



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 Annual Results Presentation

March 2023

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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

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

Retail Store Brand Category

周生生 (how Sang Sang)

- Our mainline store brand whose stores are fully scaled, carrying all our lines of merchandise

周生生
生生·活宇
(Oasis by Chow Sang Sang)

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

點晴品

- Our mainline store brand name in Macau and Taiwan

Retail Store Brand Category

PROMESSA

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

EMPHASIS

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

MINTYGREEN

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

MARCO BICEGO

- An Italian jewellery brand featuring artisanal craftsmanship and contemporary designs

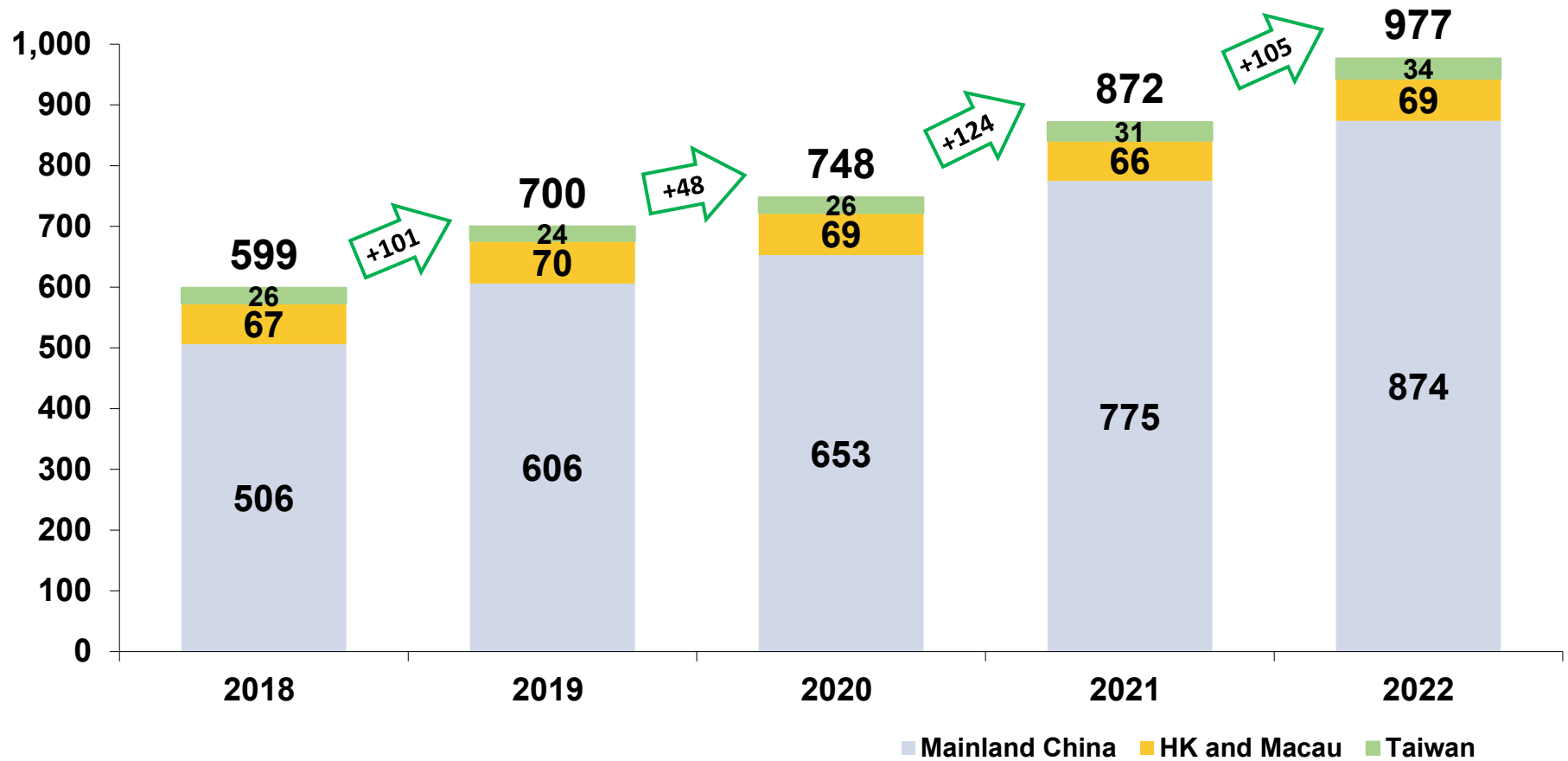
Store Count by Brand

Region		As at 31 Dec 2021	Opening	Closure	Net change	As at 31 Dec 2022
Mainland China	Chow Sang Sang	635	94	32	+62	697
	周生生 生生·活字 (Oasis by Chow Sang Sang)	55	20	6	+14	69
	Rolex/Tudor	13	1	0	+1	14
	MINTYGREEN	34	20	4	+16	50
	EMPHASIS	19	4	4	0	19
	PROMESSA	18	7	1	+6	24
	MARCO BICEGO	1	0	0	0	1
	Sub-total:	775	146	47	+99	874
Hong Kong	Chow Sang Sang	44	2	1	+1	45
	Rolex/Tudor	11	0	1	-1	10
	EMPHASIS	5	0	1	-1	4
	PROMESSA	1	1	0	+1	2
Sub-total:	61	3	3	0	61	
Macau	點睛品	5	3	0	+3	8
Sub-total:	5	3	0	+3	8	
Taiwan	點睛品	27	3	0	+3	30
	PROMESSA	4	0	0	0	4
Sub-total:	31	3	0	+3	34	
Total:		872	155	50	+105	977

Jewellery and Watch Store Expansion

Increasing no. of stores in Mainland China

(No. of Stores)



Jewellery and Watch Store Network as at 31 Dec 2022



Mainland China			
Region	Number of stores	City tier	Number of stores
North	191	1	177
East	229	2	496
South	316	3	128
West	138	4	73
Total	874	Total	874

Hong Kong and Macau
69 stores

Taiwan
34 stores



Financial Highlights

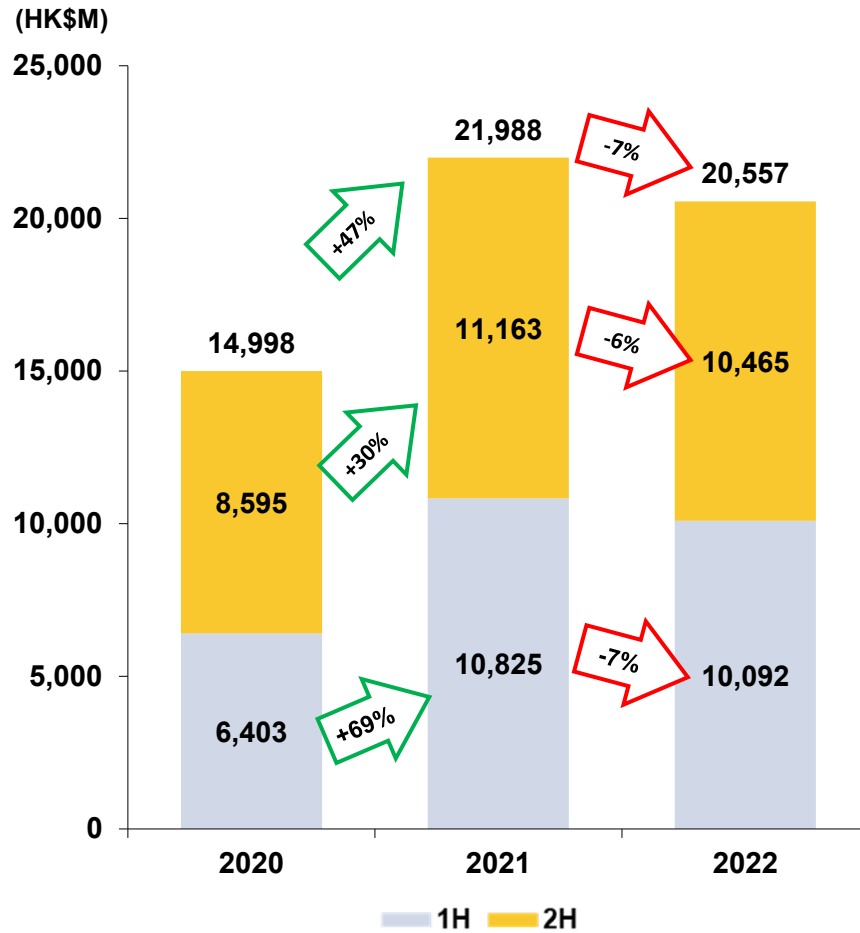
Financial Highlights

(HK\$'M)	For the year ended			% change
	2020	2021	2022	22 vs 21
Turnover - Continuing operations	14,998	21,988	20,557	-7%
<i>Retail of jewellery and watches</i>	13,098	19,922	19,752	-1%
<i>Wholesale of precious metals</i>	1,885	2,033	766	-62%
<i>Others</i>	15	33	39	+18%
Gross profit - Continuing operations	4,120	5,556	5,417	-3%
Gross profit margin - Continuing operations	27.5%	25.3%	26.3%	
Total segment results - Continuing operations	915	976	829	-15%
	(Restated)	(Restated)		
Profit before tax - Continuing operations	944	1,006	593	-41%
Profit attributable to owners	544	643	452	-30%
Basic EPS (HK cents)	80.4	95.0	66.8	-30%
Dividend per share (HK cents)	47.0*	42.0	30.0	-29%
Capital expenditure	244	418	395	-6%

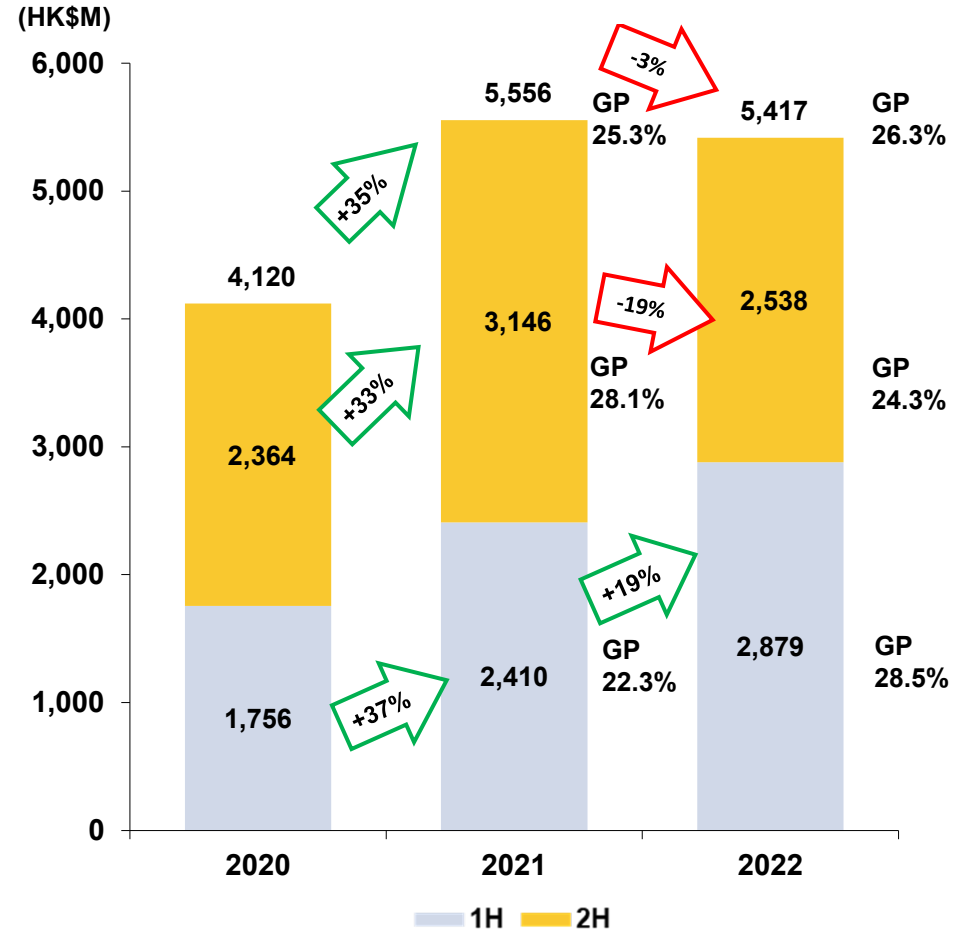
* Special final dividend of HK 16.0 cents included

Group Operating Performance

Turnover – Continuing operations



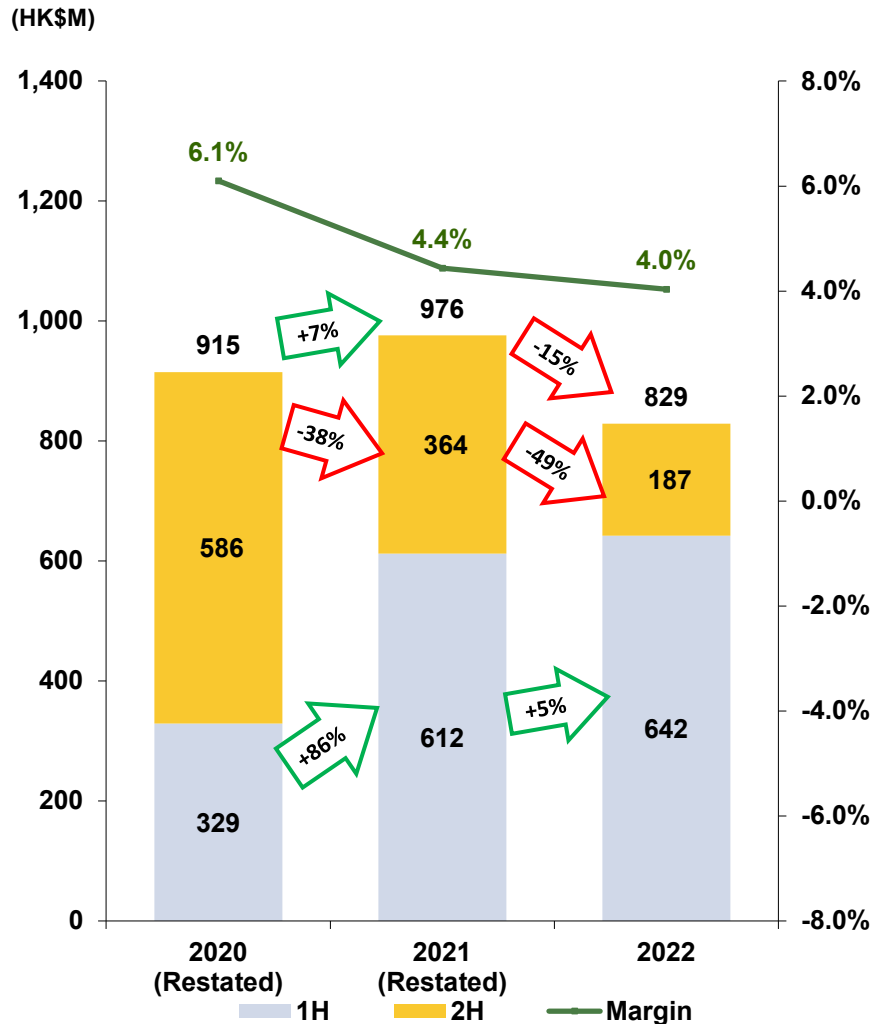
Gross profit – Continuing operations



Group Operating Performance (Cont'd)

Total segment results – Continuing operations

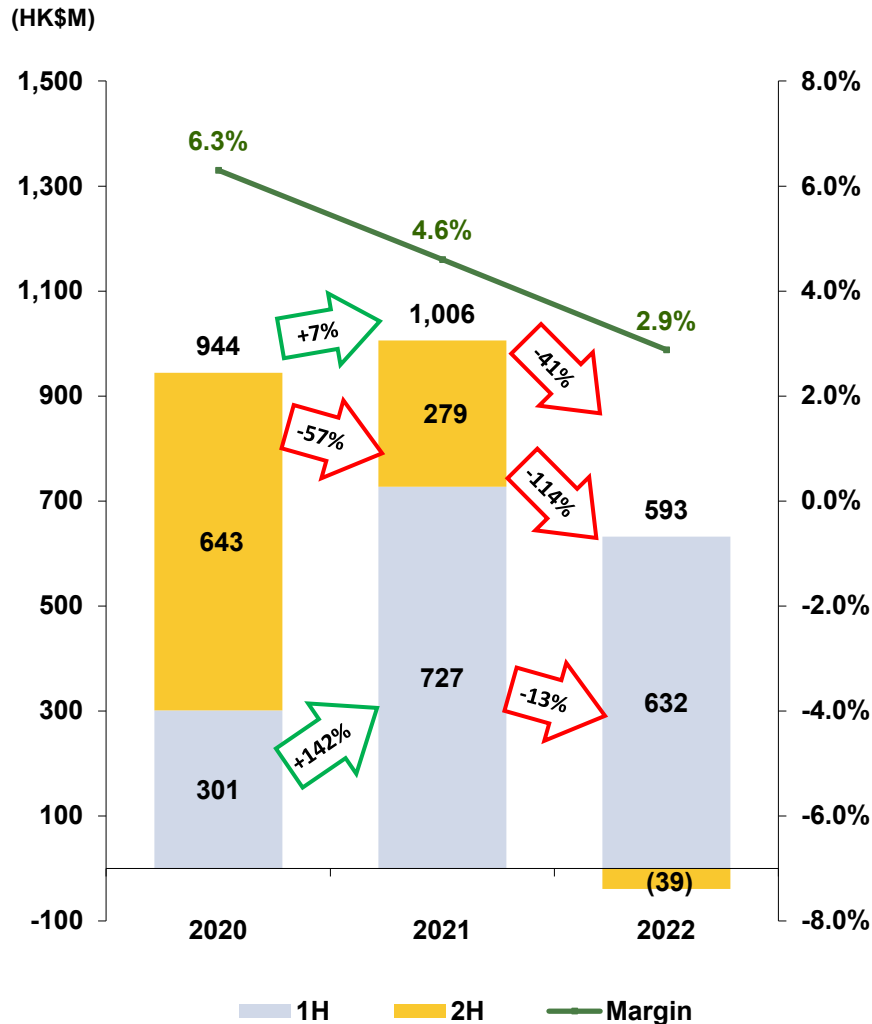
Segment results restatement



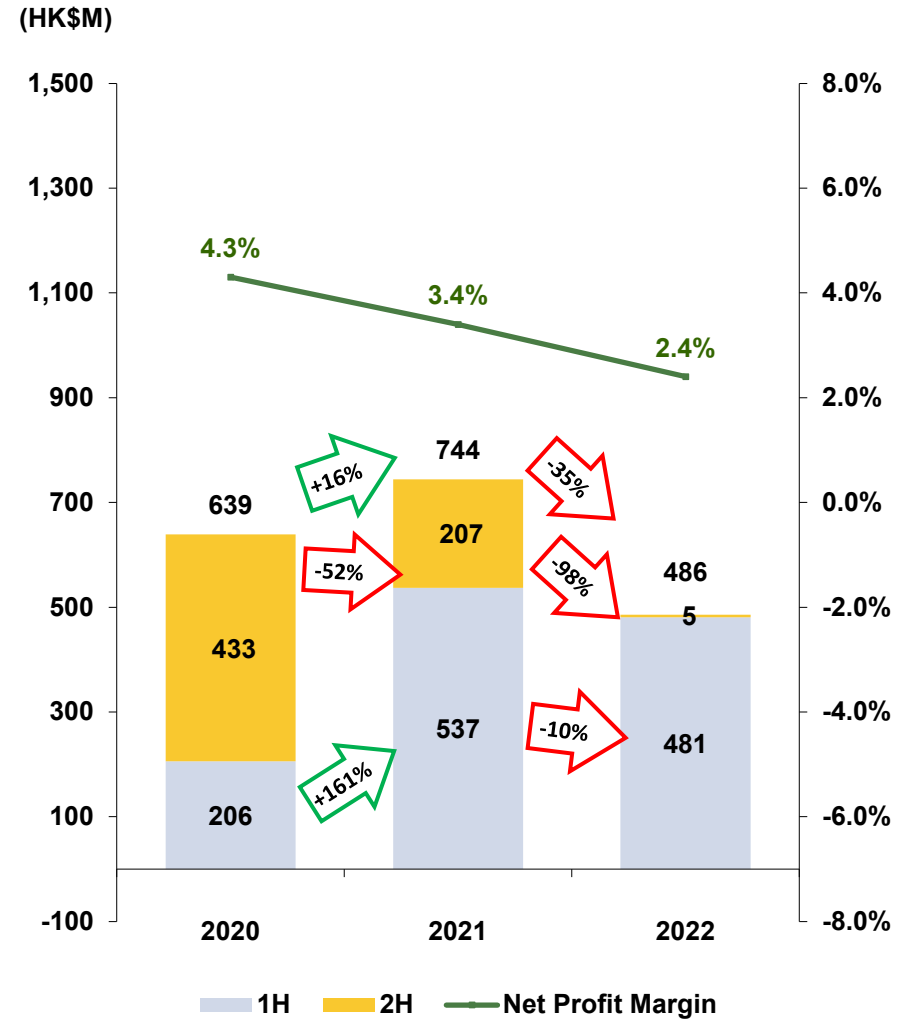
- The Board has reassessed the basis of adjusted profit before tax for the purpose of making decisions about resource allocation and performance assessment in 2022
- For the segment results measurement, the following items are excluded:
 - dividend income
 - finance income and costs
 - foreign exchange differences
 - fair value gain or loss on
 - investment properties
 - bullion loans designated as at fair value through profit or loss
 - derivative financial instruments - transactions not qualifying as hedges
 - financial assets at fair value through profit or loss
- Comparative figures in segment results have been restated

Group Operating Performance (Cont'd)

Profit before tax – Continuing operations

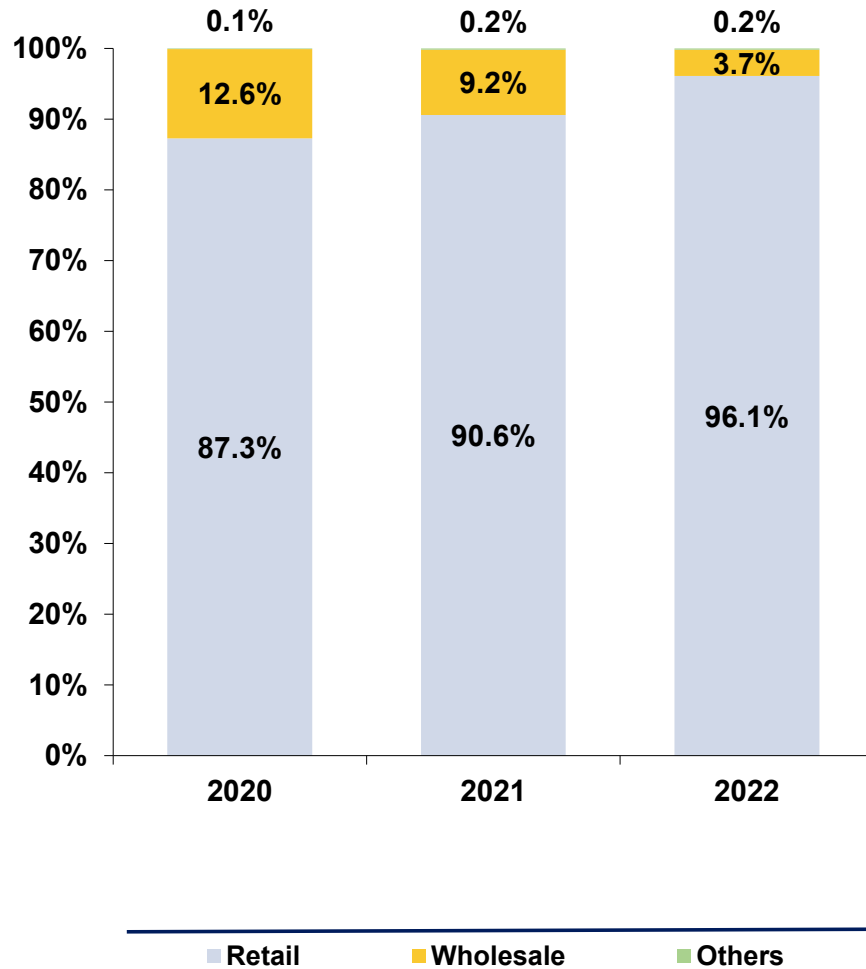


Profit attributable to owners – Continuing operations

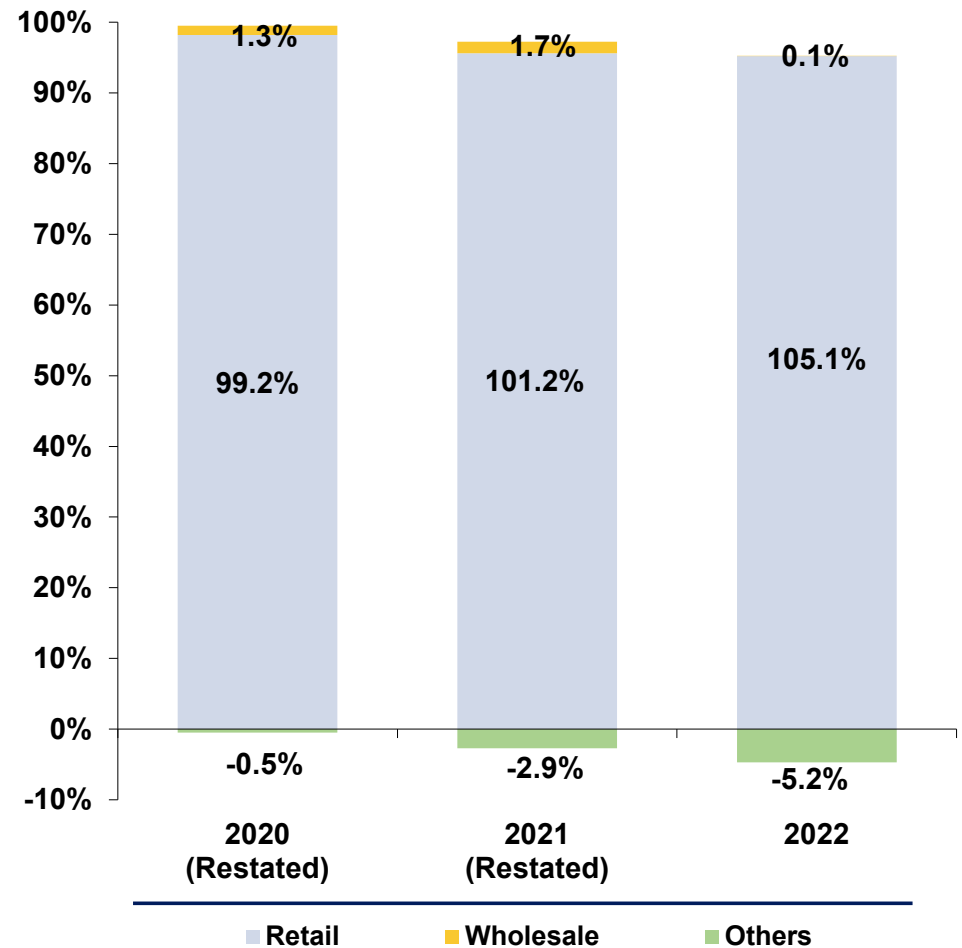


Group Operating Results by Segment

Turnover breakdown – Continuing operations

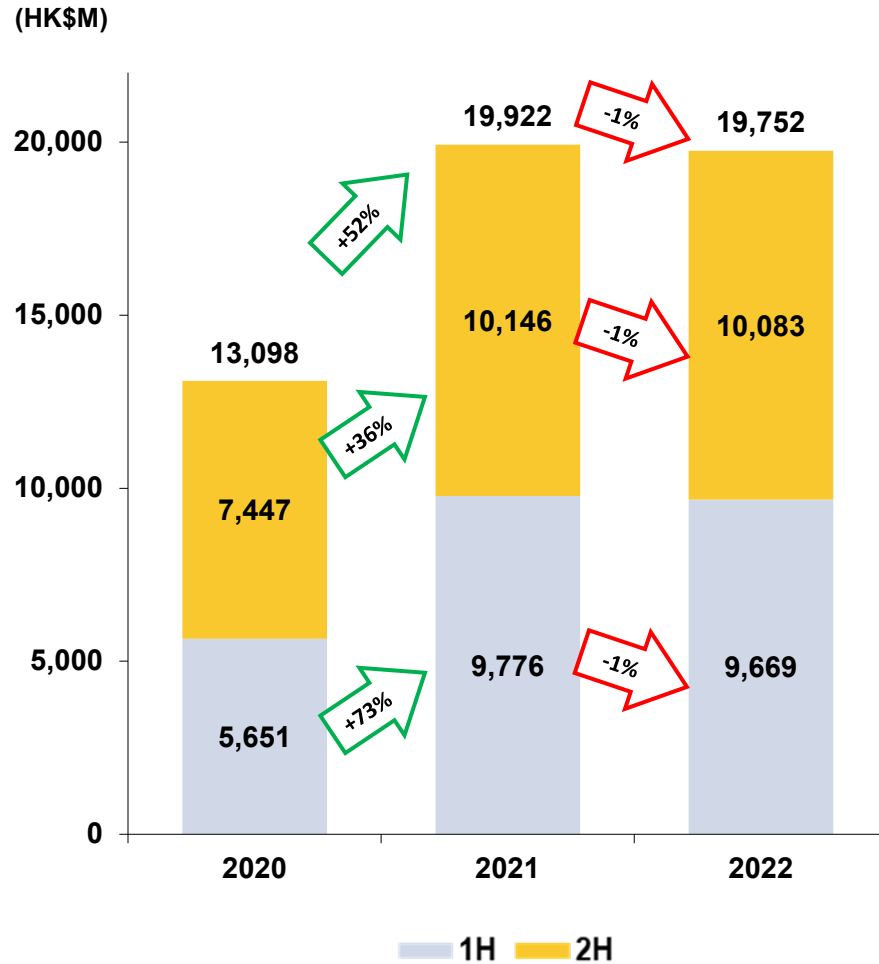


Results breakdown – Continuing operations

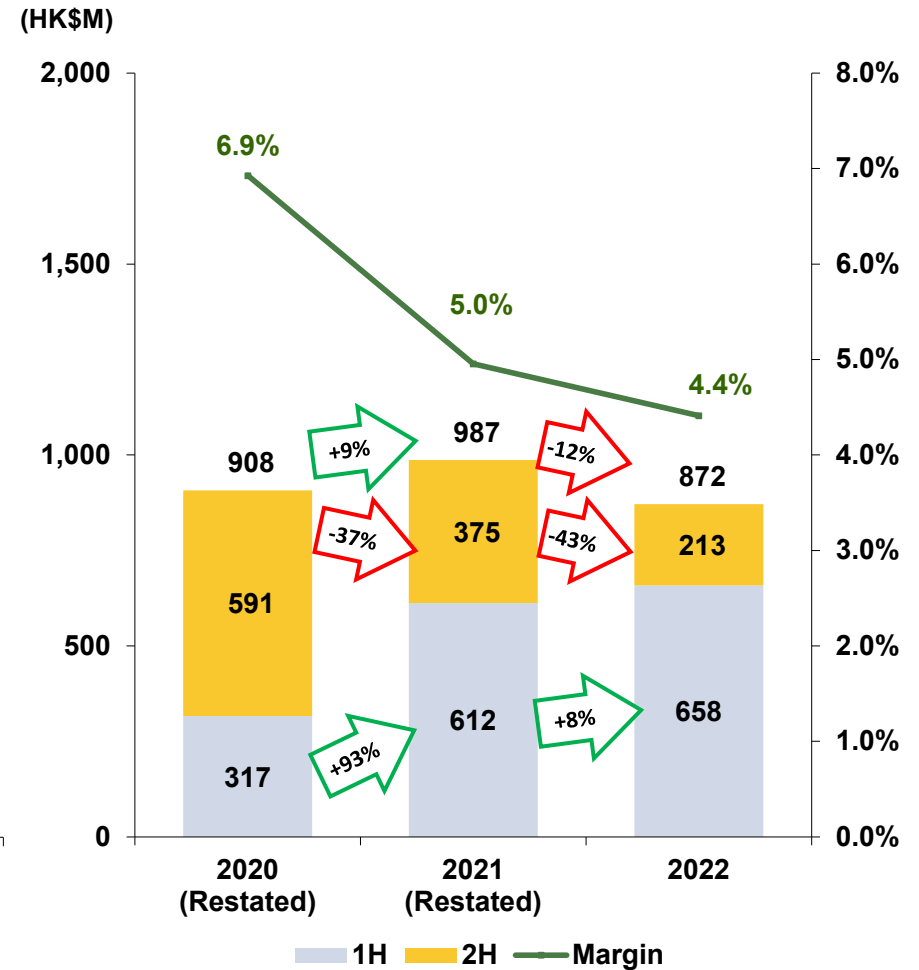


Jewellery and Watch Retail Segment Performance

Turnover



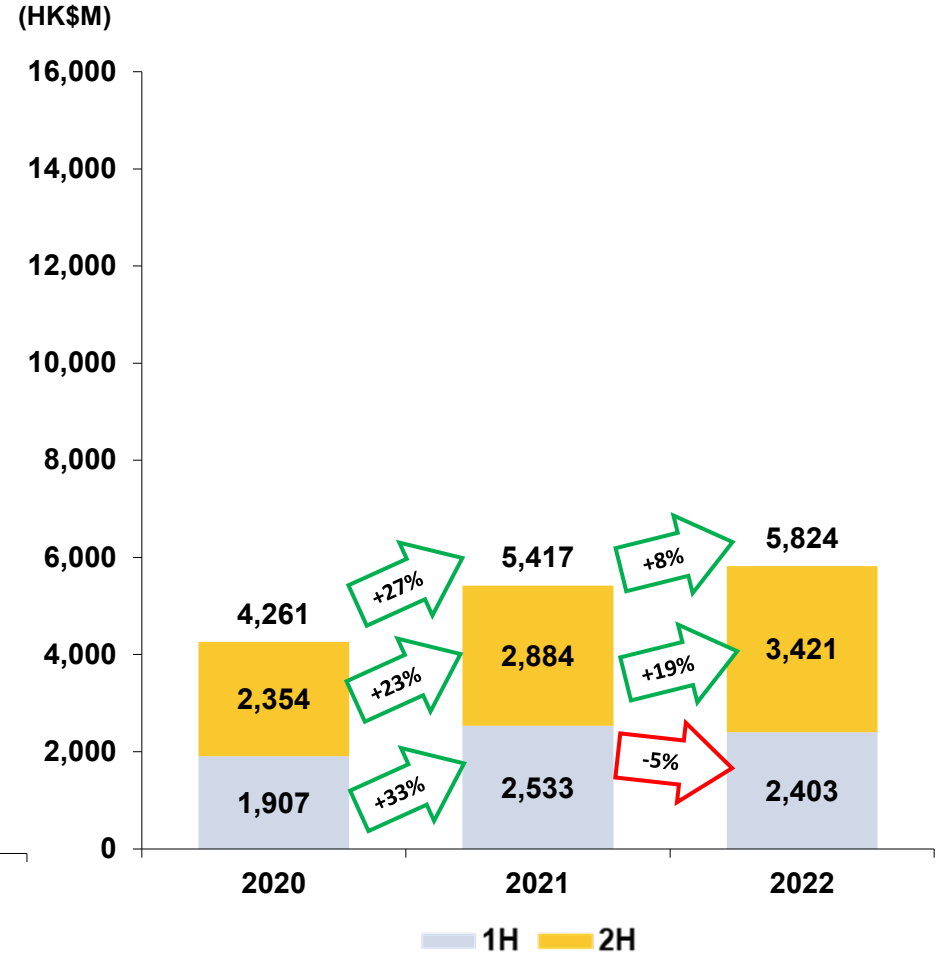
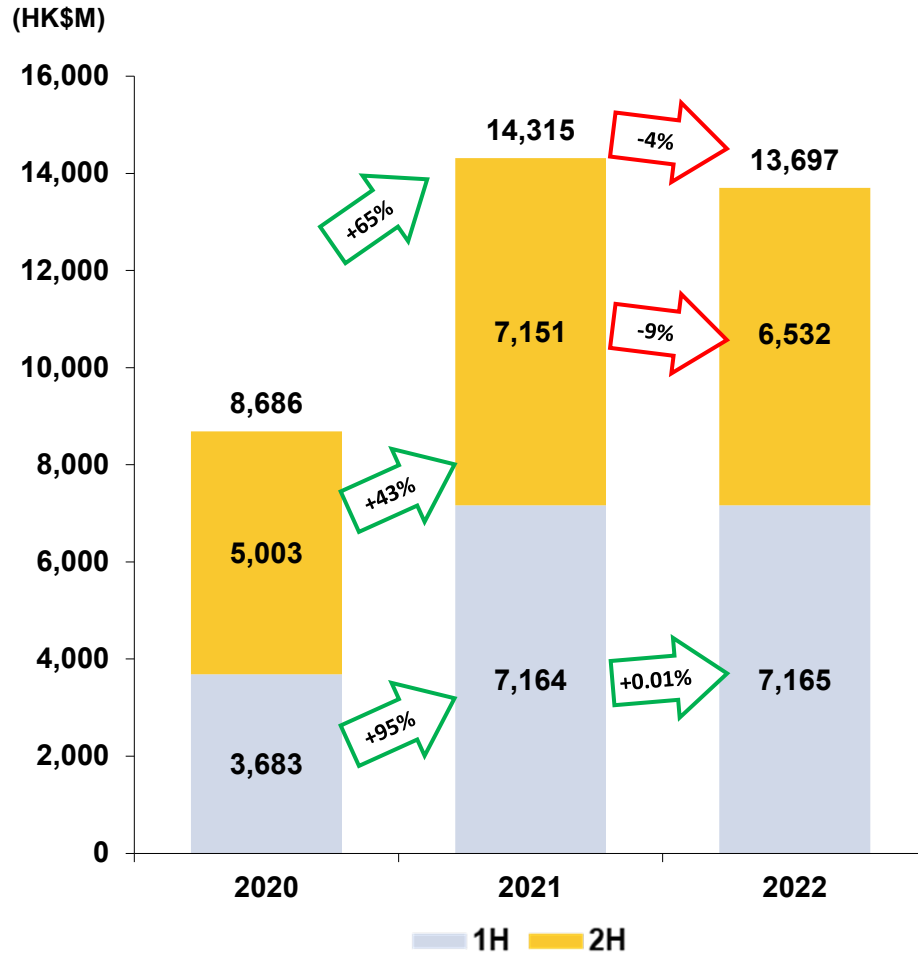
Segment results



Jewellery and Watch Retail Performance

Mainland China retail turnover

HK & Macau retail turnover

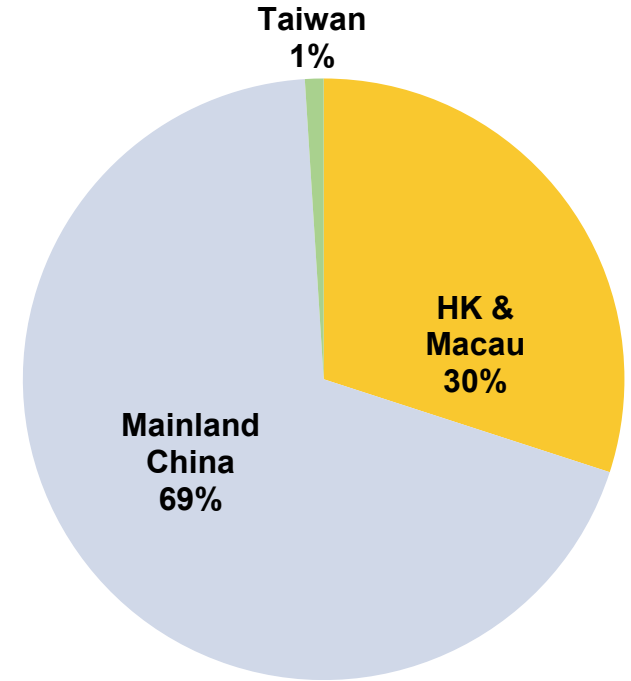
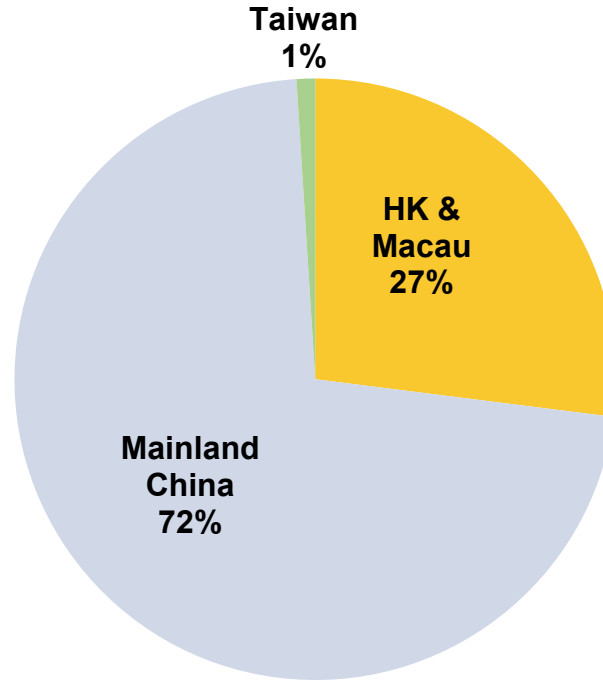
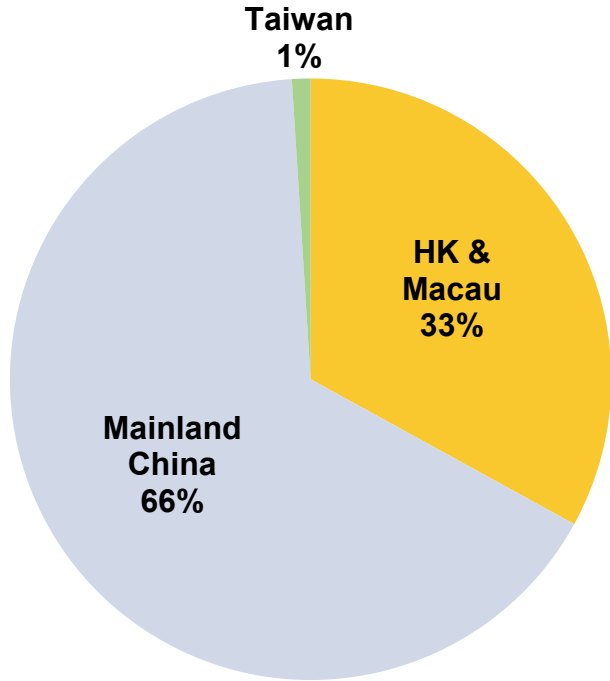


Retail Turnover by Geographical Area

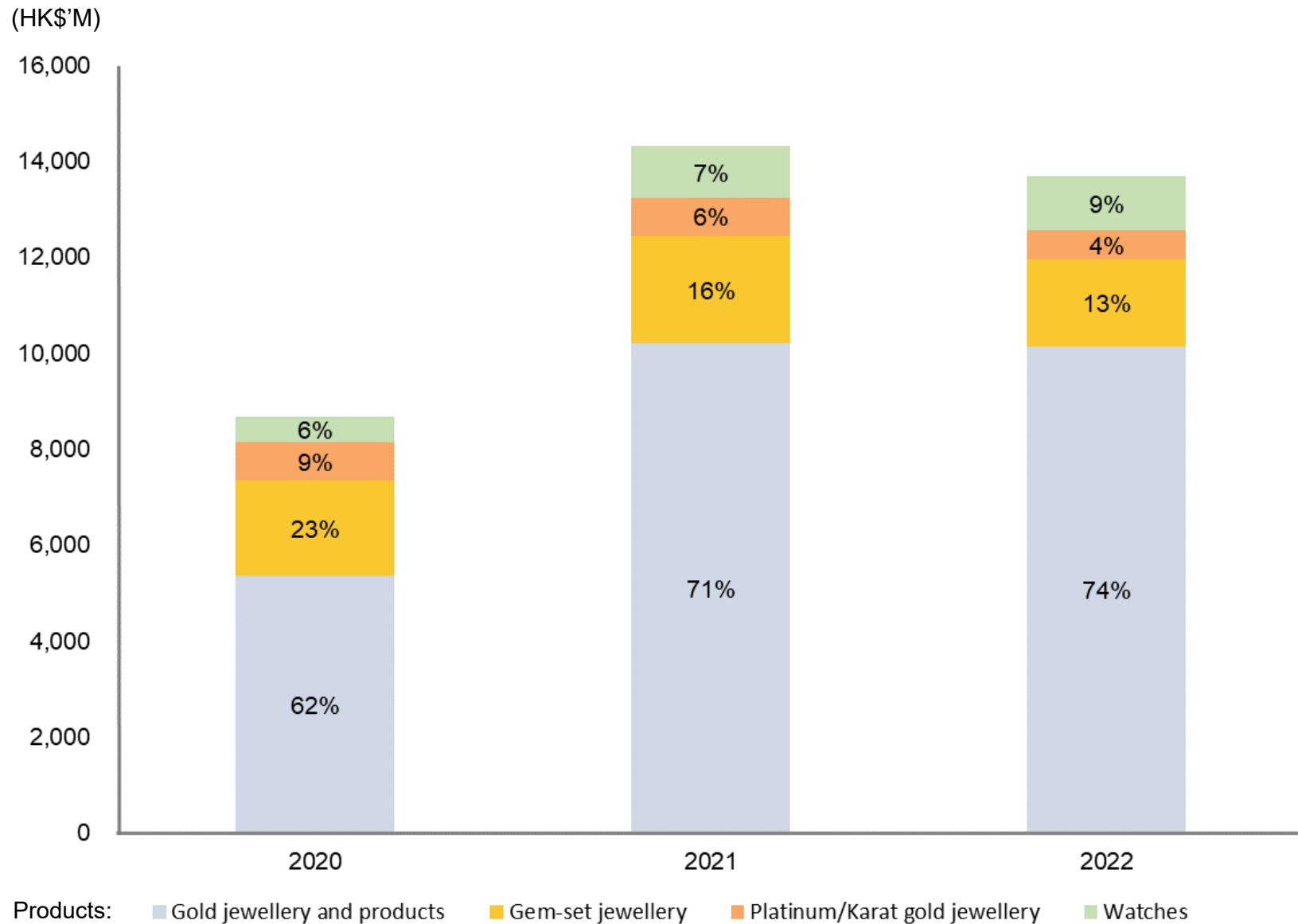
2020

2021

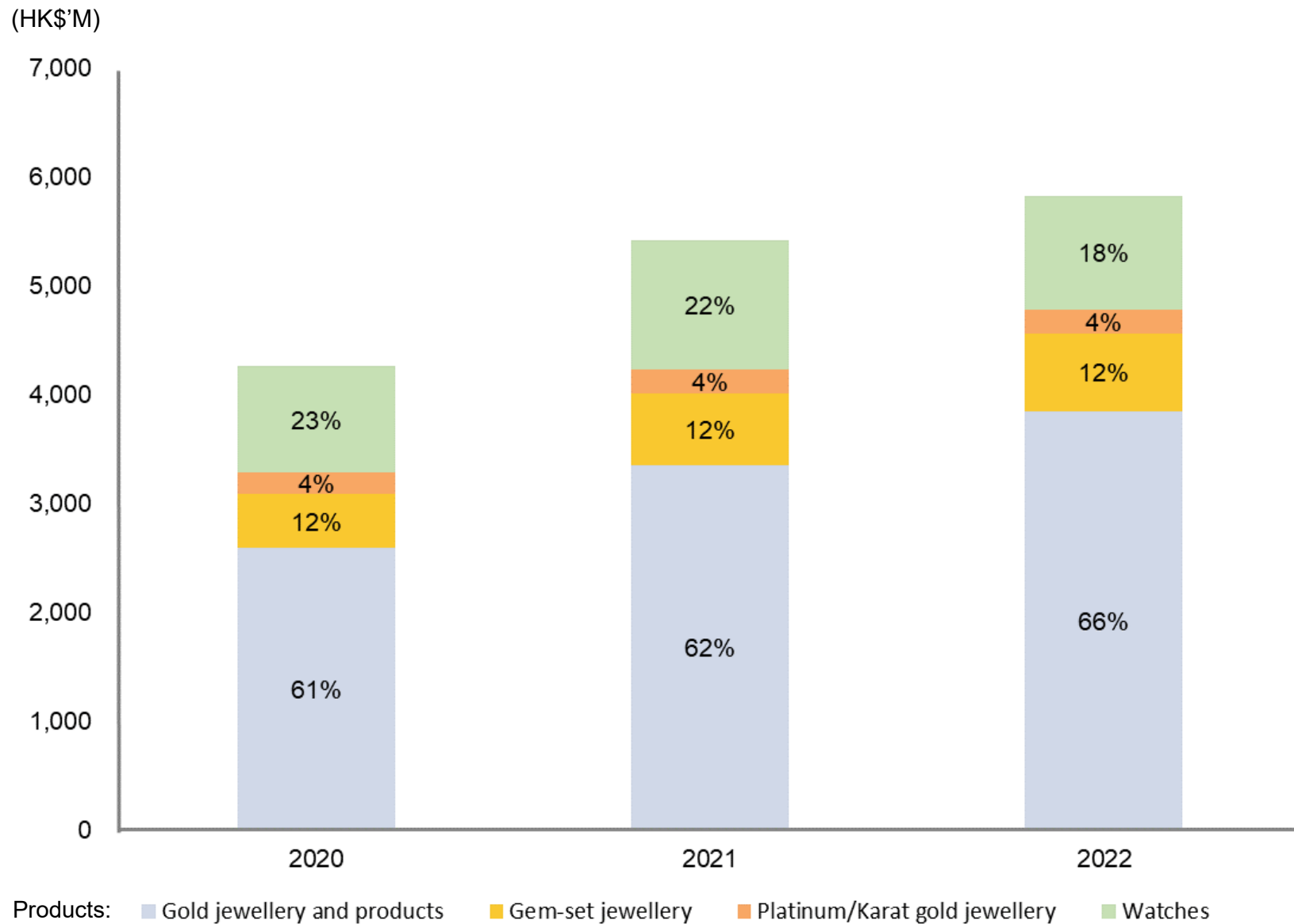
2022



Mainland China Retail Sales Mix

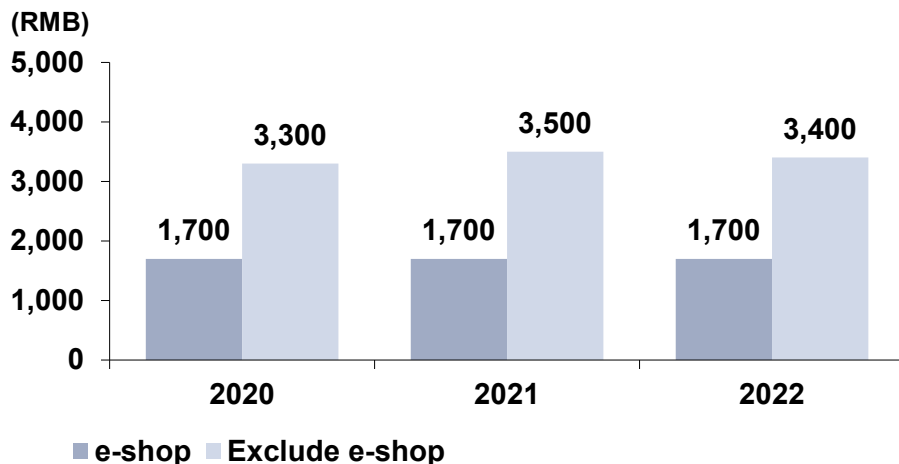


Hong Kong and Macau Retail Sales Mix

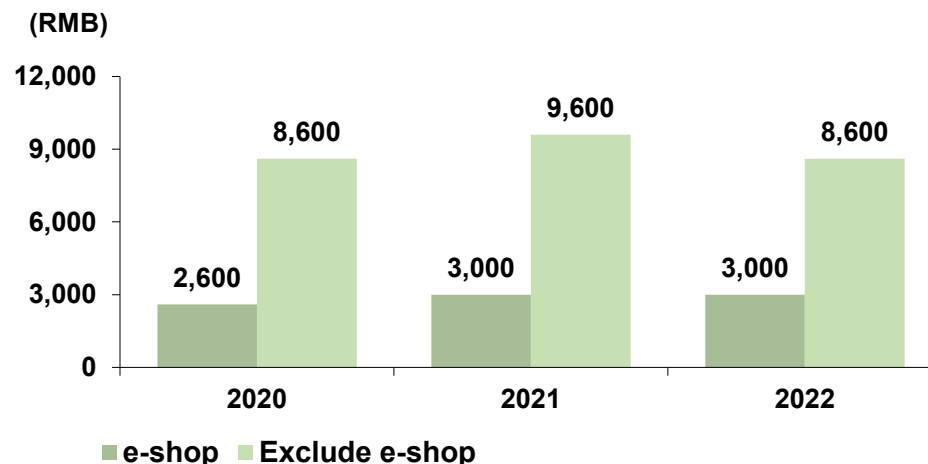


Retail: Change of Average Selling Price

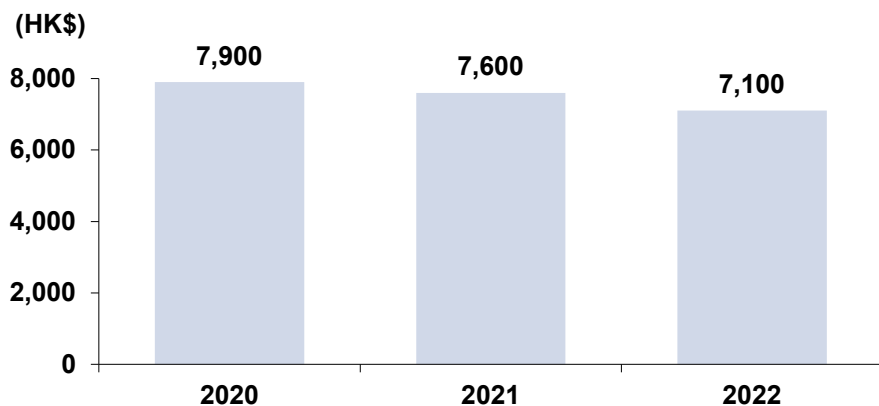
**Mainland China
- Gold jewellery and products**



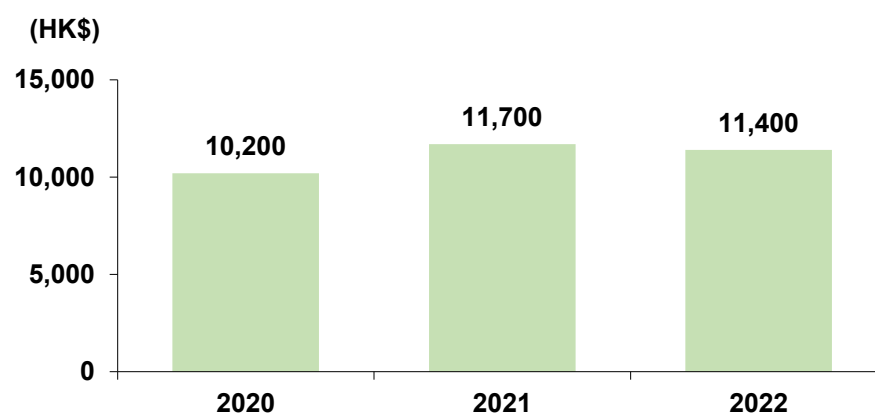
**Mainland China
- Gem-set jewellery**



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

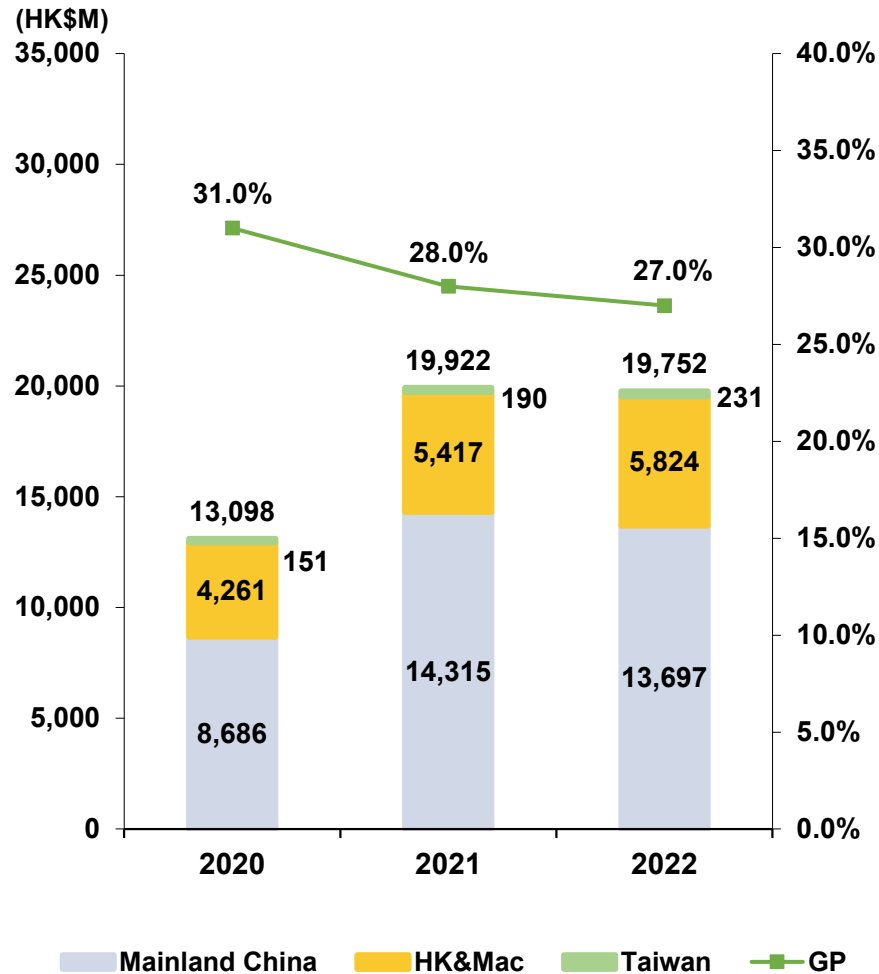


**Hong Kong and Macau
- Gem-set jewellery**

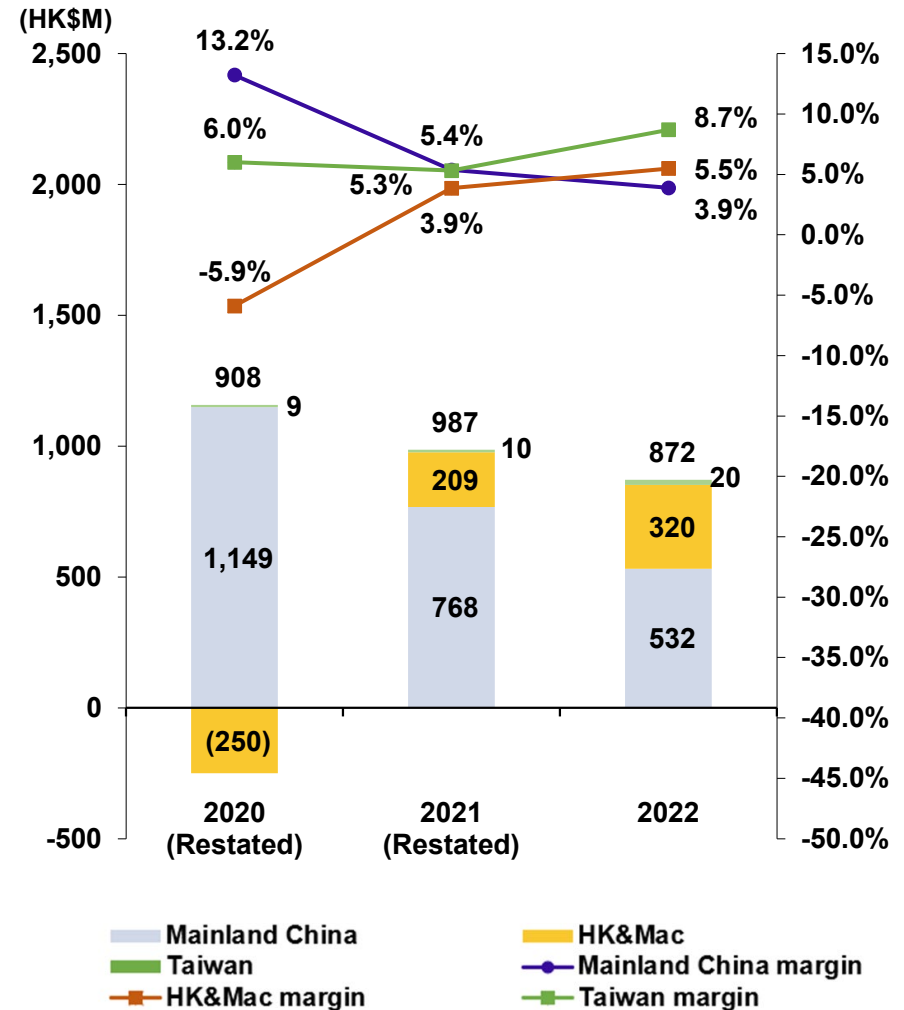


Retail Performance by Geographical Area

Retail segment turnover and GP margin



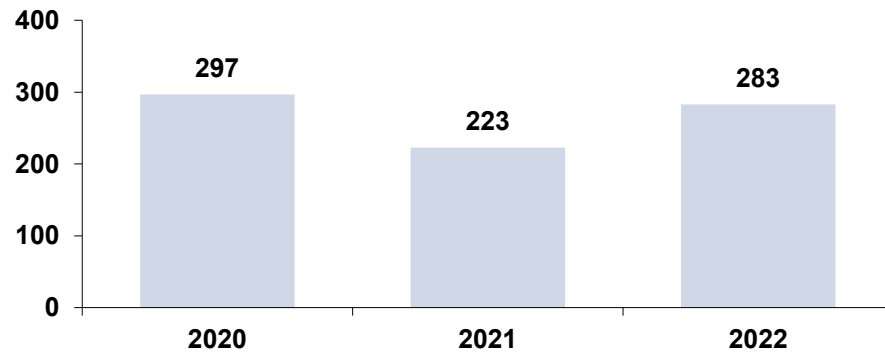
Retail segment results and margin



Working Capital Trends

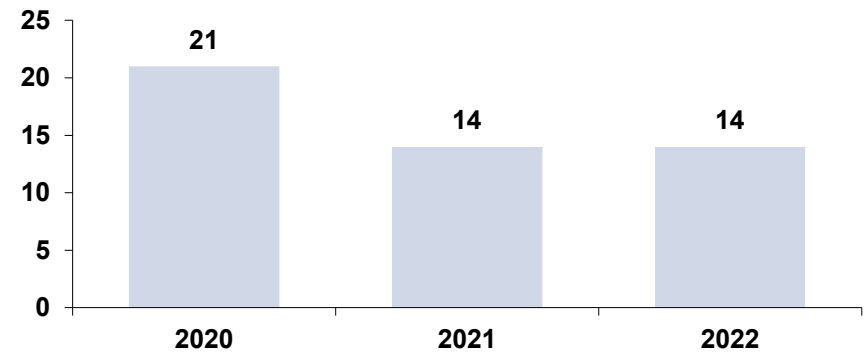
Average inventory turnover days

(No. of Days)



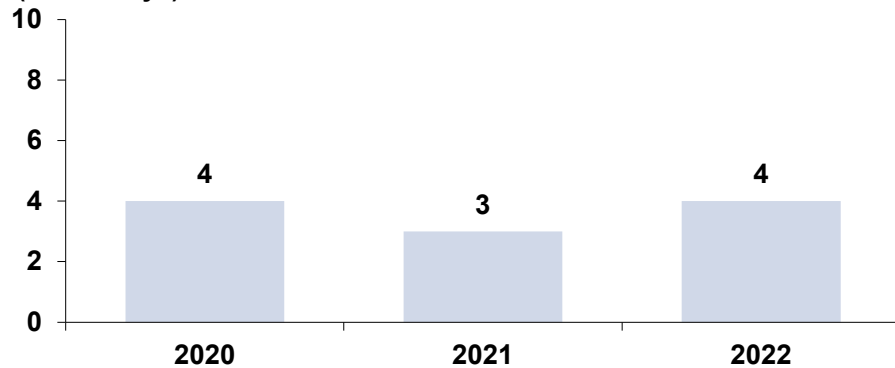
Average receivables turnover days

(No. of Days)



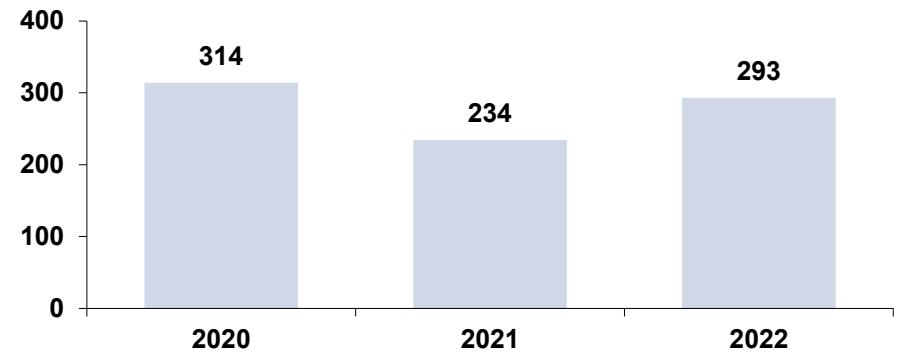
Average payables turnover days

(No. of Days)



Cash conversion cycle

(No. of Days)



Other Financial Information

(HK\$'M)	As at 31 Dec		
	2020	2021	2022
Inventories	8,775	11,343	12,112
Cash and cash equivalents	1,624	672	749
Long term listed investments*	1,414	1,515	1,122
Equity attributable to owners	12,019	12,753	11,891
Gearing[#]	15.8%	25.2%	39.0%
Total banking facilities	6,222	6,418	8,772
Unused banking facilities	3,513	3,038	3,879

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

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

Business Review

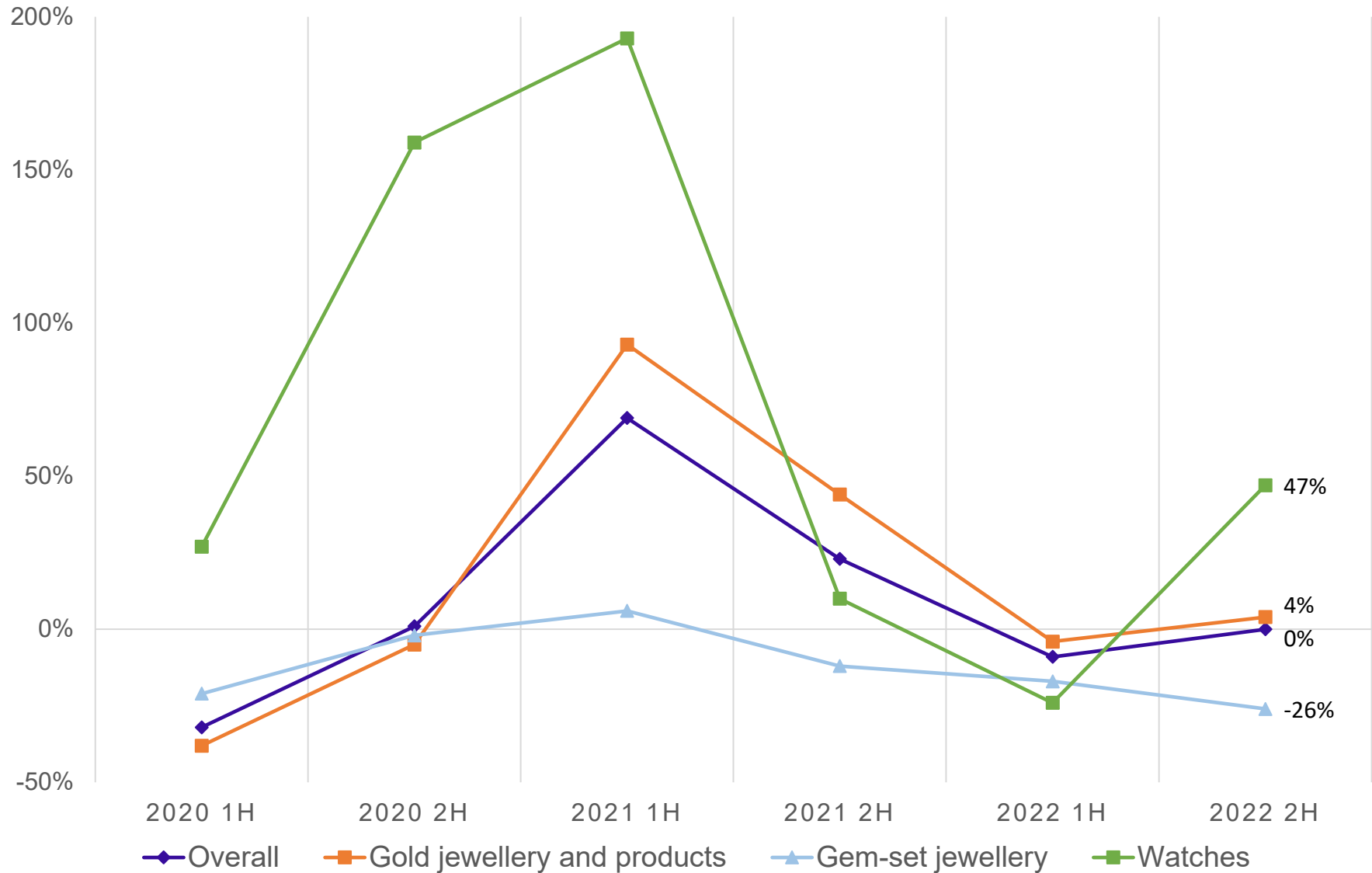
Business Review

Retail - Analysis by Geographic Area

Mainland China

- 1H of 2022 was seriously affected by the pandemic, especially in Eastern China. Rebound in sales in 2H and sales from new stores could not offset the impact of the pandemic and the fall in Renminbi. Total 2022 sales decreased by 1% (in Renminbi) and 4% (in Hong Kong dollar) YOY, while SSSG decreased by 5% YOY. Segment results were down 31% as a result of higher gold sales mix and operating deleveraging.
- With our major markets in Eastern and Southern China impacted by the pandemic, overall contraction in SSSG expanded from -6% in 1Q to -14% in 2Q. Following the easing of pandemic in 3Q, SSSG rebounded to +10%. However, SSSG fell sharply to -9% in 4Q due to pandemic resurgence.
- While gold jewellery sales were hit by the pandemic during the traditional festival peak season in 1H of the year, sales returned to growth track in 2H, partly driven by the fall in international gold price.
- The gem-set jewellery market continued to be weak, especially for high unit price diamond jewellery, resulted in -21% SSSG for gem-set jewellery in 2022.
- Watch supply was delayed by the pandemic in 1H. SSSG of watches rebounded rapidly in 2H.

Mainland China Retail SSSG



Business Review

Retail - Analysis by Geographic Area

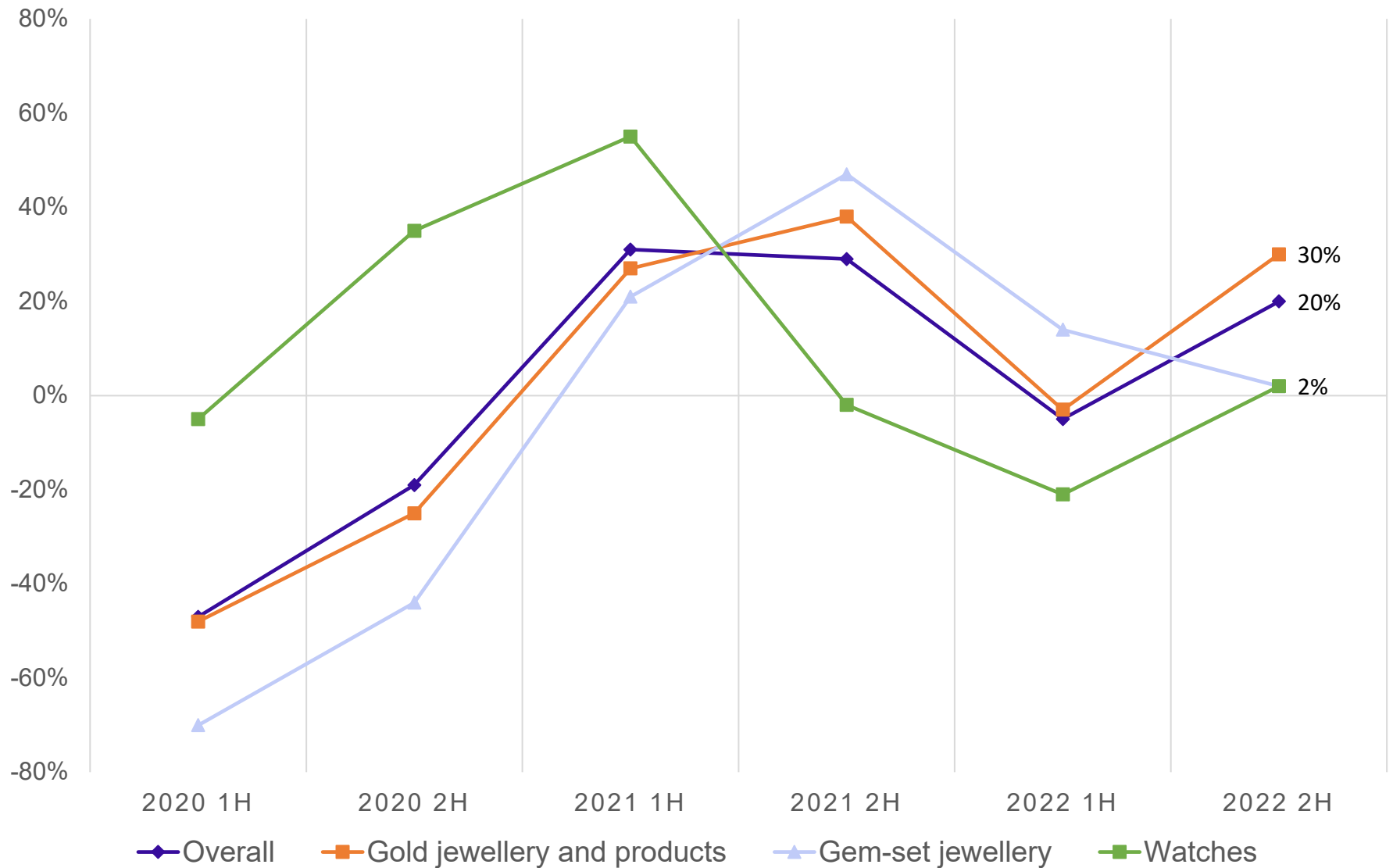
Hong Kong and Macau

- Hong Kong and Macau operations were hit hard by the pandemic after CNY, with low customer traffic and intermittent closure of stores. Since April, the gradual relaxation of social distancing measures, the distribution of consumption vouchers as well as the fall in international gold price had stimulated retail spending.
- Turnover increased by 8% YOY while segment results were up 53%.
- Overall SSSG recovered rapidly from -27% in 1Q to +19% in 2Q, and subsequently to +38% in 3Q owing to the continued growth momentum. However, SSSG fell back to +2% in 4Q due to an increase in number of local infections towards the end of the year and an outflow of local spending following cross-border prevention measures adjustment.
- The gradual relaxation of social distancing measures and the increase in wedding and gifting activities led to an increase in sales of gold and gem-set jewellery.
- The “Infini Love Diamond” collection marketing campaign achieved good results, but sales of high unit price diamond jewellery softened in 2H, stifling gem-set jewellery SSSG in 2H.
- Watch sales in 1H were affected by the pandemic disruptions and supply shortage. The sales normalised in 2H.

Taiwan

- Taiwan business has enjoyed healthy growth over the past few years.
- Supported by an orderly store expansion strategy and SSSG improvement, 2022 sales and segment results grew by 22% and 96% respectively.

Hong Kong and Macau Retail SSSG



Business Review

Retail - Store Network

- Total store number reached 977 with a net addition of 105 stores. Out of the 94 newly opened Chow Sang Sang stores in Mainland China, 72 of which were located in shopping malls. We aimed to expand store sales and increase market share by adding PROMESSA and/or culture-themed design sales space in and around high customer traffic Chow Sang Sang stores.
- 生生·活字 (Oasis by Chow Sang Sang) continues to be an important part of our store network expansion in Mainland China. Total number of stores increased from 55 at the end of 2021 to 69 at the end of 2022.
- MINTYGREEN started to develop its own exclusive products, and further integrated online and offline operations. Store number increased by 16 to 50 stores in 2022.
- Total number of PROMESSA stores reached 30 by the end of 2022.
- In Hong Kong, we added 2 new stores in Tsim Sha Tsui. One of the new stores is in K11 MUSEA: V&A Chow Sang Sang which is our first store-collaboration with Victoria and Albert Museum in London. The other store, in Harbour City, has an eye-catching fitting out with allusions to oceans.
- We added 3 點睛品 stores both in Macau and Taiwan.

PROMESSA



MINTYGREEN



Chow Sang Sang store
in Harbour City, Hong Kong



生生·活字

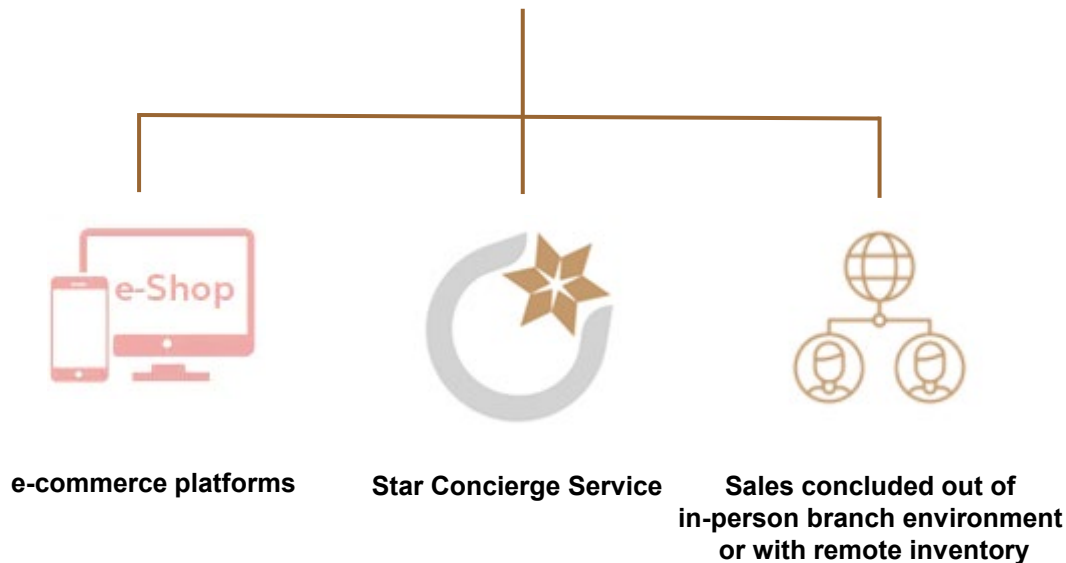


Business Review

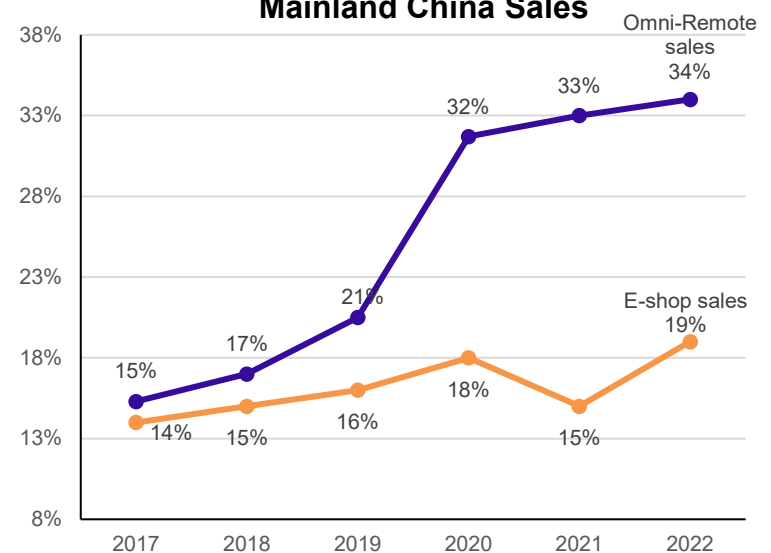
Retail - Omni-Channel Retailing

- Despite a decline in physical store sales in Mainland China due to the pandemic, online sales continued to grow at a fast pace and accounted for approximately 19% of Mainland China sales (2021: 15%).
- Online sales in Hong Kong and other regions maintained its strong growth in 2022. Remarkable growth was recorded in Chow Sang Sang official website and across all major Hong Kong and international platforms. Our Hong Kong online shop now features Tudor watches as well as gold bars.
- Percentage of Omni-Remote Sales in 2022 to total sales in Mainland China slightly increased to 34% (2021: 33%).
- Online 7x24 sales and in-store sales complemented one another especially during the pandemic period.

Omni-Remote Sales



Omni-Remote Sales as a Percentage of Mainland China Sales



Business Review

Retail - Product and Marketing

- On the product front, gold jewellery sales demonstrated great resilience. Our “Culture Blessings” collection of gold ornaments remained the preferred choice of customers. Newly introduced collections, “Mirror Gold” and “Diamond Symphony”, have been well-received by customers. In terms of market, affordable luxury daily wear jewellery in Mainland China still recorded a slight increase.
- In 2022, the pandemic particularly affected high unit price gem-set jewellery. While the Personalised Jewellery Service relied more on larger-carat diamond sales, total sales were down 23% YOY. Sales from this service accounted for 30% (2021: 37%) of our diamond jewellery sales. However, with the increasing popularity of online channels, 2022 online Personalised Jewellery Service sales in Mainland China and Hong Kong increased by 101% and 32% respectively YOY.

Newly introduced collections:
Mirror Gold and Diamond Symphony



Culture Blessings Collection



Business Review

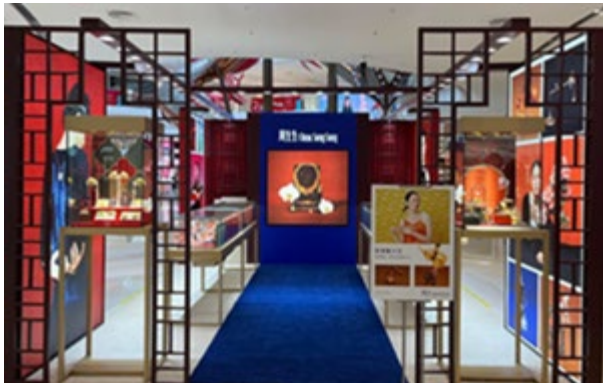
Retail - Product and Marketing

- The covid-19 epidemic situation remained volatile throughout 2022. It was not conducive to physical marketing campaigns, but we still managed to launch a number of eye-catching events timely, including the “Infini Love Diamond Kaleidoscope Tunnel Exhibition”, “PROMESSA Interactive Roadshow”, culture-themed gold jewellery exhibition and new product salon, etc.
- We have applied ourselves assiduously to live streaming using both home-grown and external talents in over 19,000 (2021: 7,900) hours of shows, achieving satisfactory results on the Douyin platform and elsewhere.
- The Group participated in a total of 12 (2021: 27) wedding expos in Mainland China, Hong Kong and Taiwan.



Left: Infini Love Diamond Kaleidoscope Tunnel Exhibition

Right: PROMESSA Interactive Roadshow



Left: Culture-themed gold jewellery exhibition



Right: New product salon

Business Review

Other Business Segments

Wholesale of Precious Metals

- The pandemic and ongoing cross-border restrictions brought precious metal trading and sourcing activities to a halt.
- Turnover in 2022 decreased by 62% YOY to HK\$766 million.

E-commerce Platform

- We operate an e-commerce platform for the sale of jewellery that are set with laboratory-grown diamond under the business name “The Future Rocks”. In 2022, The Future Rocks continued to add laboratory grown diamond jewellery brands worldwide to its platform.
- The Future Rocks also launched on China online platforms: TMall International, Xiaohongshu and WeChat mini program in May, followed by Douyin in June. Media events and collaborations with KOLs have also been held in Mainland China, Japan and France.

Securities and Futures Broking – the Discontinued Operation

- The business has since early May 2021 ceased operation. We have been processing unclaimed assets. Complete shutdown will occur when all such assets are returned or placed into court custody.
- Since the commencement of legal actions against some default margin loan customers and guarantors in Feb 2021, the Group has obtained judgments in certain actions and is now in the process of enforcing the judgments and petitioning bankruptcy of certain individuals based on the relevant judgment debts as appropriate.
- Provisions for impairment losses on margin loans totalling HK\$31 million and HK\$93 million were made for the years ended 31 December 2022 and 2021 respectively. As at 31 December 2022, total loans due from the customers in default, net of total credit loss allowance, amounted to HK\$124 million.

Strategy Outline

Strategy Outline

Jewellery and Watch Store Expansion

- **Expand jewellery and watch store network steadily**
- **Utilise multi-brand strategy and different decorating styles to appeal to different groups of clientele, to enhance shopping experience and strengthen brand positioning**
- **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 be around 100 in 2023**

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**

Strategy Outline

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
- Develop live-streaming marketing and sales platforms, and realise new retail strategy and online and offline marketing through short videos and new media channels

Supply Chain Logistics

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

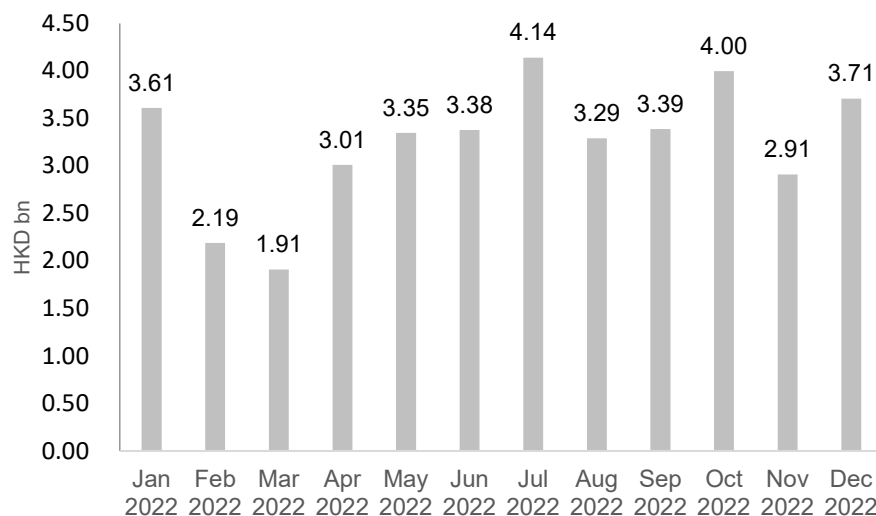
Q&A Session

Appendix

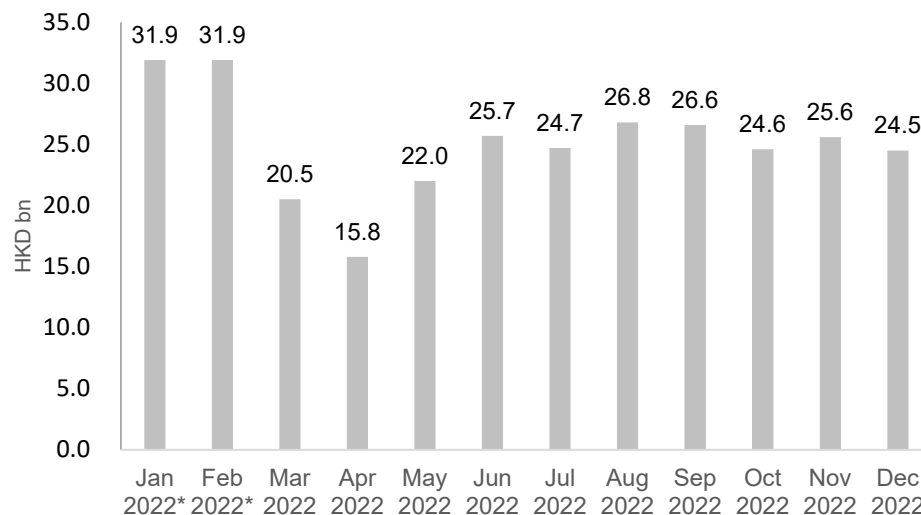


Industry Analysis – Hong Kong and Mainland China

**Value of retail sales of FY2022
Hong Kong Jewellery, Watches and Clocks, and Valuable Gifts**



**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 FY2022 was HKD38.89 billion, an increase of 0.3% compared with HKD38.77 billion in FY2021, according to HK Census and Statistics Department.

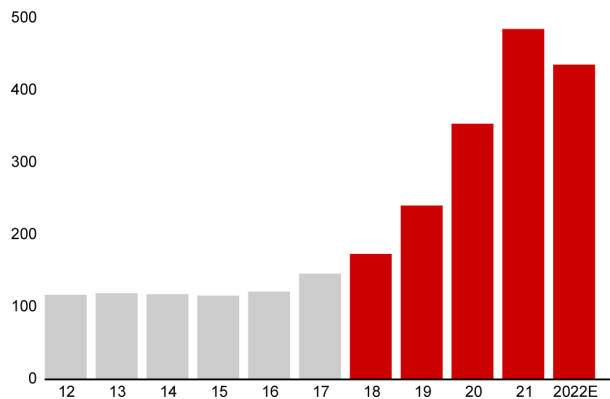
Retail sales for jewellery products in Mainland China were RMB301.4 billion in FY2022, a decrease of 0.9%, compared with RMB304.1 billion in FY2021, according to the data from National Bureau of Statistics of People's Republic of China.

* 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

- The China luxury market had been on a bull run over the past five years, with the market doubling between 2019 and 2021. Despite a strong start to 2022, the Chinese luxury market declined 10% year over year, ending a five-year run of exponential growth.
- Covid-related lockdowns from the second quarter created barriers to purchasing. Higher unemployment, and anxiety about Covid also weakened consumer sentiment. Many consumers opted to stay home, even after movement restrictions relaxed. Shopping mall traffic was down 30%–35%.
- Despite the 2022 reset, Bain & Company expects growth to resume in 2023 as China recovers from Covid. The fundamentals of consumption in China are still intact. Compared to other emerging markets, China is a behemoth for luxury growth. It has a larger number of middle- and high-income consumers, and these populations are projected to double by 2030.

Mainland China personal luxury sales (billion RMB)



CAGR

2012–16
1%
2016–19
26%
2019–21
42%
2021–22
(10)%

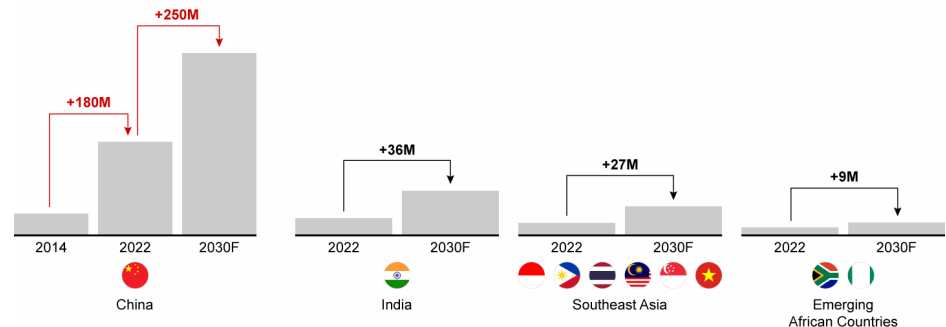
Stringent and extensive Covid-19 lockdowns occurred across all city tiers, restricting travel and consumption; shopping mall traffic declined by 30%–35%

Decreased consumer confidence and willingness to consume ensued, due to real estate market slowdown and negative economic outlook

Weakened consumption power was present, due to higher unemployment and uncertainty on disposable income

China will still be the growth behemoth

Mid- and high-income consumers



China is expected to double its mid- to high-income population by 2030

Sources: Bain-Altgamma 2021 Worldwide Luxury Market Monitor; Bain analysis

Sources: Bain-Altgamma 2021 Worldwide Luxury Market Monitor; Bain analysis

Source :

Bain & Company

- “Setting a New Pace for Personal Luxury Growth in China” <https://www.bain.com/insights/setting-a-new-pace-for-personal-luxury-growth-in-china/>; https://www.bain.com/globalassets/noindex/2023/bain_report_setting_a_new_pace_for_personal_luxury_growth_in_china.pdf
- “China’s luxury market contracts for first time in five years; positive conditions to return by end of first quarter” <https://www.bain.com/about/media-center/press-releases/2023/chinas-luxury-market-contracts-for-first-time-in-five-years-positive-conditions-to-return-by-end-of-first-quarter/>

Definitions

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

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

Thank you