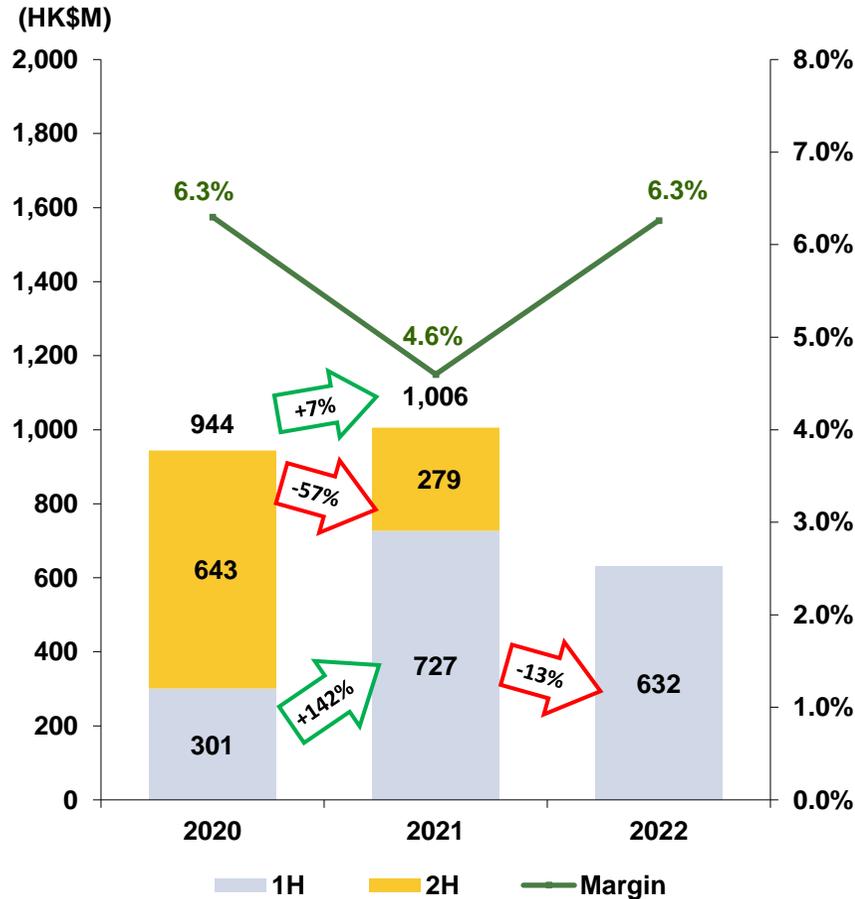


Gross profit – Continuing operations

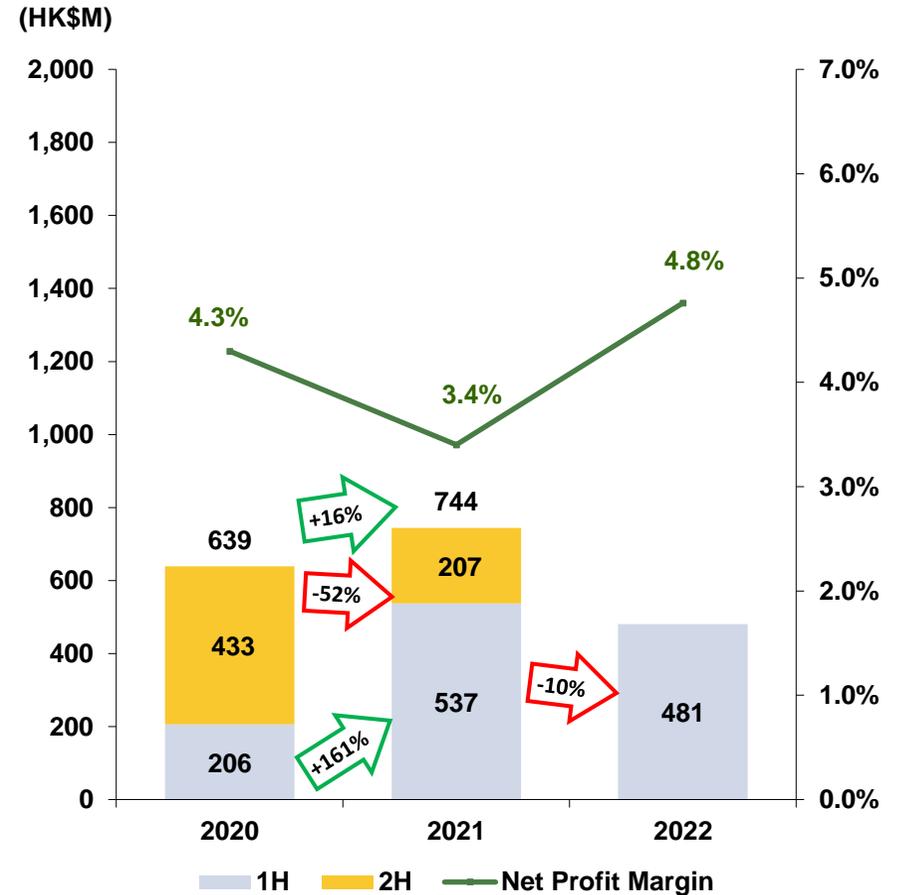


Group Operating Performance (Cont'd)

Profit before tax – Continuing operations

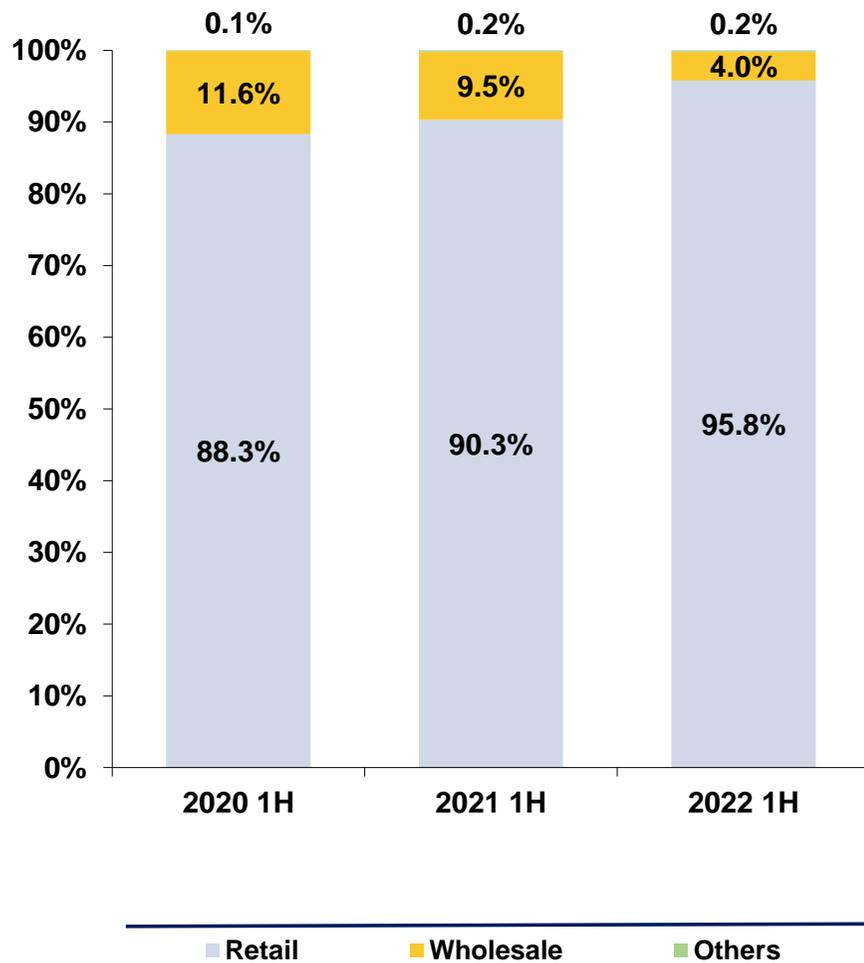


Profit attributable to owners – Continuing operations

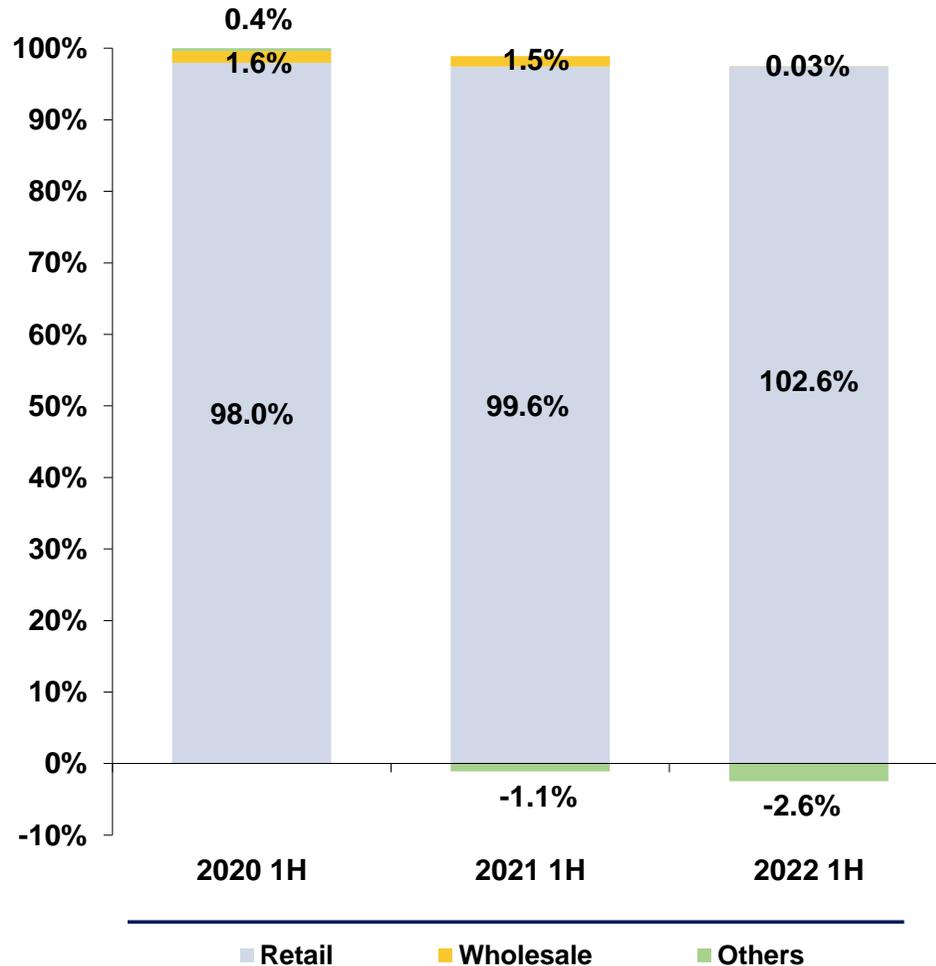


Group Operating Results by Segment

Turnover breakdown – Continuing operations



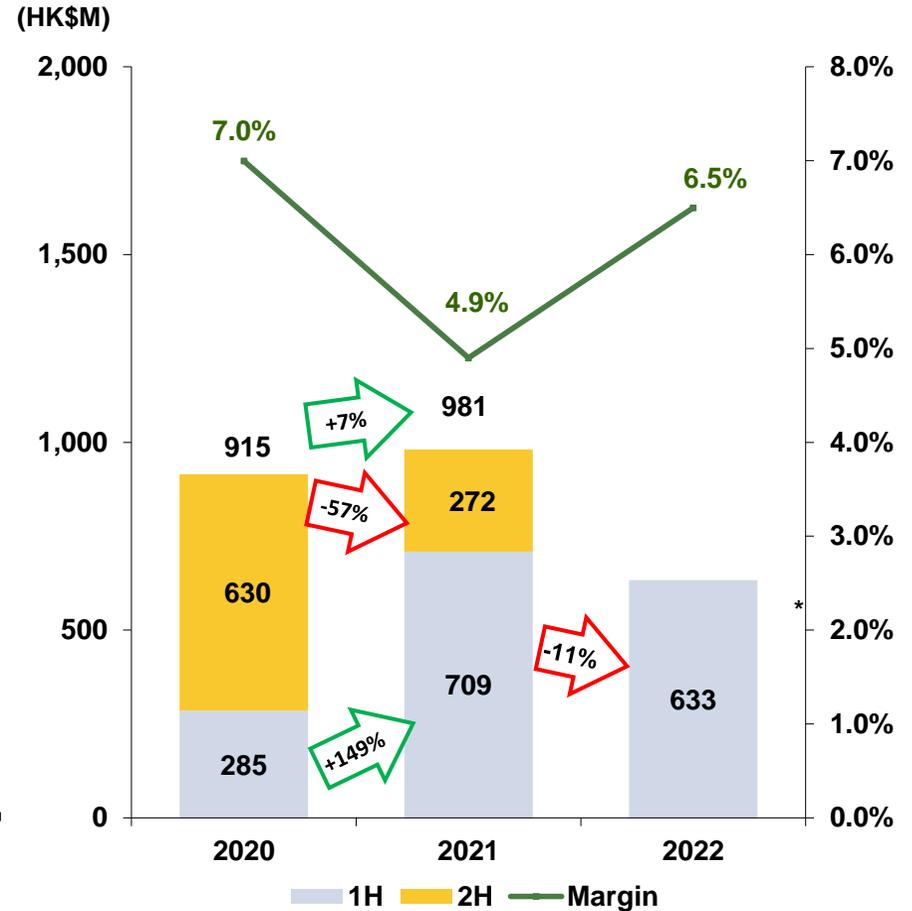
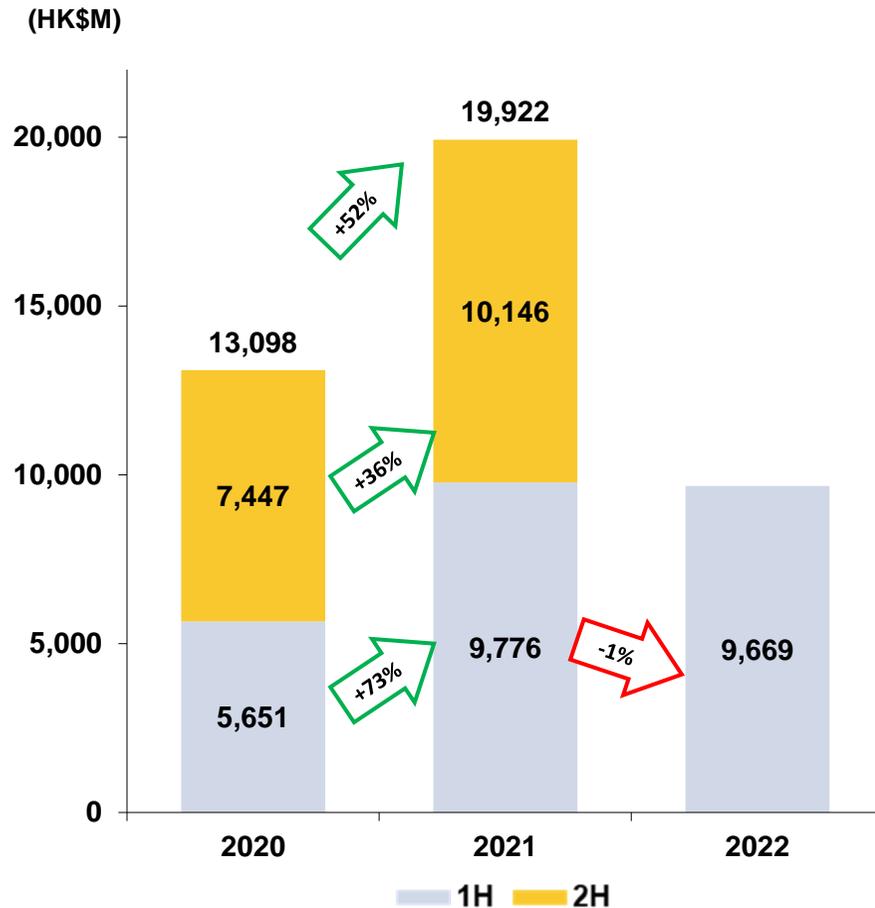
Results breakdown – Continuing operations



Jewellery and Watch Retail Performance

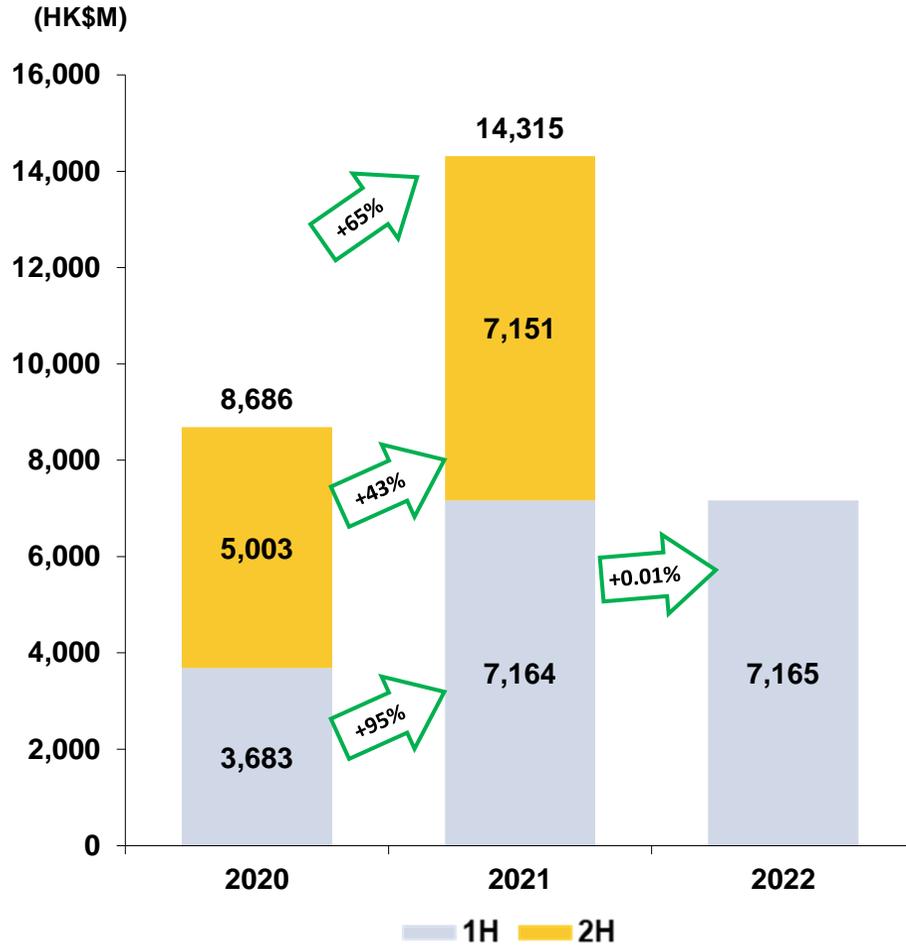
Turnover

Operating results

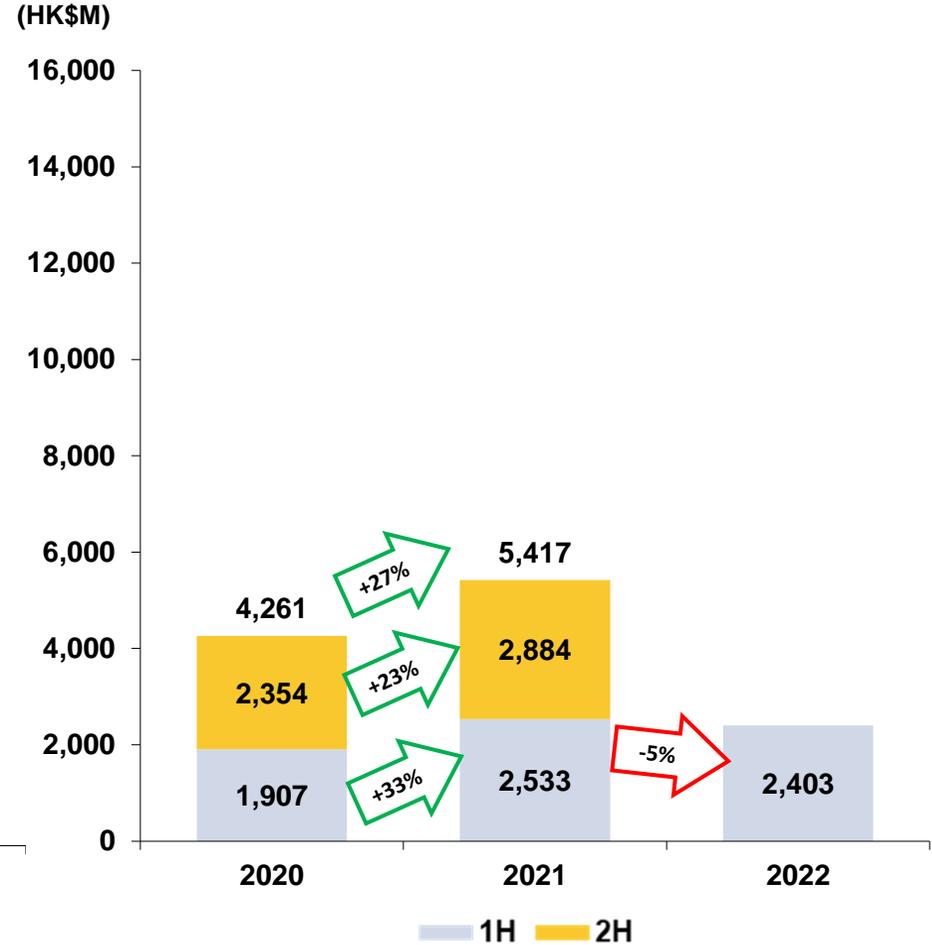


Jewellery and Watch Retail Performance

Mainland China retail turnover



HK & Macau retail turnover

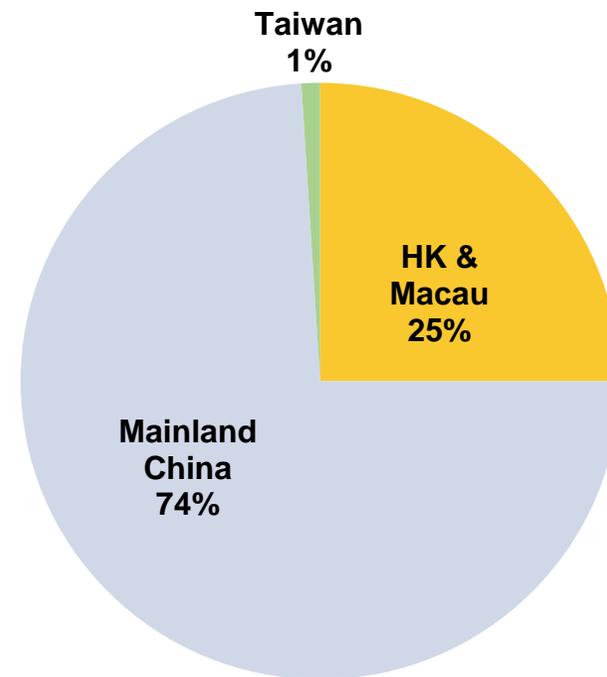
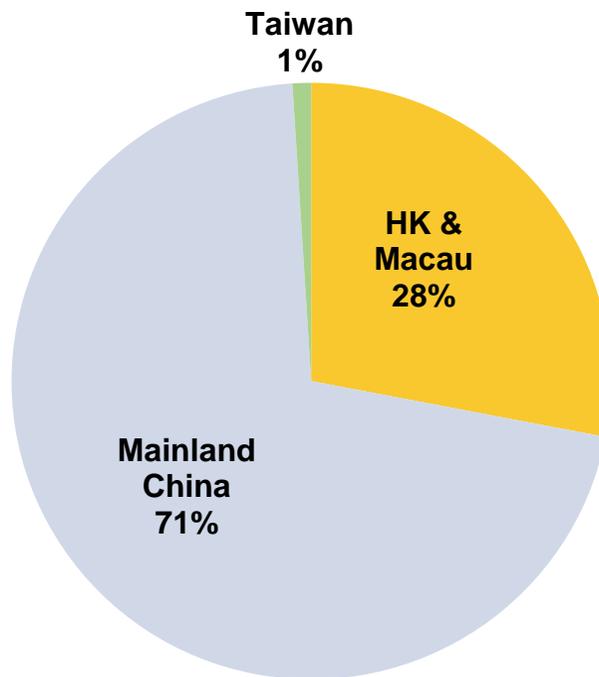
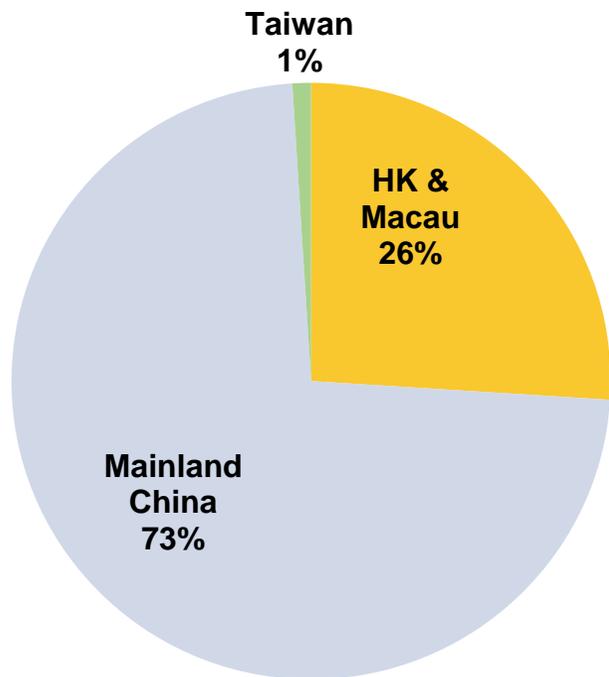


Retail Turnover by Geographical Area

2021 1H

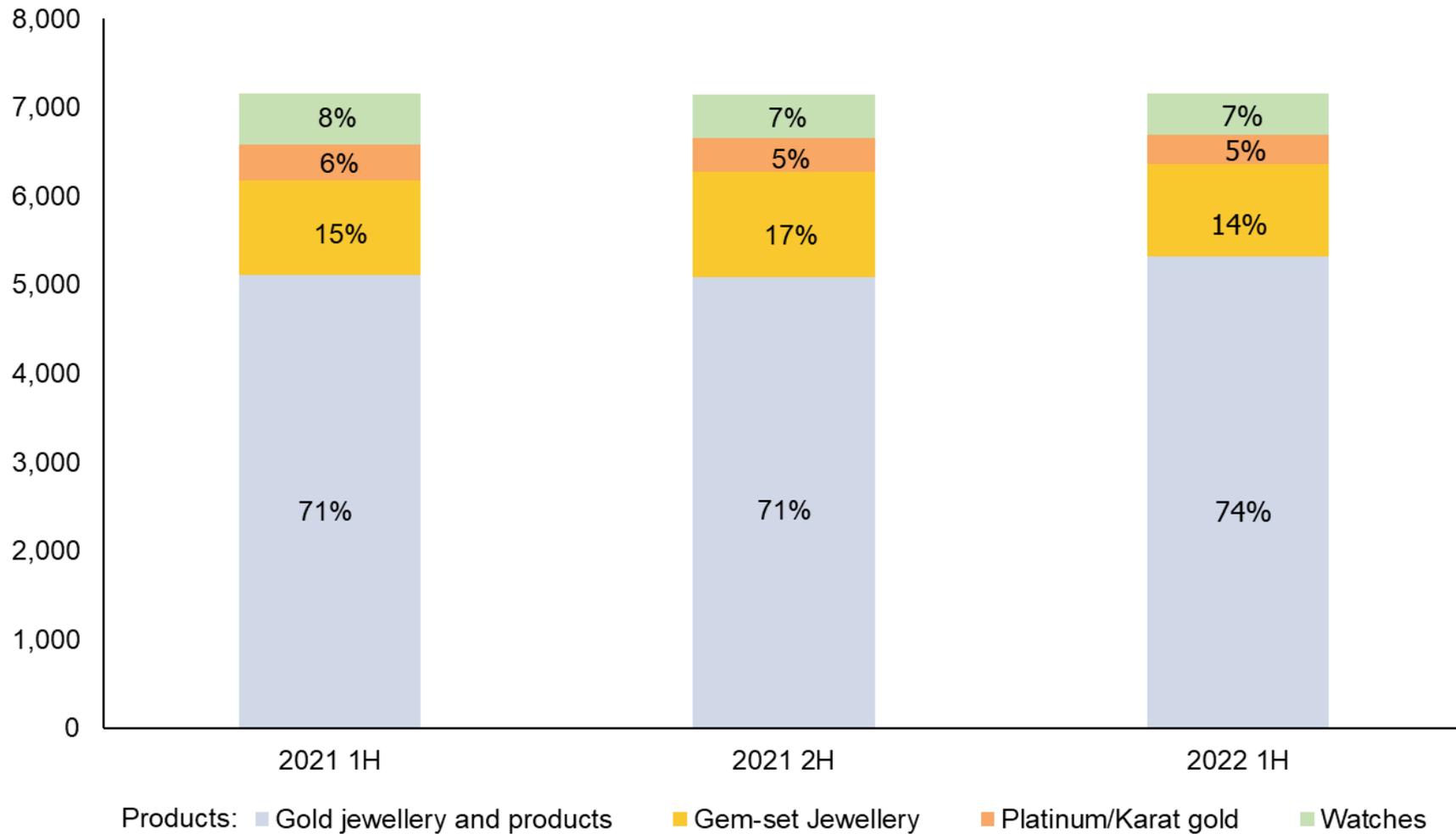
2021 2H

2022 1H



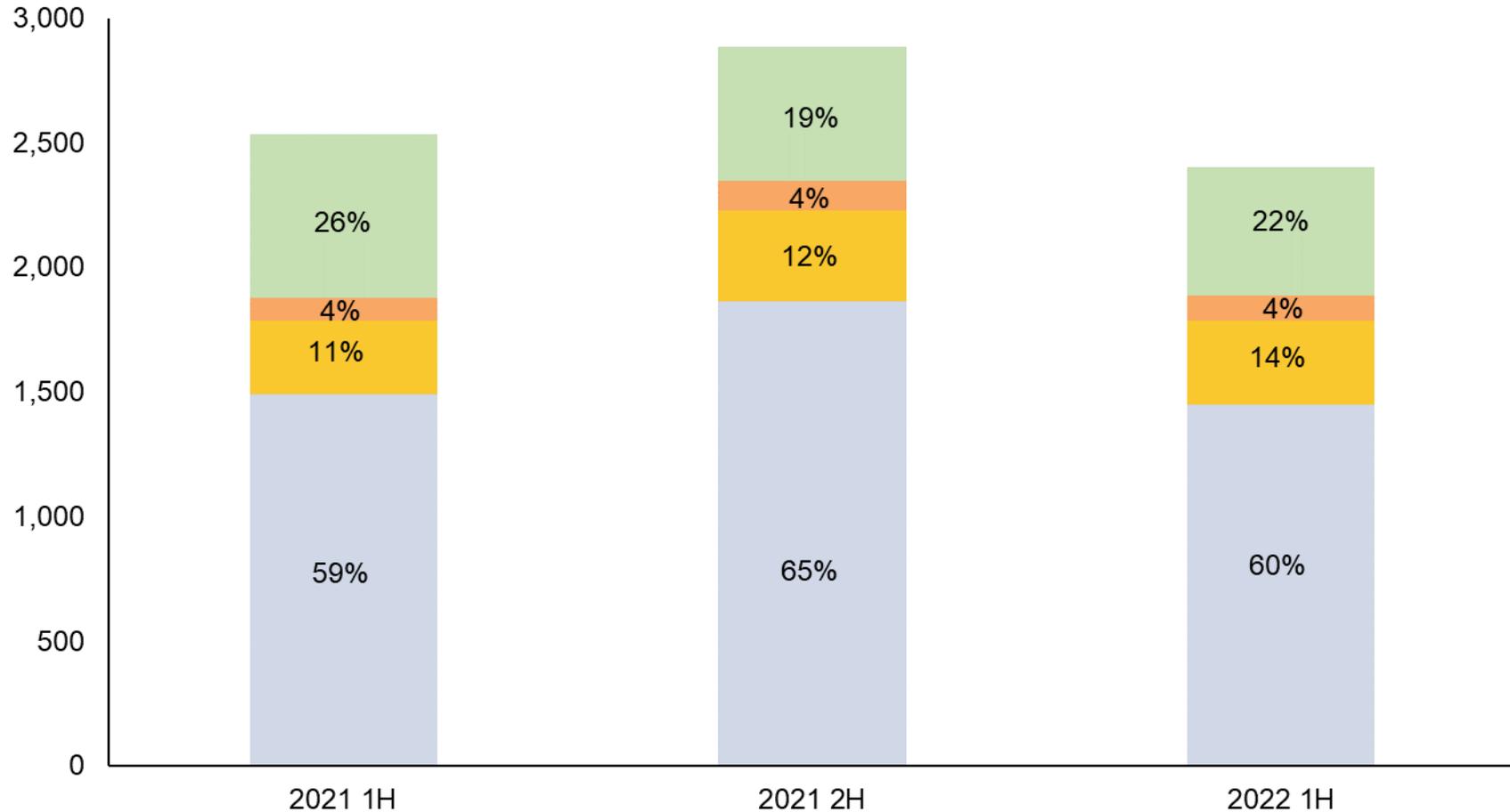
Mainland China Retail Sales Mix

(HK\$M)



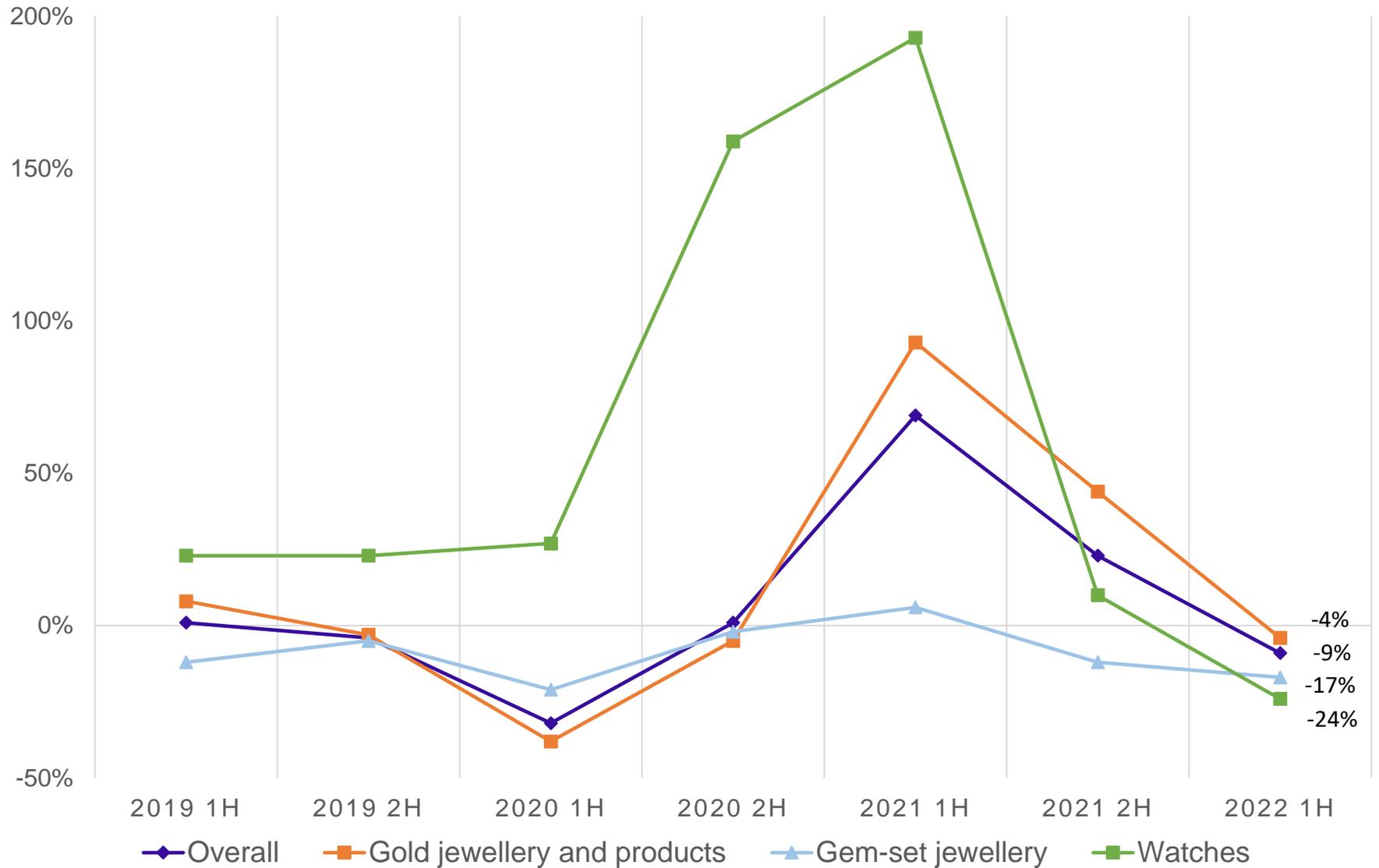
Hong Kong and Macau Retail Sales Mix

(HK\$M)

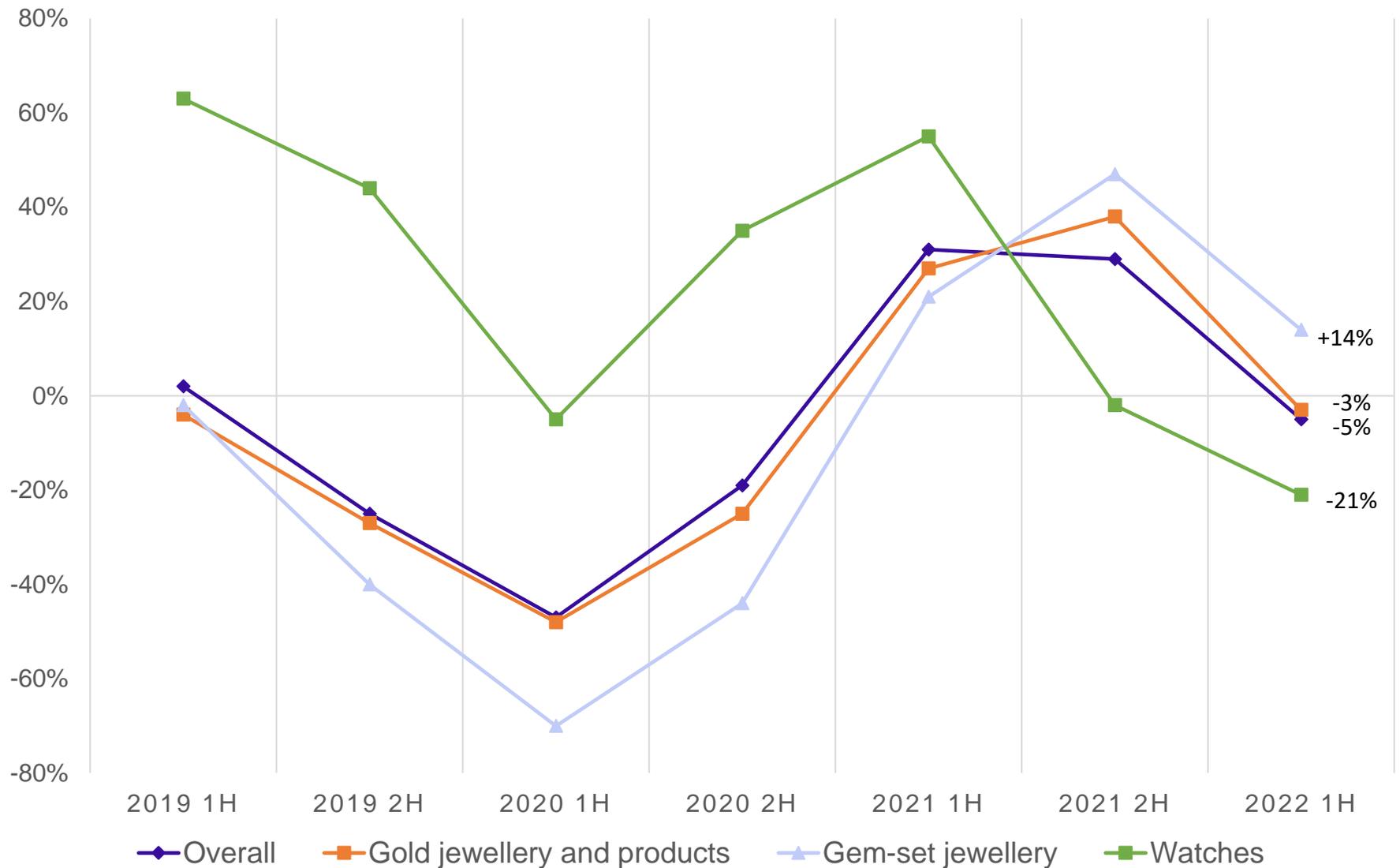


Products: ■ Gold jewellery and products ■ Gem-set Jewellery ■ Platinum/Karat gold ■ Watches

Mainland China Retail SSSG

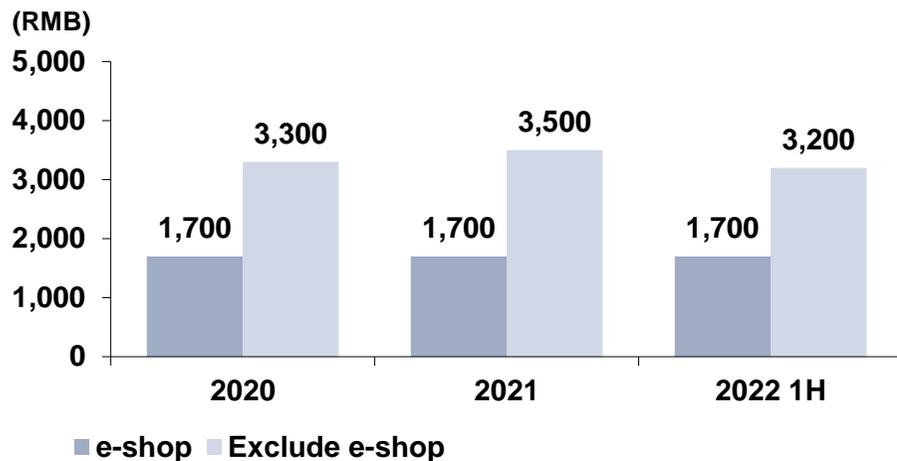


Hong Kong and Macau Retail SSSG

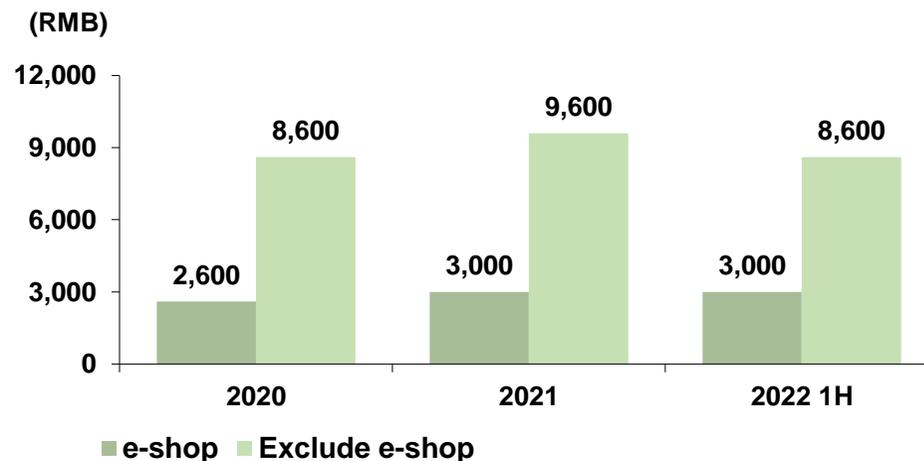


Retail: Change of Average Selling Price

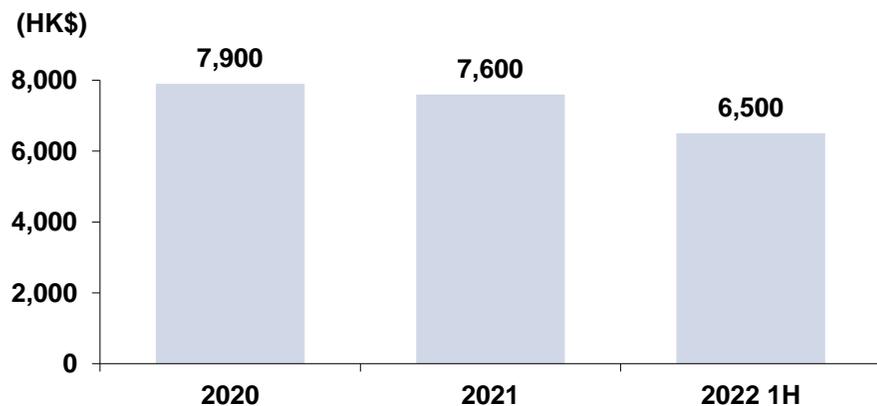
**Mainland China
- Gold jewellery and products**



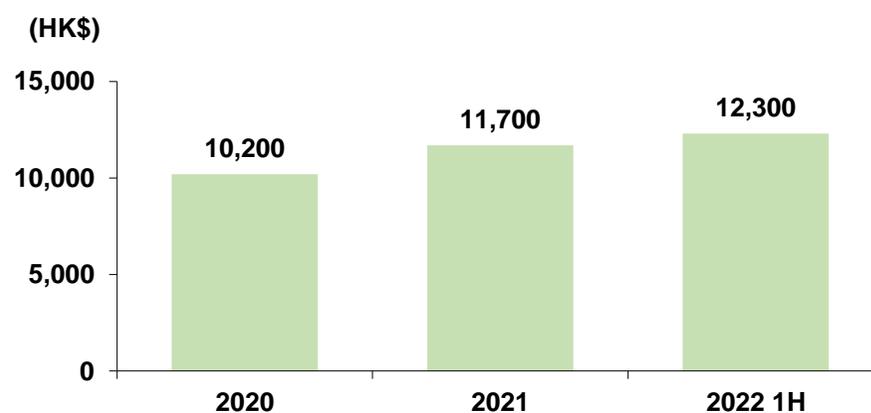
**Mainland China
- Gem-set jewellery**



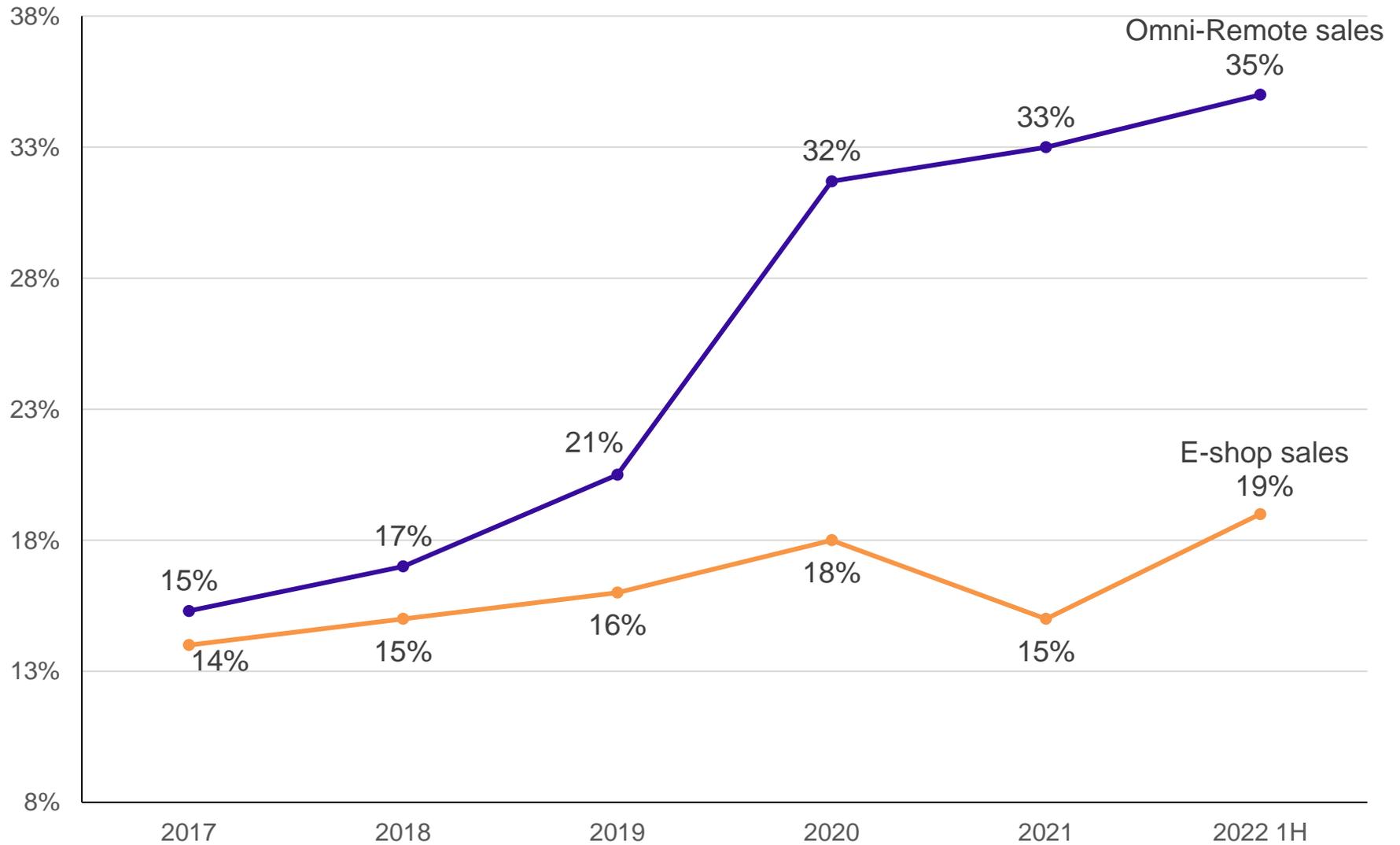
**Hong Kong and Macau
- Gold jewellery and products**



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

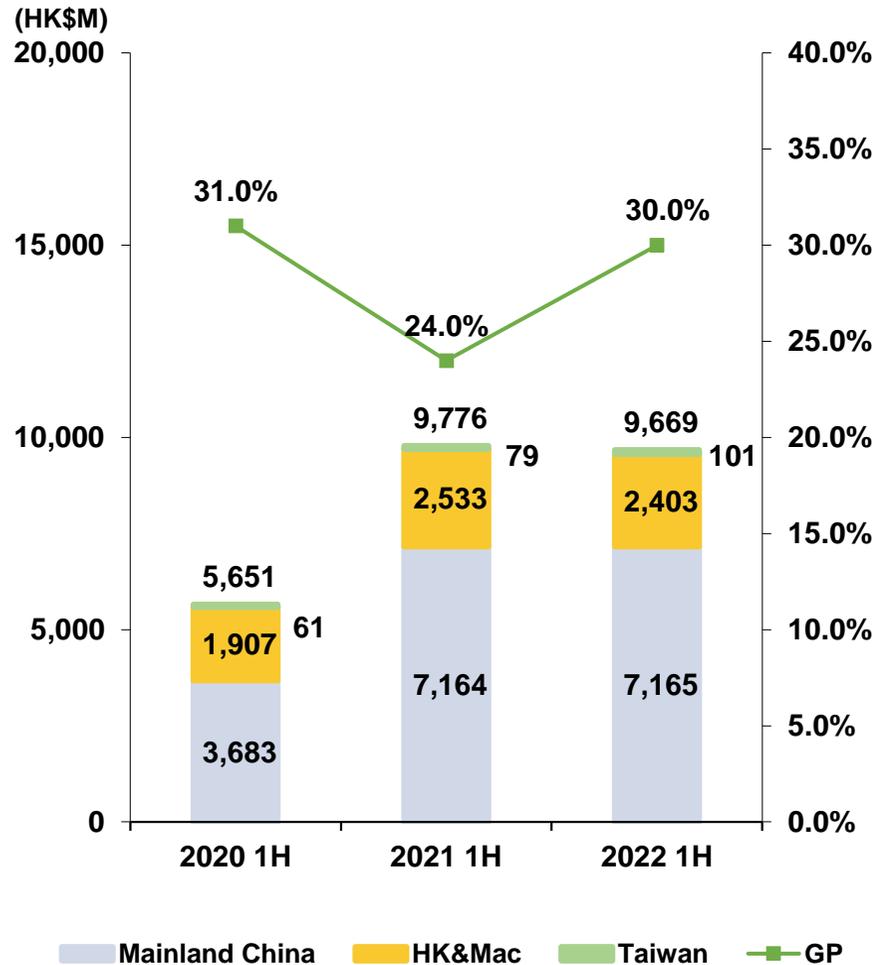


Omni-Remote Sales as a Percentage of Mainland China Sales

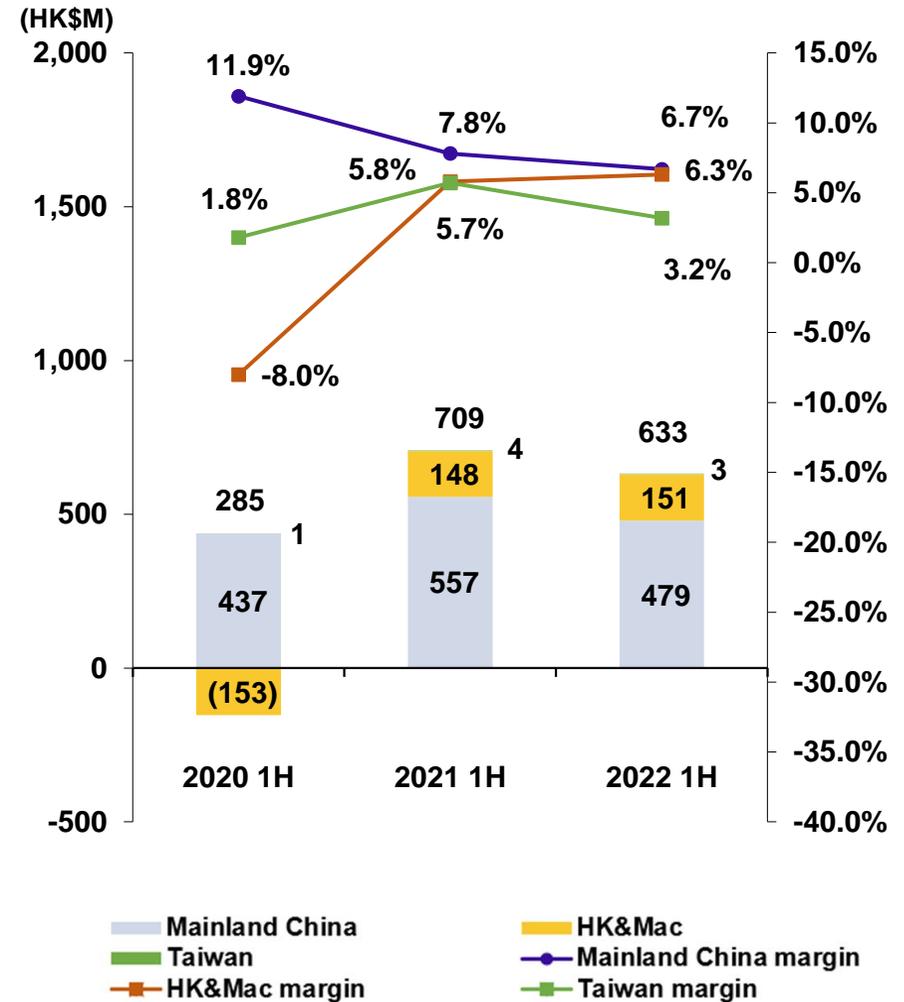


Retail Performance by Geographical Area

Retail segment turnover and GP margin



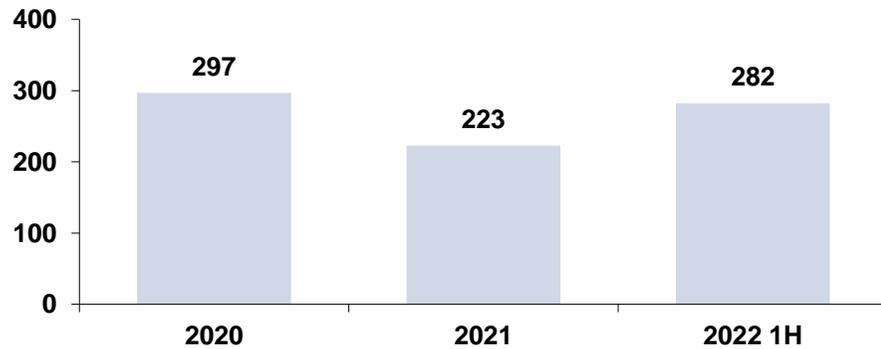
Retail segment results and margin



Working Capital Trends

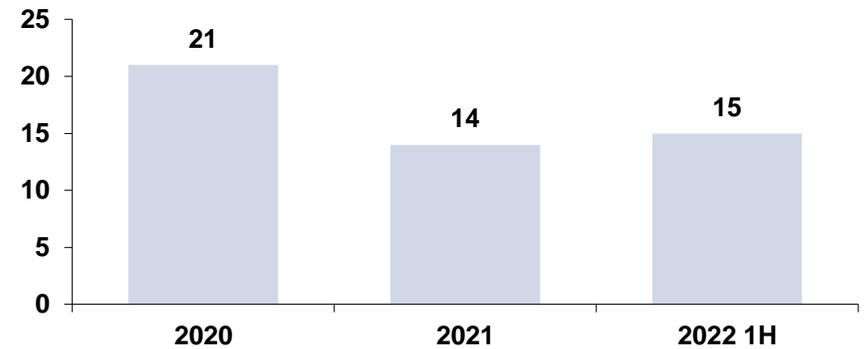
Average inventory turnover days

(No. of Days)



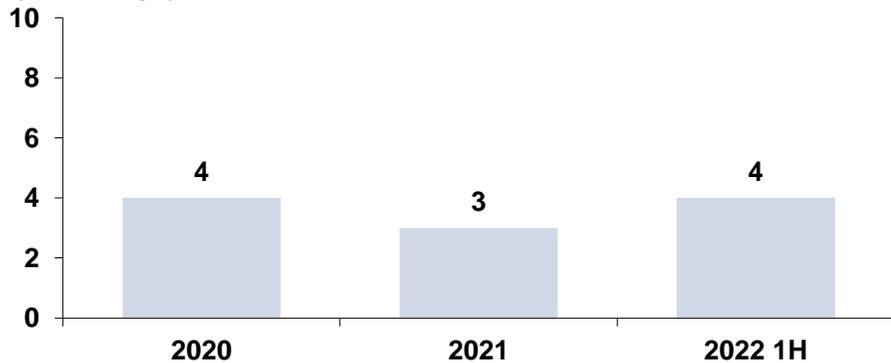
Average receivables turnover days

(No. of Days)



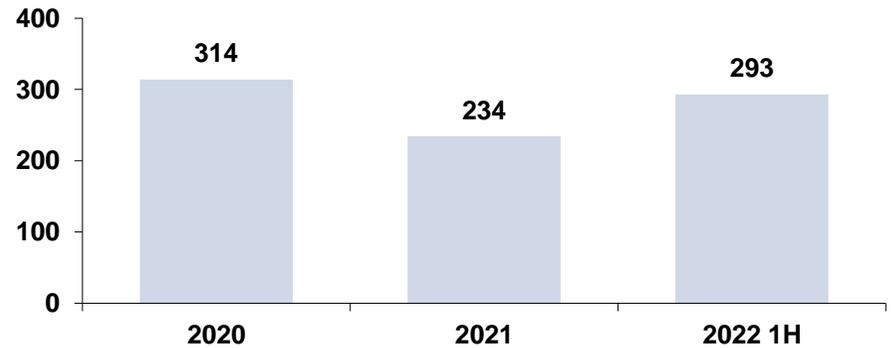
Average payables turnover days

(No. of Days)



Cash conversion cycle

(No. of Days)



Financial Highlights

(HK\$M)	Six months ended 30 June			% change
	2020	2021	2022	22 vs 21
	Restated			
Turnover - Continuing operations	6,403	10,825	10,092	-7%
<i>Retail of jewellery and watches</i>	5,651	9,776	9,669	-1%
<i>Wholesale of precious metals</i>	744	1,031	404	-61%
<i>Others</i>	8	18	19	+6%
Gross profit - Continuing operations	1,756	2,410	2,879	+19%
Gross profit margin - Continuing operations	27.4%	22.3%	28.5%	
Profit before tax - Continuing operations	301	727	632	-13%
Profit attributable to owners	211	536	472	-12%
Profit attributable to owners - Continuing operations	206	537	481	-10%
Basic EPS (HK cents)	31.2	79.1	69.6	-12%
Basic EPS - Continuing operations (HK cents)	30.5	79.3	71.0	-10%
Dividend per share (HK cents)	5.0	14.0	15.0	+7%
Capital expenditure	93	113	148	+31%

Other Financial Information

(HK\$M)

	As at		
	Dec-31		Jun-30
	2020	2021	2022
	Restated		
Inventories	8,775	11,343	11,109
Cash and cash equivalents	1,624	672	911
Long term listed investments*	1,414	1,515	1,284
Gearing[#]	15.8%	25.2%	27.2%
Unused banking facilities	3,513	3,038	3,770

* Long term listed investments represents HKEC 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

- The new wave of pandemic erased the upward sales momentum generated by the 2022 Spring Festival. Large-scale crowd-control measures were implemented in areas of Mainland China which seriously affected retail and logistics activities, especially in Eastern China.
- The impact of the pandemic was partially offset by increased revenue from new store openings giving rise to approximately the same level of sales in 1H in 2021 and 2022. Segment results were down 14% YOY.
- Overall SSSG expanded from -6% in 1Q to -14% in 2Q. Overall SSSG in 1H of 2022 fell 9% YOY.
- Gold jewellery is prized for its beauty and its perceived role as a storage of value. Sales remained solid under the pandemic.
- Diamond jewellery sales, particularly sales of high unit price diamond jewellery from Personalised Jewellery Service, declined significantly in 2Q, resulting in downward pressure on SSSG of gem-set jewellery.
- Stringent anti-epidemic measures in Mainland China hindered the supply, thus stifling the sales of Rolex and Tudor watches.

Business Review

Retail - Analysis by Geographic Area

Hong Kong and Macau

- Following the outbreak of the fifth wave of pandemic after Chinese New Year, retail environment had been dramatically worsened. A large percentage of stores had to suspend business intermittently. Since early April, the gradual relaxation of social distance control, coupled with the overall retail spending sentiment driven by consumption vouchers, led to a significant rebound in jewellery sales in Hong Kong, but the Macau business was hit by repeated pandemic outbreaks.
- Revenue declined by 5% YOY in 1H, while segment results increased by 3%.
- Overall SSSG was -27% in 1Q and rebounded to +19% in 2Q.
- Starting from April, demand for gold wedding and gifting products strengthened. SSSG of gold jewellery and products rebounded in 2Q, recovering most of the ground lost in 1Q.
- The sales of diamond wedding jewellery showed a good growth and a new series of “Infini Love Diamond” collection marketing campaign also contributed to SSSG.
- Watch sales became weak in 1H due to the impact of the pandemic disruptions and supply shortage.

Taiwan

- Sales in Taiwan maintained steady growth. Benefitting from both SSSG and sales from store expansion, sales for 1H grew 27% YOY.
- Excluding the factors of gold price and currency fluctuations, segment results grew 50%.

Business Review

Retail - Store Network

- During 1H, 40 new Chow Sang Sang stores were opened in Mainland China and a total of 18 stores were closed. Of the new stores 80% were located in shopping malls. The total number of 生生·活字 stores (Oasis by Chow Sang Sang) represented about 7% of all stores in Mainland China.
- We have partnered with Victoria and Albert Museum in London to create the world's first V&A Chow Sang Sang jewellery concept stores: 1 at K11 MUSEA in Hong Kong and 1 at the Londoner in Macau.
- We also added 1 PROMESSA store in Tsuen Wan, Hong Kong and 1 點睛品 store at the Grand Lisboa, Macau, and closed 1 Chow Sang Sang store in Tsim Sha Tsui, Hong Kong.
- We added 2 點睛品 stores in Taiwan as part of our steady retail network expansion to capture higher market share.

V&A Chow Sang Sang Jewellery Concept Store in Hong Kong & Macau

Culture-themed Store in Wuxi

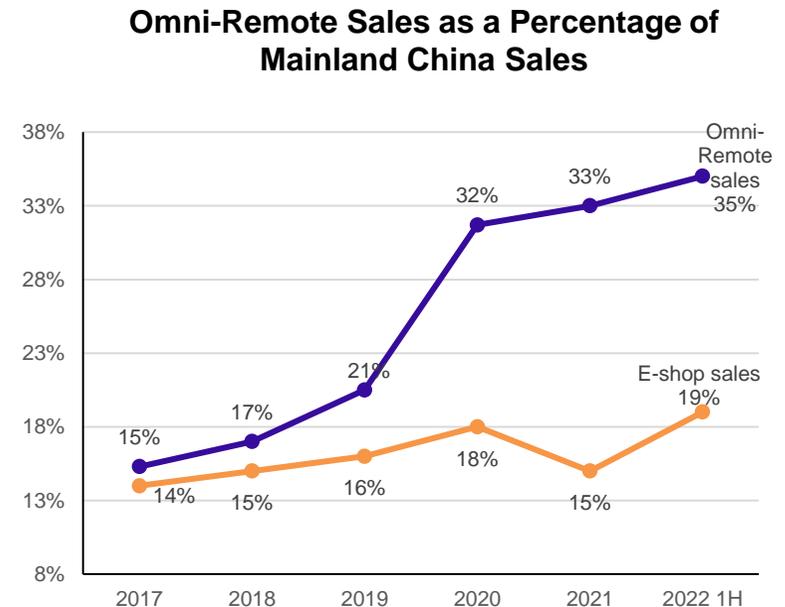
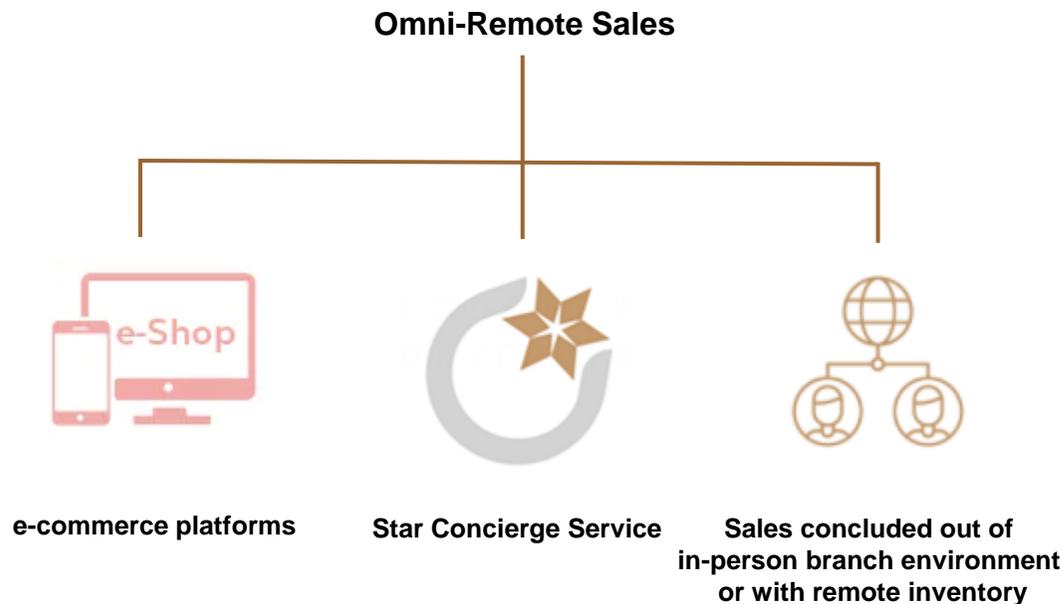


Left: PROMESSA Store in Beijing
Right: Chow Sang Sang Store in Chengdu

Business Review

Retail - Omni-Channel Retailing

- The online sales in Mainland China maintained its growth momentum despite covid-19 disruptions. Sales accounted for approximately 19% of total Mainland China sales during 1H (2021 1H: 16%). Growth in sales of gold jewellery and products outpaced other product categories.
- Online sales in Hong Kong, Taiwan and other regions continued to grow at a fast pace. Continual growth has been achieved by channel expansion and exploring overseas markets through third-party e-commerce platforms and joint promotion with local partners.
- Customers have been growing increasingly comfortable with e-commerce shopping. On-line sales remained solid and supported overall Omni-Remote Sales despite relatively weak physical stores sales during 1H. Percentage of Omni-Remote Sales to total sales in Mainland China increased to 35% (2021 1H: 32%).



Business Review

Retail - Product and Marketing

- On the product front, gold is still the preferred jewellery choice among different product categories and is relatively resilient to uncertain economic environment. Our “Cultural Blessings” collection of gold ornaments, which is inspired by traditional Chinese culture and mythology, maintained sales growth during 1H.
- Sales from Personalised Jewellery Service has suffered from cyclical setback due to business disruptions caused by covid-related lockdowns and social distancing measures in major Mainland cities during 1H. Total sales conducted through this service during 1H of 2022 was down 15% YOY. Total diamond jewellery sales from this service accounted for 31% (2021 1H: 34%) of the Group’s corresponding sales during 1H.

Cultural Blessings Collection



Personalised Jewellery Service



Business Review

Retail - Product and Marketing

- The Group strives to engage customers and enhance shopping experience through various pop-up stores, display points, wedding expos and online campaigns. Our culture-themed pop-up stores were well received by customers in Mainland China.
- We launched Chow Sang Sang and MINTYGREEN flagship stores on the Douyin live-streaming platform in Oct 2021. New EMPHASIS Douyin flagship store was opened in Jun 2022.
- To cope with increasingly popular live streaming activities, we hosted over 8,200 hours (2021 1H: 2,700 hours) of live shows across multiple e-commerce platforms during 1H 2022.



MINTYGREEN and EMPHASIS Flagship Store on Douyin live-streaming platform



Culture-themed Pop-up Stores

Chow Sang Sang Live Shows

Business Review

Other Business Segments

Wholesale of Precious Metals

- The covid-19 pandemic and the continued levels of cross-border restrictions put a halt to manufacturing and trading activities which require bulk precious metal supplies.
- Turnover decreased by 61% to HK\$405 million and segment operating profit dropped by 98%.

E-commerce Platform for Lab-Grown Diamond Jewellery

- Our “The Future Rocks” e-commerce business is set to connect consumers with selected jewellery brands worldwide.
- The Future Rocks opened its flagship store in Tmall and started to ship to Japan in May 2022. A series of online and offline promotion campaigns and marketing activities have been in progress to push brand awareness.

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.
- Additional provision for impairment loss on margin loans of HK\$7 million was made for the six months ended 30 June 2022. Total loans due from the customers in default, net of total credit loss allowance, amounted to HK\$148 million as at 30 June 2022.

Strategy Outline

Strategy Outline

Jewellery and Watch Store Expansion

- Continue to proactively pursue retail network expansion cautiously and selectively
- 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 and Macau, and provide new customer experience
- Expect the number of net store additions will remain 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

- Focus on product innovation to cater to different customer segments
- 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

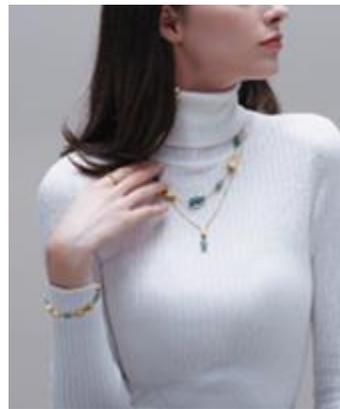
Appendix



Personalised Jewellery Service extends to Gold Jewellery and Sophisticated Daily Wear

Personalised Gold Jewellery

- Mix and match Italian Murano glass and gold pieces at your own choice
- Adding contemporary flair and metropolitan style to Gold Jewellery



Personalised 
Jewellery Service

Sophisticated Daily Wear

- Personalised Jewellery Service extends to Sophisticated Daily Wear, including tailor-made tennis bracelet, in addition to Engagement Ring and Wedding Band.



Personalised Try on service

Personalised Jewellery Service Business goes Online

- Under anti-epidemic measures in Mainland China, traffic in offline stores significantly decreases. Through live streaming and online advertising in major social media platforms, increase the exposure of Personalised Jewellery Service and reach more target customers online.



- Click and get physical store discount coupon at live streaming activities, to drive traffic from online to offline stores.

Online customers go offline stores, which generate turnover

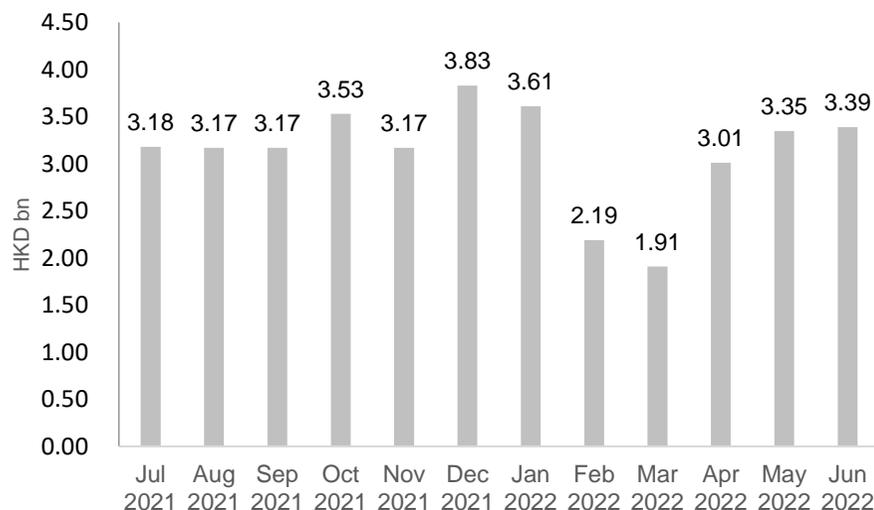
+114% Online Personalised Jewellery Turnover*

RMB15K+ Average Unit price

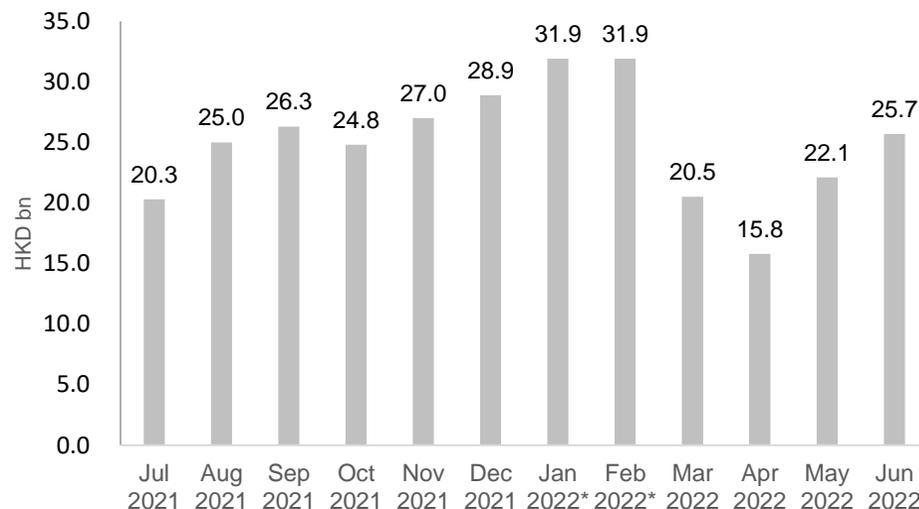
*2022 1H vs 2021 1H

Industry Analysis – Hong Kong and Mainland China

**Value of retail sales of 2H FY2021-1H FY2022
Hong Kong Jewellery, Watches and Clocks, and Valuable Gifts**



**2H FY2021-1H FY2022
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 FY2022 was 17.45 billion, a decrease of 12.92% compared with HKD20.04 billion in 2H FY2021, according to HK Census and Statistics Department.

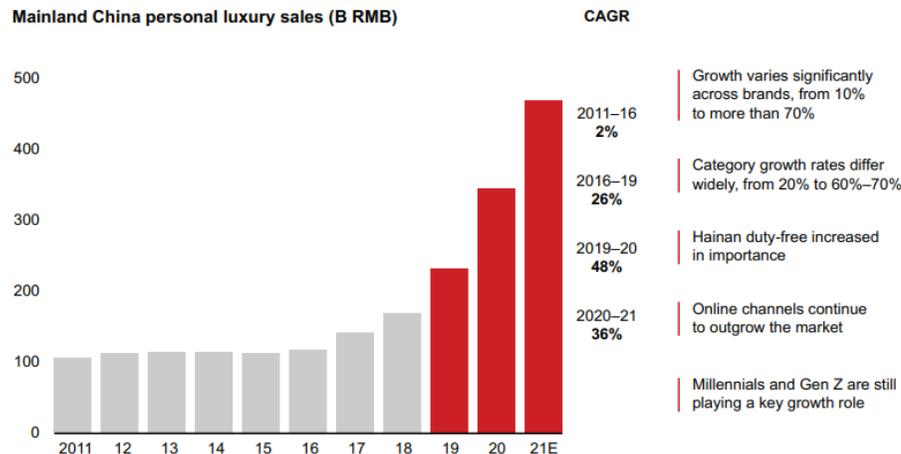
Retail sales for jewellery products in Mainland China were RMB152.3 billion and RMB147.9 billion for 2H FY2021 and 1H FY2022, a decrease of 2.89%, according to the data from National Bureau of Statistics of People's Republic of China.

* 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 2022 were investigated and released together. Here the data is evenly divided as RMB31.9 billion.

Industry Analysis – Mainland China Luxury Market Overview

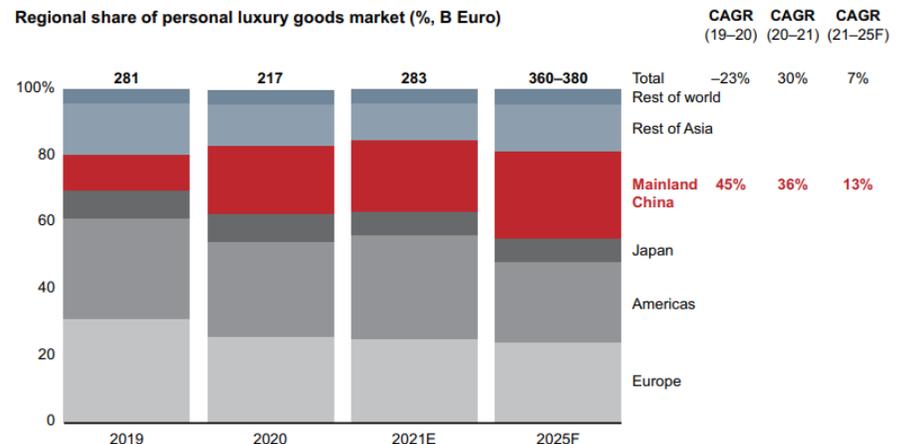
- In 2021, Mainland China’s luxury market continued the double-digit growth trends of 2020, putting the country on pace to become the world’s largest luxury market by 2025.
- Even as the global luxury market regained 2019 levels, Chinese consumers continued to shop mostly in the mainland, given limited 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

Definitions

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

“Company”	Chow Sang Sang Holdings International Limited
“Directors”	the directors of the Company
“FY”	the full year, twelve months ending 31 December
“Group”	the Company and its subsidiaries
“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 document (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 ending 30 June
“2H”	the second half of a year, six months ending 30 June
“1Q”	the first quarter of a year, three months ending 31 March
“2Q”	the second quarter of a year, three months ending 30 June
“%”	percent

Thank you