

Chinese Jewellery: Market Growth in an Expanding Economy

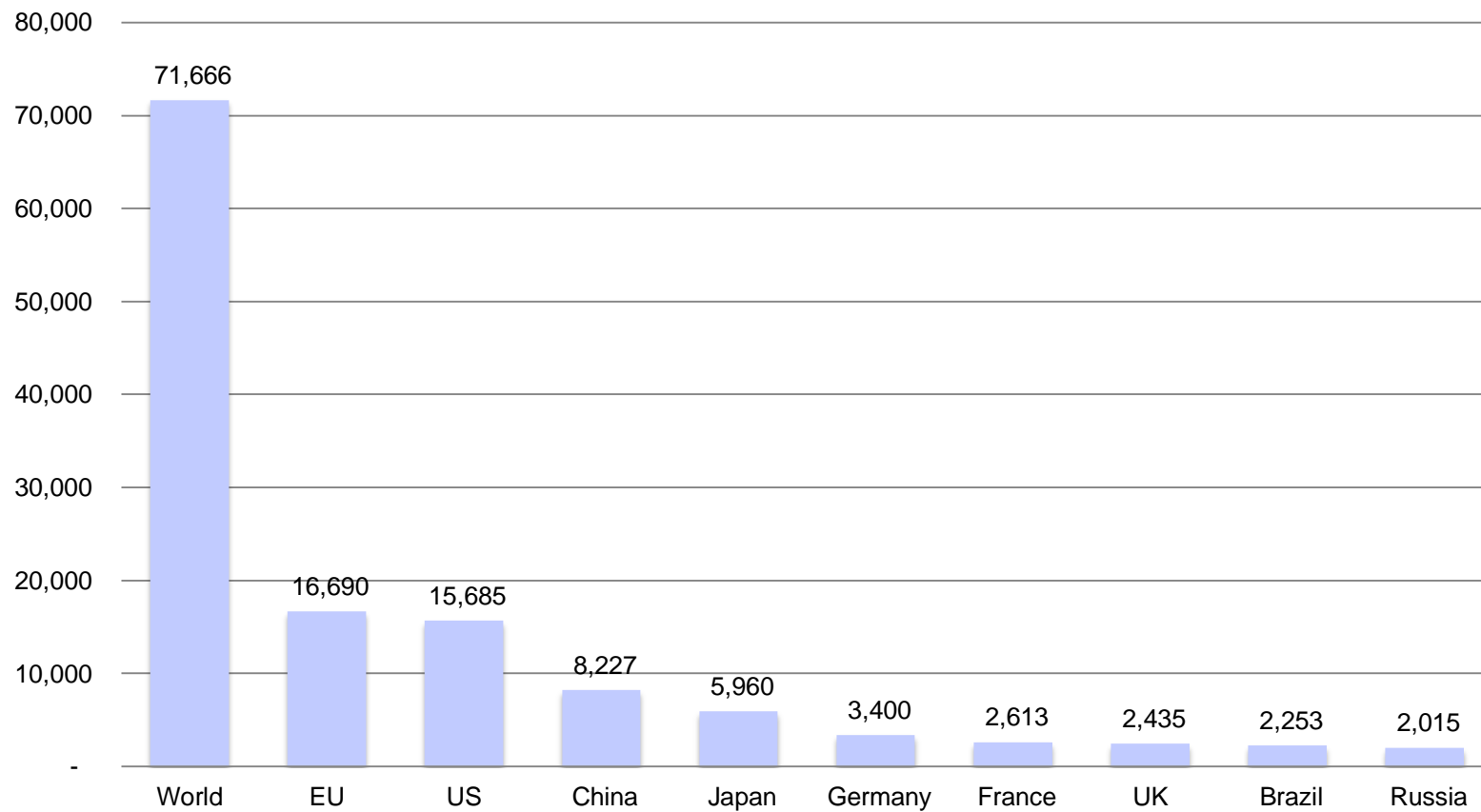
Vincent Chow

Chow Sang Sang, Hong Kong

2012 GDP by Country

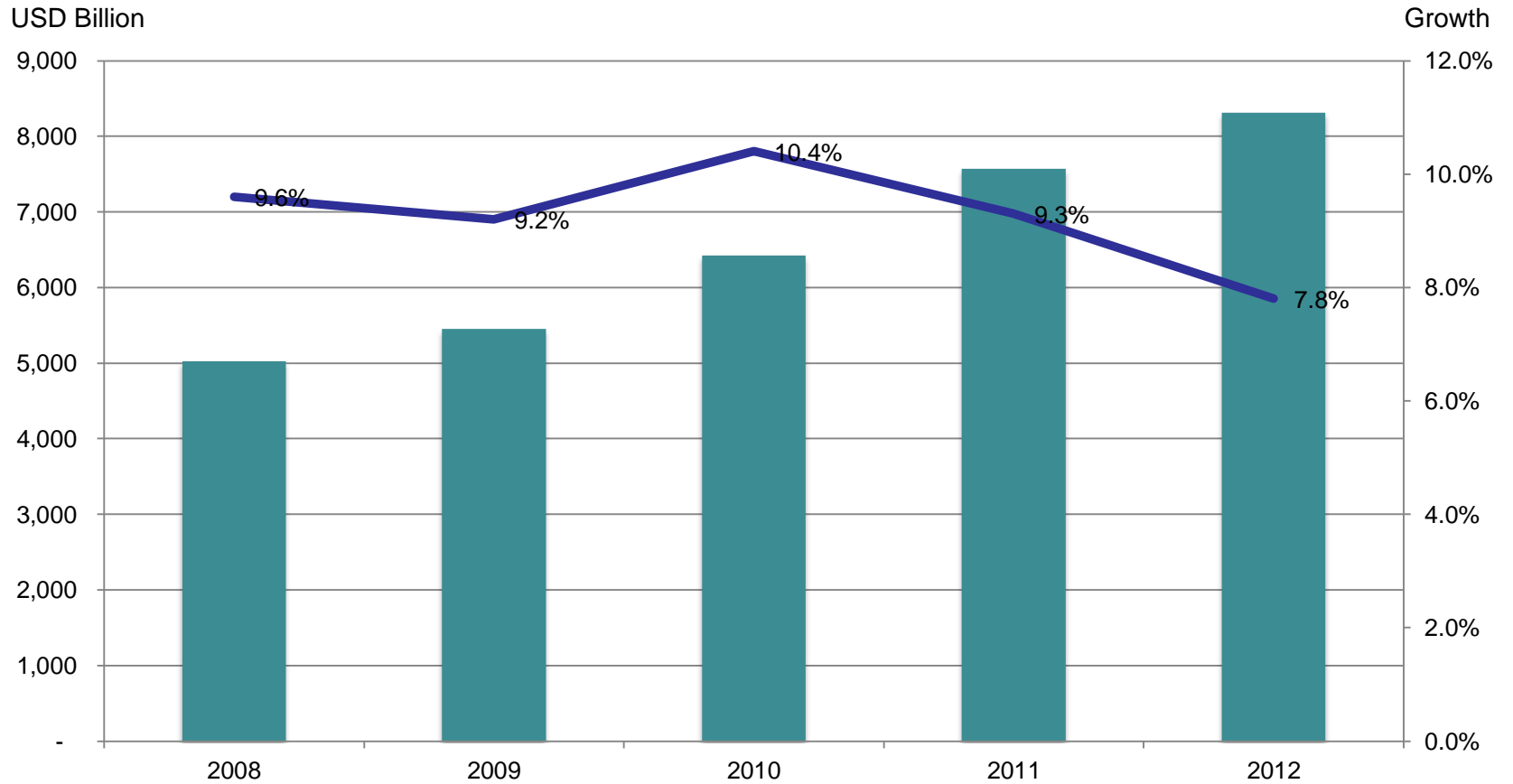
(World Bank)

USD Billion



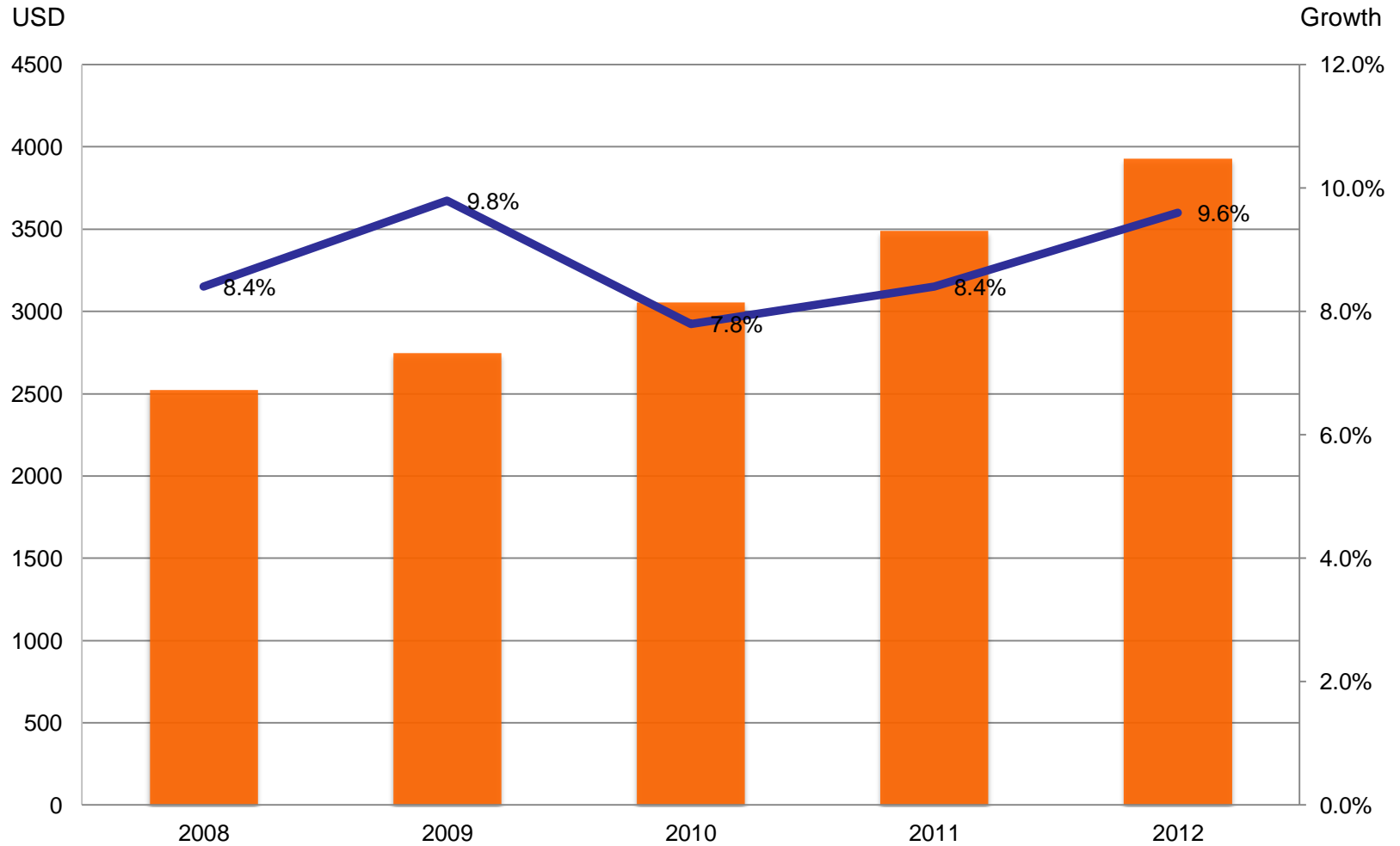
China's GDP

(World Bank)



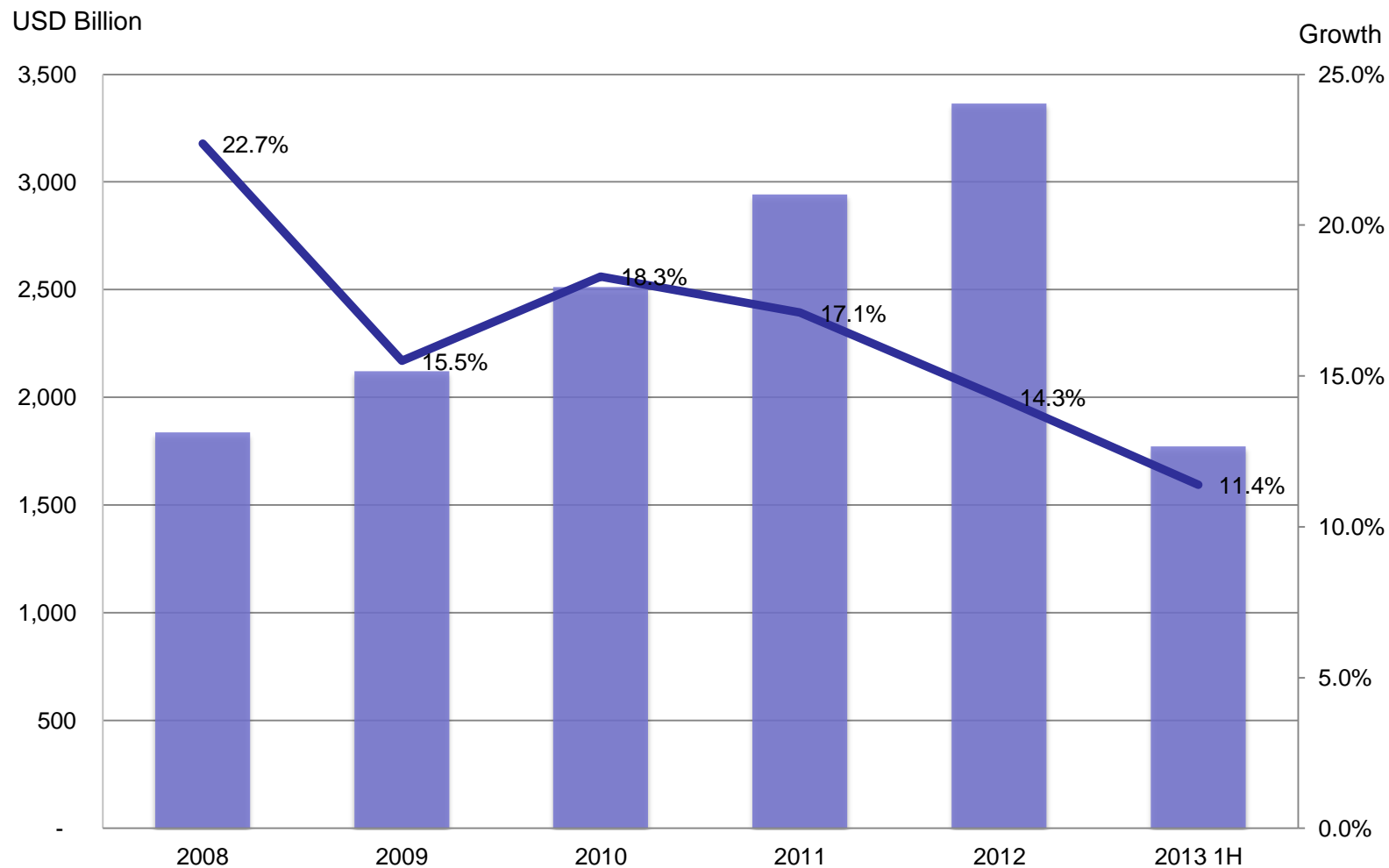
Urban Disposable Income

(National Bureau of Statistics of China)



China's Consumer Retail Spending

(NBSC)



2012 Volume: Gold Jewellery and Platinum Jewellery in China

- Gold consumption for jewellery 518.8 tonnes [WGC]
- Plantinum consumption for jewellery 1.5 m ounces [GFMS] or 42.5 tonnes

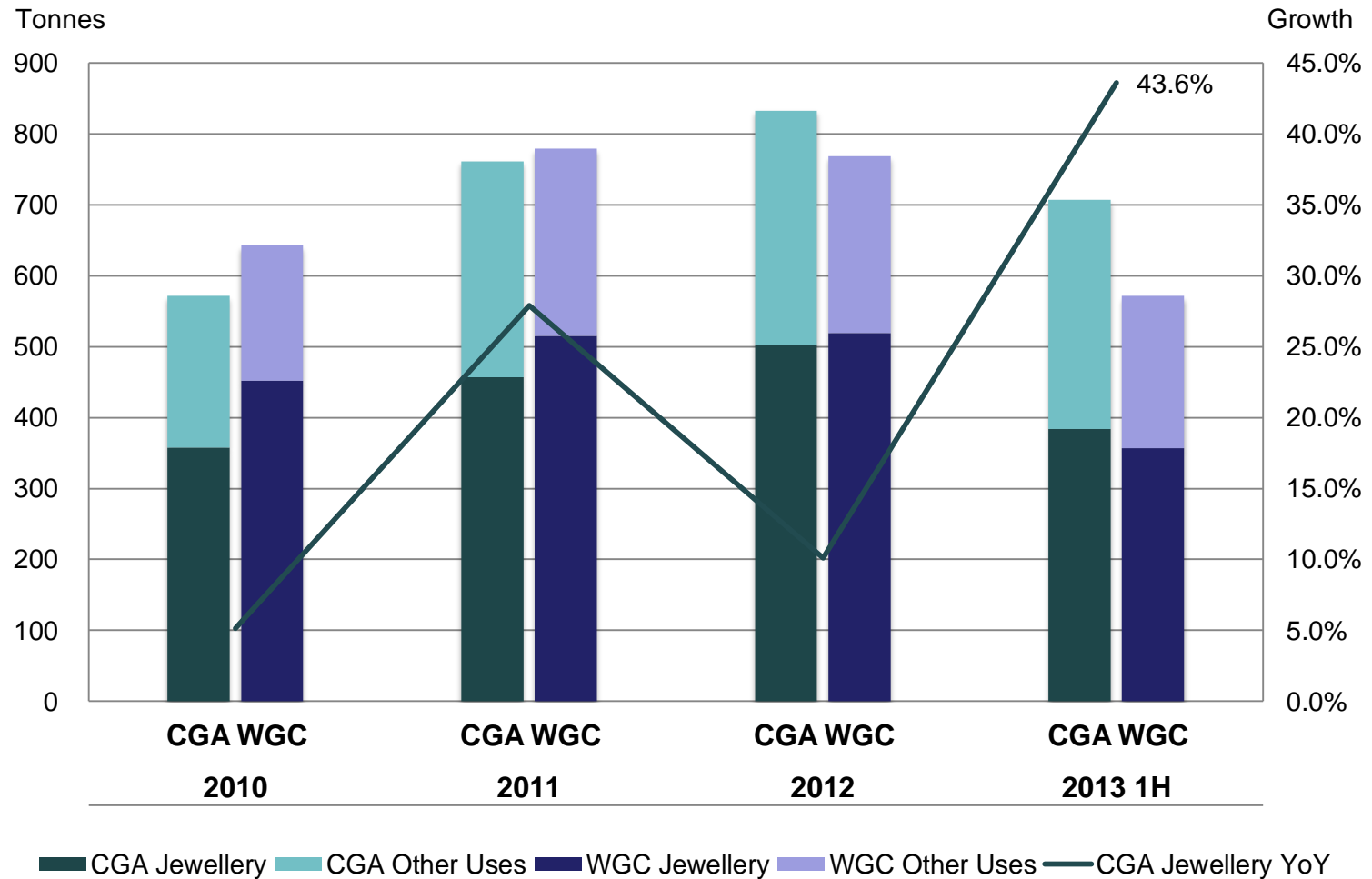
12:1

- One company's experience, in *dollar* terms

8:1

China Annual Consumption of Gold for Jewellery & Other Uses

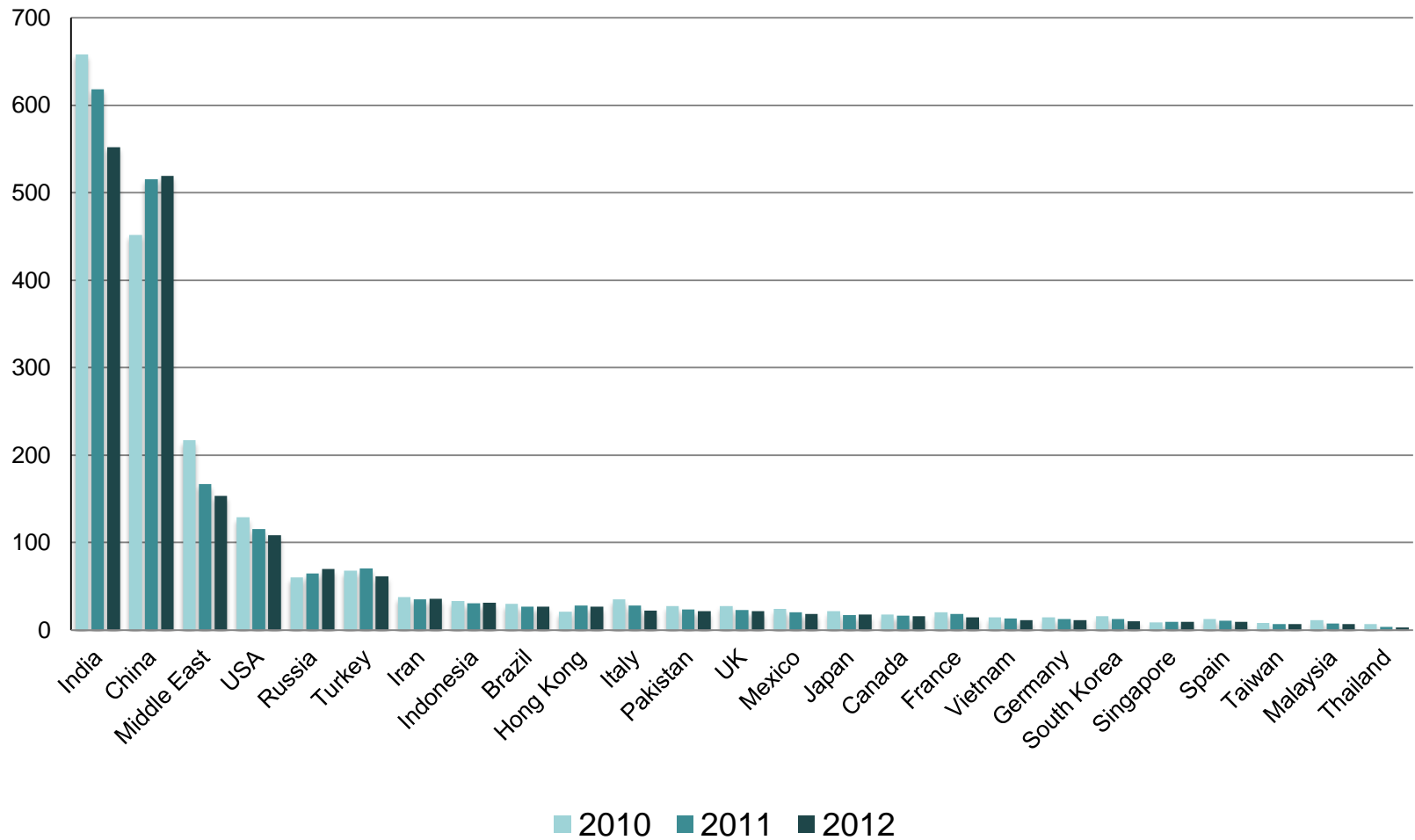
(China Gold Association [CGA], World Gold Council [WGC])



Annual Jewellery Consumption of Gold

(GFMS)

Tonnes



What is Gold Jewellery in China

- WGC webpage:

“Chinese consumers look for the very highest level of purity; more than 80% of gold jewellery in China is made from pure 24 carat gold.”

- Our Company’s experience:

in China and Hong Kong, only 1 to 3% in 18K gold, not counting gem-set 18K gold.

An Assortment of Gold Jewellery for China



Bridal Bangles
112g each



Bridal Bangle 60g



Gold Wafers 10g each



Choker 72g

Necklace 124g



Rings 6g each



Rings 4 to 6g



Ring 9g



Longevity 10g



Beads ~1g each



Figures 4 to 5g
each



Dragon 144g

Estimating the Number of Retail Jewellery Outlets

- China Gold Association: 60,000 to 70,000 jewellery outlets
- China Commerce Association for General Merchandise: 9,000 department stores. Say average 5 jewellery outlets in each then 45,000 outlets plus those in shopping malls and street-level shops.

Who are the Players

- International Brands
- National chains based in Hong Kong (~6)
- National chains based in Shenzhen, Shanghai etc (~10)
- Regional chains (?)
- Franchisees [some of whom are department store operators] (?)
- Independents (?)

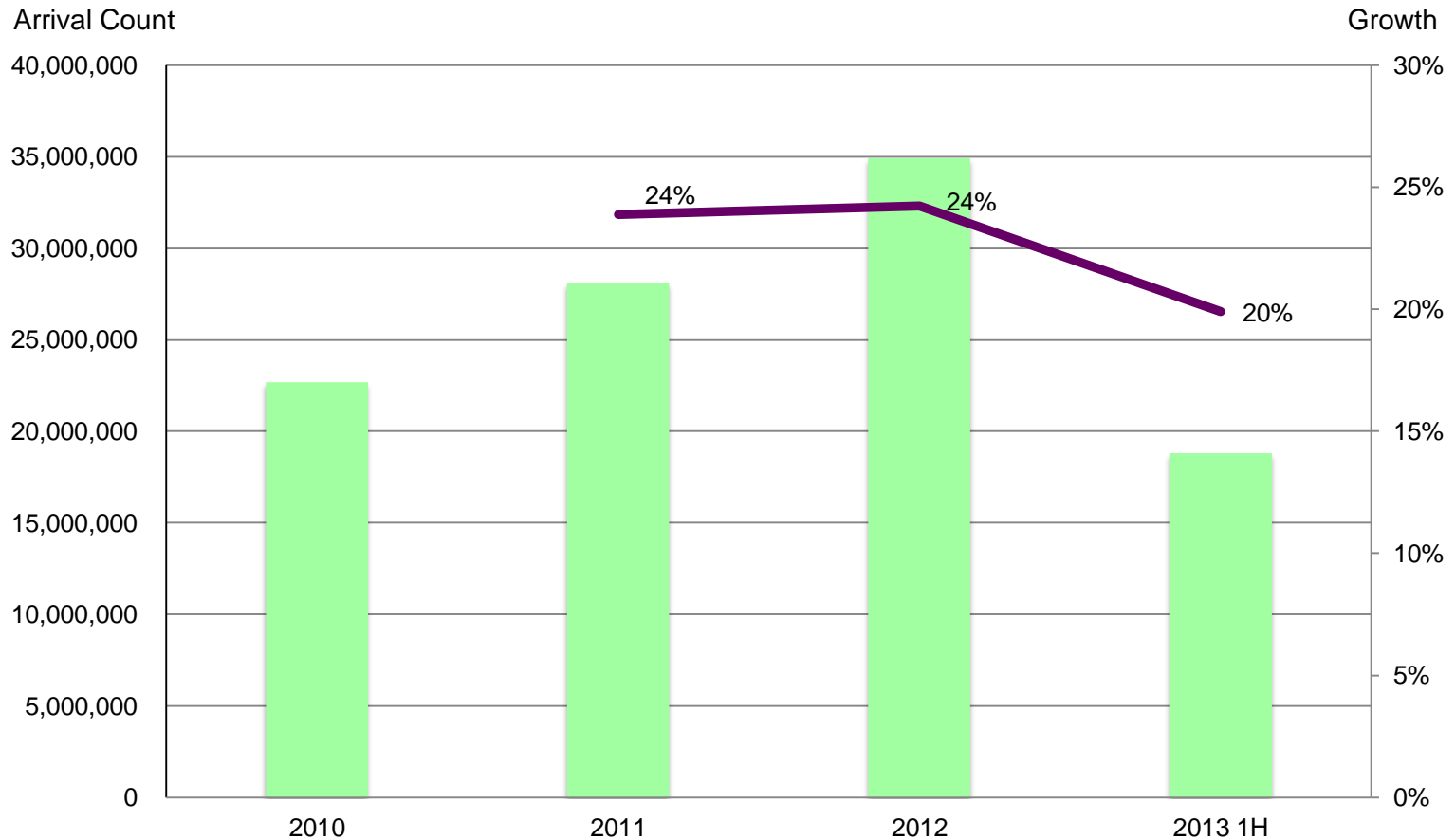
Taxes Give Hong Kong Price Advantage

	China	Hong Kong
Value Added Tax	17.5%*	—
Consumption Tax	5%	—
Import Duty if applicable	14~40%	—
Corporate Income Tax	25%	—
Profits Tax	—	16.50%

*VAT not applicable to gold content in pure gold jewellery

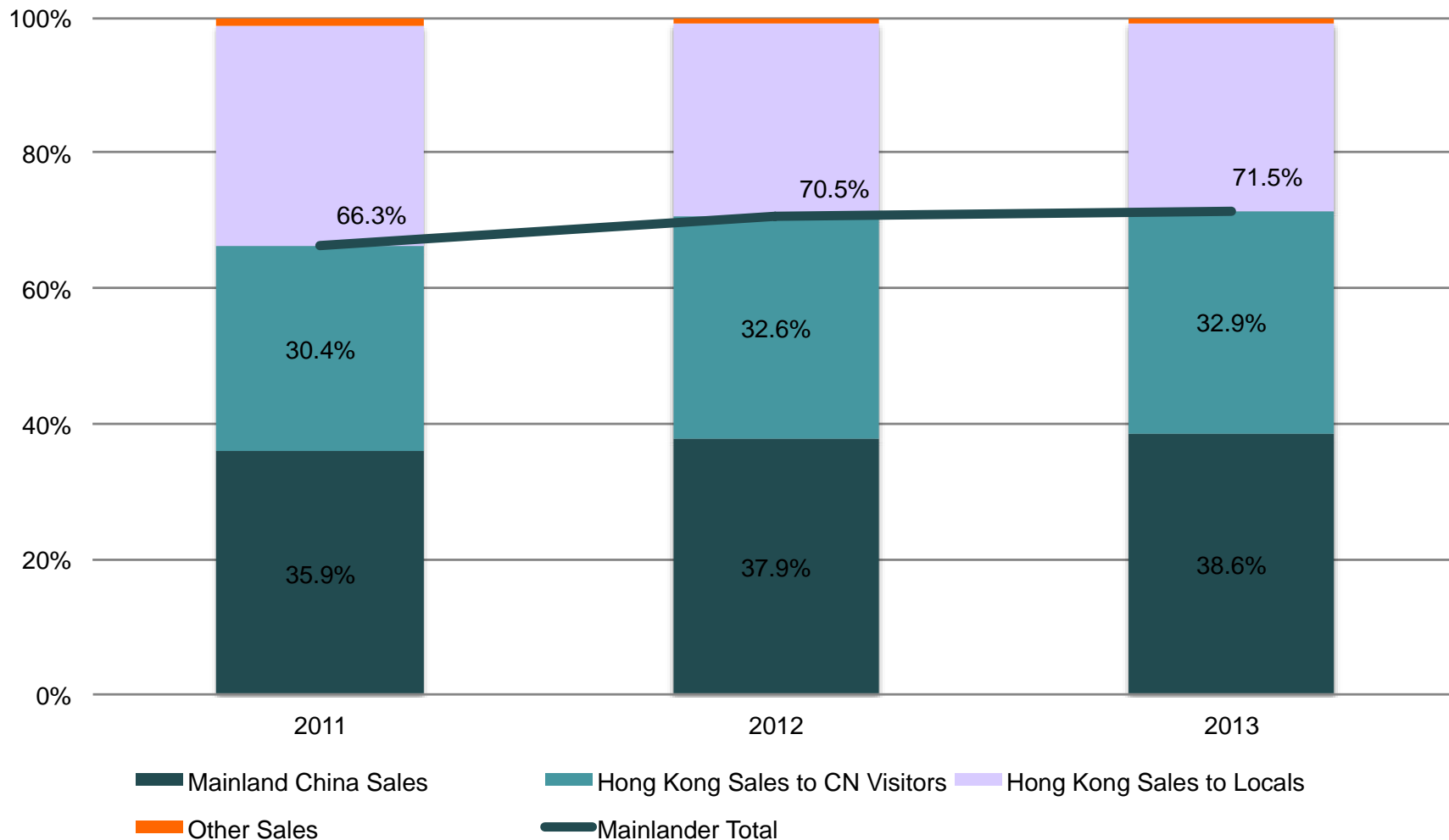
Mainland Chinese Arrivals at Hong Kong

(Hong Kong Tourism Commission)



Hong Kong's Population: 7.6 million

Chow Sang Sang Total Jewellery Sales Distribution by Customer Domicile



Gold Consumption, Gm per Capita

(GFMS)

	Population in million	2010	2011	2012	
China	1,338.6	0.34	0.38	0.39	
Hong Kong	7.6	2.71	3.64	3.45	
Taiwan	23.0	0.34	0.30	0.30	
Singapore	4.7	1.83	1.90	1.99	
Saudi Arabia	28.7	2.49	1.94	1.64	
UAE	4.8	14.50	12.11	10.38	
Other Gulf	7.7	2.86	2.48	2.20	

Gold Consumption, Gm per Capita (GFMS)

	Population in million	2010	2011	2012	2012 Adjusted*
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*2012 Adjusted by attributing one half of Hong Kong consumption to China



Hong Kong

The 2013 Gold Rush





Hong Kong

The 2013 Gold Rush

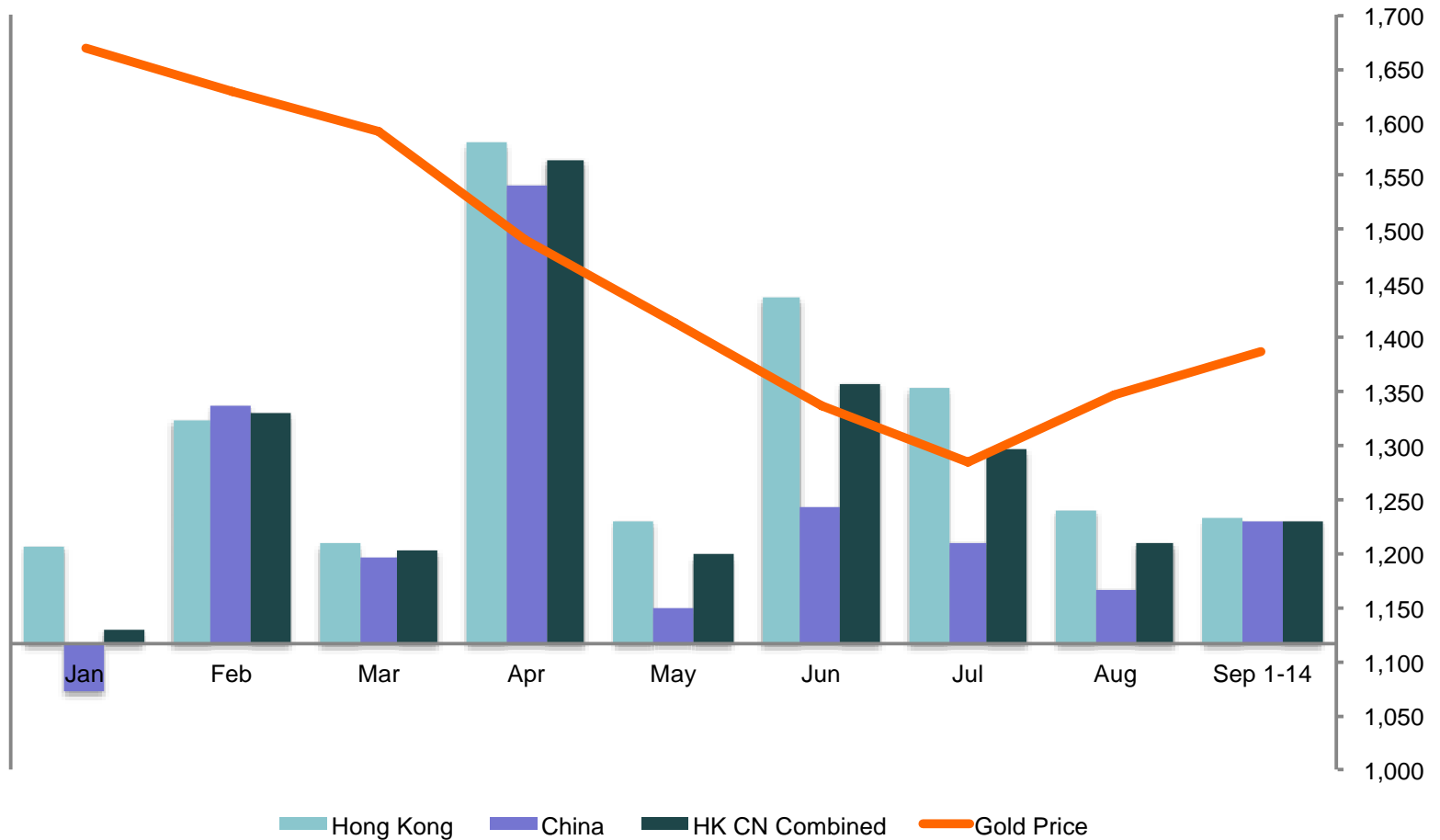
The Aftermath: empty shelves and grumpy faces

2013 Chow Sang Sang Same Store Growth in Gold Weight

Hong Kong, China & Combined

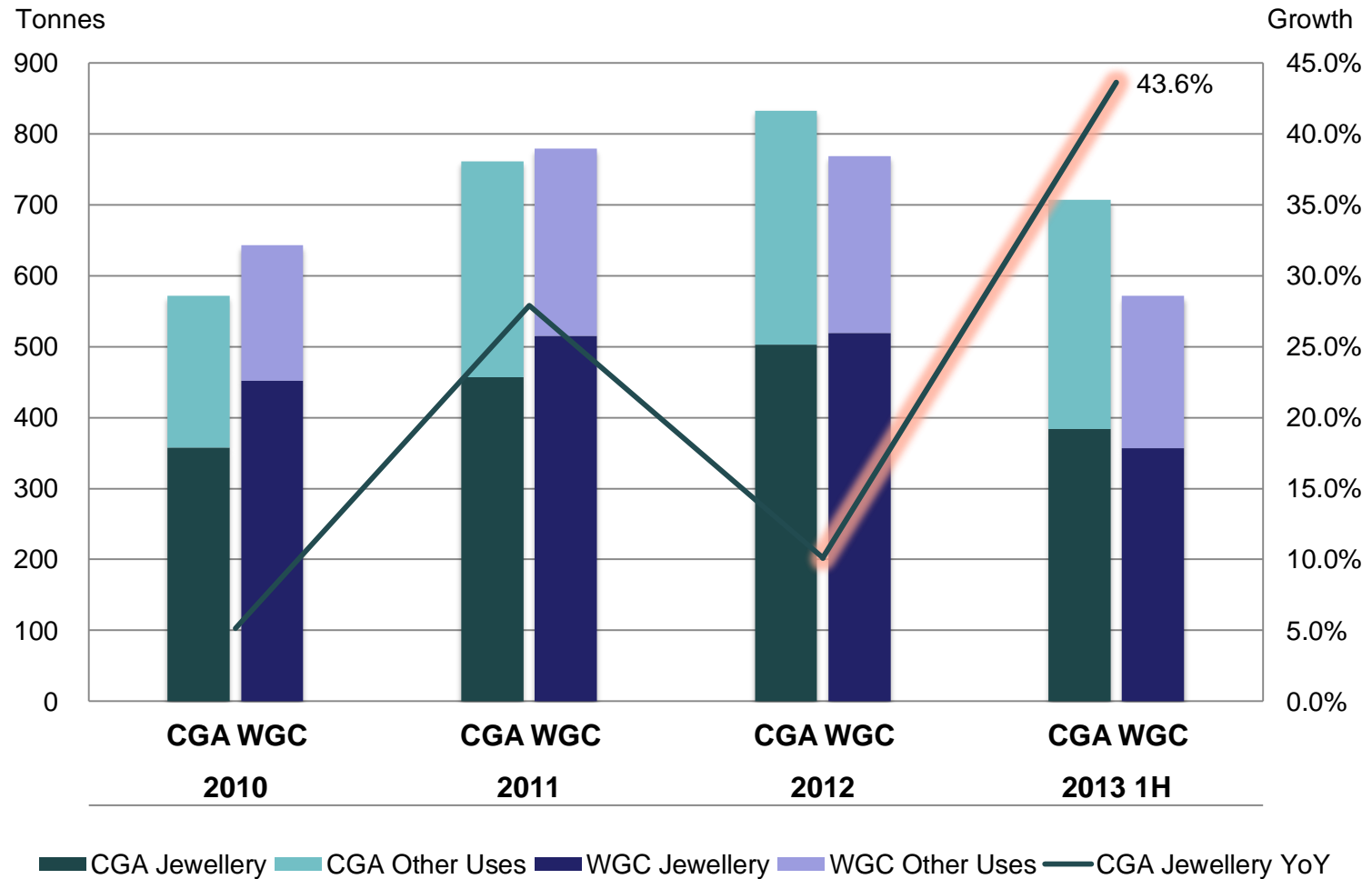
Growth %

USD/oz



China Annual Consumption of Gold for Jewellery & Other Uses

(China Gold Association [CGA], World Gold Council [WGC])



39 Chinese Cities with 2012 GDP ≥ USD 48b (RMB 300b) & Growth over 2011 ≥ 10%

The map displays 39 Chinese cities that met the criteria of having a 2012 GDP of at least USD 48 billion (RMB 300 billion) and a growth rate over 2011 of at least 10%. The cities are marked with stars and labeled in orange text. The map is color-coded by province: Xinjiang (light blue), Qinghai (light green), Tibet (grey), Gansu (pink), Ningxia (light blue), Shaanxi (yellow), Inner Mongolia (light green), Hebei (pink), Beijing (pink), Tianjin (pink), Shanxi (pink), Henan (pink), Anhui (pink), Hubei (orange), Hunan (light green), Jiangxi (orange), Fujian (pink), Guangdong (pink), Guangxi (light blue), Yunnan (pink), Guizhou (pink), Sichuan (light blue), Chongqing (light blue), Hainan (orange), Macau (orange), and Hong Kong (orange). The cities are: Daqing, Harbin, Changchun, Shenyang, Dalian, Tangshan, Tianjin, Shijiazhuang, Dongying, Jibo, Qingdao, Handan, Jining, Linyi, Zhengzhou, Luoyang, Xuzhou, Yancheng, Nantong, Changzhou, Wuxi, Suzhou, Nanjing, Hefei, Wuhan, Nanchang, Changsha, Fuzhou, Quanzhou, Kunming, Xian, Chengdu, Chongqing, and Shanghai.

Shanghai	321b	7.5%
Beijing	284b	7.7%
Hangzhou	125b	9.0%

Source: public data published by
cities and compiled by www.elivecity.cn.

Reference: public data published by municipalities and compiled by www.elivecity.cn.