



## CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 116

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Board of Directors (the "Board") of Chow Sang Sang Holdings International Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. The interim results have been reviewed by the Audit Committee of the Board.

#### FINANCIAL HIGHLIGHTS

	Unaudited		Change
	2008	2007	
	HK\$'000	HK\$'000	
Turnover			
Jewellery retail	<b>2,514,300</b>	1,760,419	43%
Other businesses	<b>2,277,480</b>	1,799,500	27%
	<b>4,791,780</b>	3,559,919	35%
Profit attributable to shareholders of the Company	<b>295,270</b>	180,110	64%
Basic earnings per share	<b>49.1 cents</b>	29.9 cents	64%
Interim dividend per share	<b>8.0 cents</b>	8.0 cents	-
Dividend payout ratio	<b>16%</b>	27%	
Equity attributable to shareholders of the Company	<b>3,288,267</b>	3,634,269 <sup>^</sup>	-10%
Equity per share	<b>\$5.5</b>	\$6.0 <sup>^</sup>	-10%

<sup>^</sup> Audited as at 31 December 2007

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2008</b>	2007
		<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>	3		
Jewellery retail		2,514,300	1,760,419
Other businesses		<u>2,277,480</u>	<u>1,799,500</u>
		<b>4,791,780</b>	3,559,919
Cost of sales		<u>(3,925,935)</u>	<u>(2,975,097)</u>
Gross profit		<b>865,845</b>	584,822
Other income		<b>48,325</b>	41,003
Selling and distribution costs		<b>(393,285)</b>	(299,460)
Administrative expenses		<b>(110,503)</b>	(88,791)
Other gains, net		<b>3,158</b>	3,385
Finance costs		<b>(12,389)</b>	(13,096)
Share of profits / (losses) of associates		<u>(198)</u>	<u>138</u>
<b>Profit before tax</b>	4	<b>400,953</b>	228,001
Tax	5	<u>(95,507)</u>	<u>(39,368)</u>
<b>Profit for the period</b>		<u><b>305,446</b></u>	<u>188,633</u>
Attributable to:			
Shareholders of the Company		<b>295,270</b>	180,110
Minority interests		<u>10,176</u>	<u>8,523</u>
		<u><b>305,446</b></u>	<u>188,633</u>
<b>Dividend</b>	6		
Interim		<u><b>48,154</b></u>	<u>48,154</u>
<b>Earnings per share attributable to shareholders of the Company</b>			
Basic	7	<u><b>49.1 cents</b></u>	<u>29.9 cents</u>

## CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		368,423	356,903
Investment properties		123,616	126,950
Intangible assets		271	271
Other assets		75,445	51,341
Interests in associates		11,130	11,457
Available-for-sale investments		580,068	1,111,922
Deferred tax assets		2,357	2,267
Total non-current assets		<u>1,161,310</u>	<u>1,661,111</u>
<b>Current assets</b>			
Inventories		2,424,937	2,092,366
Accounts receivable	8	198,748	211,880
Receivables arising from securities and futures broking	8	160,423	395,856
Prepayments, deposits and other receivables		63,775	55,260
Investments at fair value through profit or loss		11,973	13,479
Derivative financial instruments		6,219	4,982
Tax recoverable		723	420
Cash held on behalf of clients		335,153	386,666
Cash and cash equivalents		230,666	264,541
Total current assets		<u>3,432,617</u>	<u>3,425,450</u>
<b>Current liabilities</b>			
Accounts payable	9	129,432	118,062
Payables arising from securities and futures broking	9	387,434	614,080
Other payables and accruals		206,651	253,141
Derivative financial instruments		2,424	9,451
Interest-bearing bank borrowings		362,857	286,229
Tax payable		103,576	57,974
Total current liabilities		<u>1,192,374</u>	<u>1,338,937</u>
<b>Net current assets</b>		<u>2,240,243</u>	<u>2,086,513</u>
<b>Total assets less current liabilities</b>		<u>3,401,553</u>	<u>3,747,624</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		58,814	56,927
<b>Net assets</b>		<u>3,342,739</u>	<u>3,690,697</u>
<b>Equity</b>			
Equity attributable to shareholders of the Company			
Issued capital		150,480	150,480
Reserves		3,089,633	3,327,290
Proposed dividend		48,154	156,499
		<u>3,288,267</u>	<u>3,634,269</u>
Minority interests		54,472	56,428
<b>Total equity</b>		<u>3,342,739</u>	<u>3,690,697</u>

## NOTES

### 1. Basis of preparation

This unaudited condensed consolidated interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

This interim financial report should be read in conjunction with the Annual Report 2007.

The accounting policies and basis of computation used in the preparation of this interim financial report are the same as those used in the Group’s audited financial statements for the year ended 31 December 2007.

The adoption of the new standards, amendments and interpretations which become effective for accounting periods beginning on or after 1 January 2008 have had no material impact on the Group’s results of operations and financial position.

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that have been issued but are not yet effective, in this interim financial report.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the adoption of HKFRS 8 may result in new or amended disclosures. In respect of the remaining new and revised HKFRSs, it is not yet in a position to state whether they would have a significant impact on the Group’s results of operations and financial position.

## 2. Segment information

The following tables present revenue and results for the Group's business segments for the periods ended 30 June 2008 and 2007.

	Manufacture and retail of jewellery HK\$'000	Wholesale of precious metals HK\$'000	Securities and futures broking HK\$'000	Other businesses HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>2008</b>						
<b>Segment revenue</b>						
Sales to external customers	2,514,300	2,175,207	44,523	57,750	-	4,791,780
Intersegment sales	295,299	75,982	-	1,157	(372,438)	-
Other income from external sources	16,322	-	7,714	3,798	-	27,834
Other intersegment income	1,512	-	-	82	(1,594)	-
<b>Total</b>	<b>2,827,433</b>	<b>2,251,189</b>	<b>52,237</b>	<b>62,787</b>	<b>(374,032)</b>	<b>4,819,614</b>
<b>Segment results</b>	<b>354,598</b>	<b>11,796</b>	<b>24,532</b>	<b>5,889</b>	<b>-</b>	<b>396,815</b>
Interest income						3,649
Dividend income						16,842
Unallocated expenses						(4,863)
Finance costs						(11,292)
Share of losses of associates						(198)
Profit before tax						400,953
Tax						(95,507)
Profit for the period						305,446
<b>2007</b>						
<b>Segment revenue</b>						
Sales to external customers	1,760,419	1,722,971	47,322	29,207	-	3,559,919
Intersegment sales	151,543	77,719	-	844	(230,106)	-
Other income from external sources	11,000	1	17,460	1,020	-	29,481
Other intersegment income	1,378	-	-	54	(1,432)	-
<b>Total</b>	<b>1,924,340</b>	<b>1,800,691</b>	<b>64,782</b>	<b>31,125</b>	<b>(231,538)</b>	<b>3,589,400</b>
<b>Segment results</b>	<b>183,705</b>	<b>7,075</b>	<b>31,854</b>	<b>2,049</b>	<b>-</b>	<b>224,683</b>
Interest income						5,520
Dividend income						6,002
Unallocated expenses						(4,088)
Finance costs						(4,254)
Share of profits of associates						138
Profit before tax						228,001
Tax						(39,368)
Profit for the period						188,633

### 3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and value-added tax; commission on securities and commodities broking and rental income earned during the period.

Revenue from the following activities has been included in turnover:

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of goods	<b>4,741,245</b>	3,507,624
Commission on securities and commodities broking	<b>45,612</b>	48,087
Gross rental income	<b>4,923</b>	4,208
	<b>4,791,780</b>	<b>3,559,919</b>

### 4. Profit before tax

The Group's profit before tax is arrived at after charging / (crediting):

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Write-down of inventories to net realizable value	-	2,255
Depreciation	<b>31,330</b>	23,891
Minimum lease payments under operating leases for leasehold land and buildings	<b>100,352</b>	80,316
Bank interest income	<b>(3,359)</b>	(5,263)
Interest income from margin and other financing	<b>(6,675)</b>	(15,427)
Dividend income	<b>(17,027)</b>	(6,188)
Reversal of impairment of receivables arising from securities and futures broking	<b>(15)</b>	-
Foreign exchange gain, net	<b>(8,718)</b>	(2,359)
Loss / (gain) on disposal of investments at fair value through profit or loss	<b>32</b>	(646)
Net loss on disposal of derivative financial instruments <sup>Δ</sup>	<b>14,130</b>	1,233
Net fair value losses on investments at fair value through profit or loss	<b>1,513</b>	110
Net fair value gains on derivative financial instruments – transactions not qualifying as hedges	<b>(8,466)</b>	(3,495)
Interest expense for securities and futures broking: On bank loans and overdrafts <sup>*</sup>	<b>1,097</b>	8,842

<sup>Δ</sup> The net loss on disposal of derivative financial instruments has included the net loss on disposal of bullion contracts of HK\$16,242,000 (2007: HK\$4,207,000), which is included in "Cost of sales" on the face of the consolidated profit and loss account.

<sup>\*</sup> The balance is included in "Finance costs" on the face of the consolidated profit and loss account.

## 5. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. The decreased Hong Kong profits tax rate became effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole of the period ended 30 June 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – Hong Kong		
Charge for the period	<b>44,291</b>	28,173
Overprovision in prior years	-	(8)
Current – Elsewhere		
Charge for the period	<b>32,562</b>	11,784
Underprovision in prior years	<b>14,000</b>	-
Deferred	<b>4,654</b>	(581)
	<b>95,507</b>	39,368

## 6. Dividend

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim – HK8.0 cents (2007: HK8.0 cents) per ordinary share	<b>48,154</b>	48,154

## 7. Earnings per share attributable to shareholders of the Company

The calculation of basic earnings per share is based on the profit for the period attributable to shareholders of the Company of HK\$295,270,000 (2007: HK\$180,110,000), and the weighted average number of 601,920,000 (2007: 601,920,000) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2008 and 2007 have not been presented as no diluting events existed during these periods.

## 8. Accounts receivable / Receivables arising from securities and futures broking

### Jewellery retail

The Group's sales are normally made on cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within one month. There are wholesale customers who have been given credit periods ranging from 15 to 45 days.

### Wholesale of diamonds

The Group normally grants credit periods of up to 60 days to its trade customers.

### Wholesale of precious metals

The Group's wholesale of precious metals is normally conducted on a cash basis.

### Securities and commodities broking

Securities deals are settled two days after the trade date, and commodities deals are normally settled on cash basis.

	<b>30 June 2008 HK\$'000</b>	31 December 2007 HK\$'000
Trade and credit card receivables	<b>198,770</b>	211,902
Impairment	<b>(22)</b>	(22)
Accounts receivable	<b><u>198,748</u></b>	<u>211,880</u>
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	<b>101,630</b>	270,492
Clearing houses	<b>3,111</b>	8,446
Loans to margin clients	<b><u>55,775</u></b>	<u>117,026</u>
	<b>160,516</b>	395,964
Impairment	<b>(93)</b>	(108)
Receivables arising from securities and futures broking	<b><u>160,423</u></b>	<u>395,856</u>
Total accounts receivable and receivables arising from securities and futures broking	<b><u><u>359,171</u></u></b>	<u><u>607,736</u></u>

Apart from the receivable balances arising from securities and futures broking, the remaining balances are non-interest-bearing.



## 8. Accounts receivable / Receivables arising from securities and futures broking (continued)

The ageing analysis of the accounts receivable and receivables arising from securities and futures broking not impaired, based on the due date, is as follows:

	<b>30 June 2008 HK\$'000</b>	31 December 2007 HK\$'000
Not yet due	<b>223,413</b>	378,159
Within 30 days past due	<b>64,416</b>	96,973
31 to 60 days past due	<b>7,248</b>	13,657
61 to 90 days past due	<b>940</b>	1,623
Over 90 days past due	<b>7,380</b>	299
	<b>303,397</b>	490,711
Loans to margin clients*	<b>55,774</b>	117,025
	<b>359,171</b>	607,736

\* Loans to margin clients are secured by the underlying pledged securities, repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not relevant in view of the nature of the business of securities margin financing. As at 30 June 2008, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$262,948,000 (31 December 2007: HK\$468,940,000).

## 9. Accounts payable / Payables arising from securities and futures broking

	<b>30 June 2008 HK\$'000</b>	31 December 2007 HK\$'000
Accounts payable	<b>129,432</b>	118,062
Payables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	<b>336,032</b>	576,581
Margin clients	<b>34,209</b>	15,734
Clearing houses	<b>17,193</b>	21,765
Payables arising from securities and futures broking	<b>387,434</b>	614,080
Total accounts payable and payables arising from securities and futures broking	<b>516,866</b>	732,142

## 9. Accounts payable / Payables arising from securities and futures broking (continued)

The ageing analysis of the accounts payable and payables arising from securities and futures broking, based on the due date, is as follows:

	<b>30 June 2008 HK\$'000</b>	31 December 2007 HK\$'000
Within 30 days (including amount not yet due)	<b>136,819</b>	128,381
31 to 60 days	<b>8,389</b>	9,846
Over 60 days	<b>1,417</b>	1,600
	<b>146,625</b>	139,827
Cash clients accounts payable <sup>Δ</sup>	<b>336,032</b>	576,581
Margin clients accounts payable <sup>^</sup>	<b>34,209</b>	15,734
	<b>516,866</b>	732,142

<sup>Δ</sup> Included in the cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business was an amount of approximately HK\$285,350,000 (31 December 2007: HK\$351,328,000) representing those clients' undrawn monies / excess deposits placed with the Group. As at 30 June 2008, the cash clients accounts payable included an amount of HK\$3,477,000 (31 December 2007: HK\$4,284,000) in respect of securities transactions undertaken for the accounts of certain directors. The cash clients accounts payable are repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

<sup>^</sup> The margin clients accounts payable are repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not relevant in view of the nature of the business of securities margin financing.

## 10. Post balance sheet events

### (a) Acquisition of a property

Subsequent to the balance sheet date, the Group entered into a contract to purchase a property located in Guangzhou at a cash consideration of RMB44 million (approximately HK\$50 million) from an independent third party. Up to the date of this report, deposits amounting to approximately RMB22 million (approximately HK\$25 million) have been paid. The total consideration is scheduled to be fully paid on or before 12 September 2008 and the property will be delivered on or before 30 March 2009.

### (b) Disposal of a property

Subsequent to the balance sheet date, the Group entered into a sale and purchase agreement with an independent third party to dispose of a property located in Hong Kong for a cash consideration of HK\$36 million. Up to the date of this report, 10% deposit has been received. This transaction is scheduled to be completed on 30 October 2008.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The first half of 2008 was eventful. Nature took its toll in China first by blanketing severe snowstorms in January over parts of the country that were not used to that kind of harsh weather, and then in May devastated with earthquakes up to 8.0 in magnitude parts of Sichuan and Gansu that were already economically disadvantaged.

As energy prices climbed and financial woes beset the US economy, stock markets across the world went on a downward slide. At the end of June, The Shanghai Stock Exchange Composite Index retreated some 50% from its high in January. Likewise the Hang Seng Index was down 21%.

In Hong Kong and in the mainland, inflation became more and more of a concern as food prices soared in tandem with energy and commodity prices.

The price of gold resumed its ascent in the second half of 2007, breaking through US\$1,000/oz. in March 2008, and stayed higher than it had been in all of 2007.

The central government further tightened its administrative controls over credit and property developments. The Renminbi quickened its appreciation against the Hong Kong dollar, adding inflationary pressure on Hong Kong.

Amid such turbulence, the Group was able to record a turnover for the six months ended on 30 June 2008 at HK\$4,792 million, 35% over that of the same period in 2007. Profit attributable to shareholders rose to HK\$295 million, a 64% increase.

### **Jewellery Retail**

Turnover of jewellery retail increased 43% to HK\$2,514 million, accounting for 52% of the Group's total. Operating profit grew 93% to HK\$355 million.

#### *Hong Kong & Macau*

To the total turnover of jewellery retail, Hong Kong and Macau contributed HK\$1,742 million, or 69%.

Although gold price went record high, there was no marked selling by consumers. Probably, to those who had bought in 2006 and 2007, the price was still not high enough to trigger a round of sell-off. The turnover is therefore mostly attributable to strong spending by visitors from the mainland as well as local customers, driving up by 107% (as compared with last year) purchases of jewellery pieces with unit prices of HK\$100,000 and more.

In Mongkok, following the opening of the mega-store and the store at One Grand Tower, the shop down Nathan Road on the west side was closed when its lease expired. Another shop in Kowloon City was closed because the district is not a prime shopping area. Another mega-store was opened late in June at Park Lane Shopper's Boulevard in Tsimshatsui. This store, targeting mainland visitors, has a total area of 600 sq.m. on two floors plus a highly visible frontage.

To rally for the Beijing Olympics, "sports" was featured as the topical theme in a number of products lines: Diamond in Motion – Sports, Hello Kitty Sports and Mickey Sports. In support, a new series of images was deployed in printed and poster advertisements seen in both Hong Kong and the mainland.

Invited by the Hong Kong Heritage Museum to participate in the exhibition “Hong Kong Design Series 6: Jewellery for Life”, Chow Sang Sang mounted a display that was essentially a chronological recap of its own store images, products and packaging. The aim was to reflect on Hong Kong’s progress by a chronicle of the Group’s own evolution.

Emphasis Jewellery in Hong Kong continued to build on its success, achieving an increase of 27% in turnover. Contributing notably to this growth was the store in New Town Plaza, Shatin, after it was moved to a larger and more visible location within the same complex. A store-in-store was opened at the Park Lane Chow Sang Sang mentioned above.

Emphasis Jewellery offered a new collection called “Token of Love”, in which the pieces are laser-inscribed with pictures of the customer’s choice. To raise awareness of animal rights, a programme was conducted in conjunction with the Society for the Prevention of Cruelty to Animals (Hong Kong) to promote the inscription of pictures of pets.

In Macau, some growth was registered largely because of the addition of the shop in the Venetian Macao-Resort-Hotel.

Rental expenses have gone up 30%. Capital expenditure in the period amounted to HK\$16 million, mostly incurred in opening of new shops and fitting-out of stores.

#### *Mainland China*

Turnover of the mainland shops, accounting for 29% of the Group’s total in jewellery retail, increased by 64% to HK\$738 million.

With the addition of the first shop in Guilin, Guangxi, the second shop in Zhongshan, Guangdong and the fourth in Qingdao, the total number of shops stood at 108 at the end of June.

None of our staff in the affected areas sustained any injury or loss due to the earthquake. However, business in Chengdu was understandably slower than usual in the aftermath. Companies within the Group together donated RMB2.5 million to the Red Cross, and staff raised a further RMB440,000 to Red Cross for disaster relief.

In the lead up to the Olympics, getting works approved in Beijing was difficult and mobilizing for the works was almost impossible. Therefore, the opening of the shop in Sanlitun, Beijing, has been pushed back to the third quarter of 2008.

Capital expenditure during the period reached HK\$20 million, with the fitting out of new shops taking up the bulk of the spending.

#### *Taiwan*

As a result of the change in the product lineup, even though turnover was lower than in the first half of 2007, breakeven was achieved due to increased sales of merchandise with higher profit margins.

## **Wholesale of Precious Metals**

Turnover for the first half increased by 26% to HK\$2,175 million and operating profits reached HK\$12 million, 3% of the Group's profit.

With gold and platinum at record heights, demand for the metals slackened. To generate more revenue, a new service was offered in which scrap platinum was bought, aggregated and sent to refineries. Trading in rare metals such as rhodium and iridium continued to provide better profit margins.

## **Securities & Futures Broking**

As our clientele consists of small traders, in a market dominated by volume traders who drove up the average daily turnover by 47% from the year before, the volume of trading in the first half of 2008 was HK\$21 billion, just the same as last year. Inflation however had made significant impact on our costs. Commission income was HK\$45 million, down 6% from the first half of 2007. Operating profits for the period was HK\$25 million, down 23% from the first half of 2007.

Expenditure was incurred as upgrades was made on our system, necessitated by the Hong Kong Exchanges and Clearing Limited's introduction of 5-digit stock codes, closing auction session changes and higher broadcast rate for data.

## **Investments**

### *Properties*

The Group holds properties mainly for its own use as offices, jewellery shops and factory premises. For investment properties, rental income amounted to HK\$5 million, less than 1% of the Group's overall turnover.

### *Shares in Hong Kong Exchanges and Clearing Limited*

Shares in Hong Kong Exchanges and Clearing Limited ("HKEC"), received as a distribution from the merger of the stock and futures exchanges in 2000, are being held by the Group as available-for-sale investments. As at 1 January 2008 and 30 June 2008, the Group held 4,953,500 shares of HKEC and the unrealized gain on the holding amounted to HK\$564 million (31 December 2007: HK\$1,093 million).

## **Finance**

### *Financial Position & Liquidity*

The Group centralizes funding for all its operations through the corporate treasury based in Hong Kong, which is also given the management of the Group's gold and foreign exchange holdings. This policy achieves better control of treasury operations and lower average cost of funds. As at 30 June 2008, the Group had cash and cash equivalents of HK\$231 million, and total undrawn bank loans and other credit facilities of approximately HK\$1,257 million. The Group generates strong recurring cashflow from its jewellery business.

It is the Group's policy to obtain financing on an unsecured basis as far as possible. With respect to its jewellery business, total borrowing as at 30 June 2008 amounted to HK\$363 million, which was unsecured and repayable in one year. The Group has a gearing ratio of 11%, based on total borrowing of HK\$363 million as a percentage of total shareholders' equity of HK\$3,288 million.

Bank borrowing is at a high level because of two reasons: investment in the mainland and building up of inventory of gem-set jewellery. The latter is necessitated by the increased demand of gem-set jewellery, especially diamond jewellery with larger stones.

#### *Foreign Exchange Risk Management*

The Group considers its foreign currency exposure insignificant. The Group has exposure in Renminbi, New Taiwan dollar, Euro and Japanese Yen. Currency risks are managed by partly financing non-Hong Kong dollar assets with loans denominated in the relevant currency. As at 30 June 2008, total foreign currency borrowing excluding Renminbi borrowing amounted to approximately HK\$18 million (31 December 2007: HK\$8 million). Renminbi loans at the period end amounted to RMB217 million (31 December 2007: RMB219 million) and are used for the operations in Mainland China. Most of the Group's assets and liabilities, revenues and expenses are denominated in HK dollar, RMB and US dollar.

#### *Charge on Assets and Contingent Liabilities*

As at 30 June 2008, certain items of properties of the Group with a net carrying value of HK\$153 million (31 December 2007: HK\$155 million), and listed equity investments of HK\$114 million (31 December 2007: HK\$221 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2008, the Group had no material contingent liabilities.

### **Human Resources**

At the end of June 2008, the Group had a total workforce of 3,326. The Group follows a policy of offering performance-based salary and benefit packages commensurate with the market. While discretionary bonuses may be granted on an individual basis, there is no stock option scheme in force.

Given the size of the sales team in Hong Kong, there is always a need to orientate new recruits. An "academy" has been set up in one of the shops so as to train them in a live environment before their posting. It is hoped that this better induction process will help reduce attrition of new staff, and will ease the burden of shop managers who otherwise would have to spend much more time to mentor raw recruits.

In order to promote professionalism and to motivate staff, 44 meritorious sales executives were enrolled in certificate courses on diamond. In addition, management training was arranged for mid-level administrative officers.

### **Recognition and Awards**

Chow Sang Sang was given a Gold Trusted Brand Award by the Reader's Digest magazine, the fourth time in as many years. Five sales executives were honoured by the Hong Kong Management Association in their 40<sup>th</sup> Distinguished Salesperson Award Programme. Numerous other awards and accolades were given by organizations such as Hong Kong Retail Management Association and the newspaper Sing Tao Daily.

## **Outlook**

Consumers in Hong Kong will be worried by the gloomy economic climate in the US, inflation, slow-down in the local property market and the weak stock market. However, spending by mainland visitors, showing no sign of abating in July, is likely to remain strong.

With the increasing dominance of the local market by mainland visitors, the Group has adopted the strategy of concentrating on areas with high tourist traffic. In July, a new shop has opened in Times Square, Causeway Bay. Later in the year, a mega-store will open in Central. In October, a store in Shamshuipo, one of the oldest in the Group, will be closed. Another smaller shop will also be closed when its lease expires. The moves will free up manpower and fiscal resources for more effective use.

In the mainland itself, aside from the Sanlitun store in Beijing, 9 shops are slated to open, some being additional shops in cities like Suzhou and Shanghai, others being the first in cities like Yangzhou. Although the economy in the mainland is subject also to inflationary pressure consumer spending on luxury items is expected to remain strong.

Barring any unforeseen upturn in the stock market, the stock and futures brokerage is not likely to repeat its stellar performance of 2007. Its computer system, which has been in use for a number of years, will receive upgrades in both hardware and software in order to enhance efficiency and service capability. Its Kowloon City branch, previously operating on the first floor of the building, has been moved to the ground floor after the space was vacated by the closure of the jewellery shop. The new street-level sales office will allow the branch to serve its relatively large customer base better.

The premises at 47 Tai Po Road, where the aforementioned Shamshuipo shop is located, is contracted to be sold in October.

In Taiwan, since the inauguration of the new government, public sentiment has been more forward looking. With cross-strait tourism finally underway, the economy there may yet receive some much needed stimuli.

The Group is cognizant of the fact that the global downturn may affect consumer spending in China and Hong Kong. Measures are being taken to control costs.

## **DIVIDEND**

The Board of Directors has declared an interim dividend of HK8.0 cents (2007: HK8.0 cents) per ordinary share for the six months ended 30 June 2008 payable to shareholders whose names appear on the register of members of the Company on 19 September 2008. Dividend warrants will be posted to shareholders on 25 September 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 16 September 2008 to Friday, 19 September 2008, both days inclusive, during such period no transfer of shares will be registered. To ensure the entitlement to the interim dividend, shareholders are reminded to lodge their transfer documents accompanied by the relevant share certificates with the Company's branch share registrars, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 12 September 2008.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

## **CORPORATE GOVERNANCE**

Throughout the period under review, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed their compliance with the required standards as set out in the Model Code during the six months ended 30 June 2008.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the websites of the Company at [www.chowsangsang.com](http://www.chowsangsang.com) and HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk). The 2008 interim report of the Company will be despatched to shareholders and available at the same websites in mid-September 2008.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Executive Directors of the Company are Dr. CHOW Kwen Lim, Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing; the Non-executive Directors are Mr. CHOW Kwen Ling, Mr. Stephen TING Leung Huel and Mr. CHUNG Pui Lam; the Independent Non-executive Directors are Dr. CHAN Bing Fun, Mr. LEE Ka Lun and Mr. LO King Man.

Hong Kong, 28 August 2008

By order of the Board  
**Chow Kwen Lim**  
*Chairman*