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## 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

### ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the “Board”) of Chow Sang Sang Holdings International Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014.

FINANCIAL HIGHLIGHTS			
	2014 HK\$'000	2013 HK\$'000	Change
Turnover			
Jewellery retail	16,932,576	19,942,531	-15%
Other businesses	2,313,382	5,199,909	-56%
	<u>19,245,958</u>	<u>25,142,440</u>	-23%
Profit attributable to equity holders of the Company	1,082,324	1,218,461	-11%
Basic earnings per share	159.9 cents	180.0 cents	-11%
Dividend per share			
- Final	49.0 cents	54.0 cents	-9%
- Full Year	61.0 cents	68.0 cents	-10%
Dividend payout ratio	38%	38%	
Equity attributable to equity holders of the Company	8,646,733	7,934,900	+9%
Equity per share	\$12.8	\$11.7	+9%

\* For identification purpose only

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>TURNOVER</b>	3		
Jewellery retail		16,932,576	19,942,531
Other businesses		<u>2,313,382</u>	<u>5,199,909</u>
		<b>19,245,958</b>	25,142,440
Cost of sales		<u>(14,950,963)</u>	<u>(20,934,908)</u>
Gross profit		4,294,995	4,207,532
Other income		98,875	96,532
Selling and distribution costs		( 2,531,082)	( 2,402,578)
Administrative expenses		( 478,145)	( 436,908)
Other gains, net		7,710	77,748
Finance costs		( 32,263)	( 32,167)
Share of profits of associates, net		<u>2,211</u>	<u>1,828</u>
<b>PROFIT BEFORE TAX</b>	5	<b>1,362,301</b>	1,511,987
Income tax	6	<u>( 276,907)</u>	<u>( 288,428)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>1,085,394</b></u>	<u>1,223,559</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		1,082,324	1,218,461
Non-controlling interests		<u>3,070</u>	<u>5,098</u>
		<u><b>1,085,394</b></u>	<u>1,223,559</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic		<u>159.9 cents</u>	<u>180.0 cents</u>
Diluted		<u>159.9 cents</u>	<u>180.0 cents</u>

Details of the dividends payable and proposed for the year are disclosed in note 7.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b><u>1,085,394</u></b>	<b><u>1,223,559</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Changes in fair value of available-for-sale investments	209,839	( 12,099)
Exchange differences on translation	<u>( 132,569)</u>	<u>123,324</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>77,270</u>	<u>111,225</u>
<b>Item that will not be reclassified to profit or loss:</b>		
Gains on property revaluation	<u>3,850</u>	<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>	<b><u>81,120</u></b>	<b><u>111,225</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u><u>1,166,514</u></u></b>	<b><u><u>1,334,784</u></u></b>
<b>Total comprehensive income/(losses) attributable to:</b>		
Equity holders of the Company	1,168,028	1,327,314
Non-controlling interests	<u>( 1,514)</u>	<u>7,470</u>
	<b><u><u>1,166,514</u></u></b>	<b><u><u>1,334,784</u></u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		760,312	779,281
Investment properties		281,924	234,740
Prepaid land lease payments		13,299	13,939
Intangible assets		271	271
Other assets		234,866	198,160
Investments in associates		24,761	23,162
Available-for-sale investments		869,067	659,228
Deferred tax assets		29,307	16,986
Total non-current assets		<u>2,213,807</u>	<u>1,925,767</u>
<b>CURRENT ASSETS</b>			
Inventories		7,385,323	6,866,394
Accounts receivable	9	718,745	741,470
Receivables arising from securities and futures broking	9	247,997	223,320
Prepayments, deposits and other receivables		228,673	163,902
Investments at fair value through profit or loss		13,388	15,810
Derivative financial instruments		-	10,785
Tax recoverable		872	130
Cash held on behalf of clients		424,968	385,532
Cash and cash equivalents		<u>1,008,636</u>	<u>1,008,873</u>
Total current assets		<u>10,028,602</u>	<u>9,416,216</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	136,215	155,116
Payables arising from securities and futures broking	10	487,169	426,916
Other payables and accruals		520,941	616,079
Derivative financial instruments		4,576	-
Interest-bearing bank borrowings		697,699	681,822
Interest-bearing bank borrowings arising from securities and futures broking		-	30,000
Bullion loans		1,030,680	693,184
Tax payable		<u>31,126</u>	<u>114,864</u>
Total current liabilities		<u>2,908,406</u>	<u>2,717,981</u>
<b>NET CURRENT ASSETS</b>		<u>7,120,196</u>	<u>6,698,235</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>9,334,003</u>	<u>8,624,002</u>

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	526,279	454,009
Deferred tax liabilities	<u>160,991</u>	<u>151,519</u>
Total non-current liabilities	<u>687,270</u>	<u>605,528</u>
<b>Net assets</b>	<u>8,646,733</u>	<u>8,018,474</u>
<b>EQUITY</b>		
Equity attributable to equity holders of the Company		
Issued capital	169,230	169,230
Reserves	<u>8,477,503</u>	<u>7,765,670</u>
	8,646,733	7,934,900
Non-controlling interests	<u>-</u>	<u>83,574</u>
<b>Total equity</b>	<u>8,646,733</u>	<u>8,018,474</u>

## NOTES:

### 1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, bullion loans, derivative financial instruments and certain equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. Changes in accounting policies and disclosures

The Group has adopted the following revised standards and new interpretation for the first time for the current year’s financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition*</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination*</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

\* Effective from 1 July 2014

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

### 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 futures broking and gross rental income earned during the year.

Revenue from the following activities has been included in turnover:

	<b>2014</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>2013</b>
		<b>HK\$'000</b>
Sale of goods	<b>19,195,753</b>	25,097,733
Commission on securities and futures broking	<b>39,572</b>	35,065
Gross rental income	<b>10,633</b>	9,642
	<b><u>19,245,958</u></b>	<b><u>25,142,440</u></b>

### 4. Operating segment information

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (a) the manufacture and retail of jewellery segment produces jewellery products for the Group's retail business and operates retail stores mainly in Hong Kong, Macau, Mainland China and Taiwan;
- (b) the wholesale of precious metals segment trades precious metals to wholesale customers;
- (c) the securities and futures broking segment provides brokering and dealing services for securities and futures; and
- (d) the other businesses segment comprises, principally, the investment in properties for their rental income and capital appreciation potential, and other jewellery related businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain dividend income and share of profits of associates, net are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

#### 4. Operating segment information (continued)

	Manufacture and retail of jewellery HK\$'000	Wholesale of precious metals HK\$'000	Securities and futures broking HK\$'000	Other businesses HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>					
<b>Segment revenue</b>					
Sales to external customers	16,932,576	2,107,981	39,572	165,829	19,245,958
Intersegment sales	<u>728</u>	<u>970,895</u>	<u>-</u>	<u>2,971</u>	<u>974,594</u>
	<u>16,933,304</u>	<u>3,078,876</u>	<u>39,572</u>	<u>168,800</u>	<u>20,220,552</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>( 974,594)</u>
					<u>19,245,958</u>
<b>Segment results</b>	<b>1,255,129</b>	<b>22,384</b>	<b>19,815</b>	<b>44,322</b>	<b>1,341,650</b>
<i>Reconciliation:</i>					
Dividend income					18,440
Share of profits of associates, net					<u>2,211</u>
Profit before tax					<u>1,362,301</u>



#### 4. Operating segment information (continued)

	Manufacture and retail of jewellery HK\$'000	Wholesale of precious metals HK\$'000	Securities and futures broking HK\$'000	Other businesses HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>					
<b>Other segment information</b>					
Interest income	( 19,329)	( 1)	(28,225)	( 77)	( 47,632)
Dividend income	-	-	( 1,404)	-	( 1,404)
Net fair value gain on investment properties	-	-	-	(36,298)	( 36,298)
Net fair value loss on bullion loans designated as at fair value through profit or loss	20,154	-	-	-	20,154
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges	15,542	( 259)	-	-	15,283
Net fair value loss on investments at fair value through profit or loss	-	-	2,422	-	2,422
Net loss/(gain) on bullion loans designated as at fair value through profit or loss	( 13,754)	2,647	-	-	( 11,107)
Net gain on disposal of derivative financial instruments	( 38,210)	( 774)	-	-	( 38,984)
Net loss/(gain) on disposal of items of property, plant and equipment	2,647	-	-	( 37)	2,610
Gain on disposal of an associate	-	-	-	( 2,840)	( 2,840)
Depreciation	182,514	-	1,966	185	184,665
Amortization of prepaid land lease payments	298	-	-	-	298
Impairment of receivables arising from securities and futures broking, net	-	-	64	-	64
Write-down of inventories to net realizable value	34	1	-	-	35
Finance costs	27,183	-	5,080	-	32,263
Capital expenditure	187,328	-	1,544	-	188,872

#### 4. Operating segment information (continued)

	Manufacture and retail of jewellery HK\$'000	Wholesale of precious metals HK\$'000	Securities and futures broking HK\$'000	Other businesses HK\$'000	Total HK\$'000
<b>Year ended 31 December 2013</b>					
<b>Segment revenue</b>					
Sales to external customers	19,942,531	5,001,239	35,065	163,605	25,142,440
Intersegment sales	<u>167,062</u>	<u>489,265</u>	<u>-</u>	<u>2,944</u>	<u>659,271</u>
	<u>20,109,593</u>	<u>5,490,504</u>	<u>35,065</u>	<u>166,549</u>	25,801,711
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>( 659,271)</u>
					<u>25,142,440</u>
<b>Segment results</b>	1,350,266	68,496	15,375	58,313	1,492,450
<i>Reconciliation:</i>					
Dividend income					17,709
Share of profits of associates, net					<u>1,828</u>
Profit before tax					<u>1,511,987</u>

#### 4. Operating segment information (continued)

	Manufacture and retail of jewellery HK\$'000	Wholesale of precious metals HK\$'000	Securities and futures broking HK\$'000	Other businesses HK\$'000	Total HK\$'000
<b>Year ended 31 December 2013</b>					
<b>Other segment information</b>					
Interest income	( 13,254)	( 3)	(16,274)	( 58)	( 29,589)
Dividend income	-	-	( 320)	-	( 320)
Net fair value gain on investment properties	-	-	-	(38,013)	( 38,013)
Net fair value gain on bullion loans designated as at fair value through profit or loss	( 4,061)	-	-	-	( 4,061)
Net fair value gain on derivative financial instruments - transactions not qualifying as hedges	( 8,573)	( 21)	-	-	( 8,594)
Net fair value gain on investments at fair value through profit or loss	-	-	( 3,682)	-	( 3,682)
Net gain on bullion loans designated as at fair value through profit or loss	(205,661)	(5,663)	-	-	(211,324)
Net gain on disposal of derivative financial instruments	( 28,780)	( 411)	-	-	( 29,191)
Gain on disposal of an investment property	-	-	-	(11,745)	( 11,745)
Net loss on disposal of items of property, plant and equipment	6,585	-	113	-	6,698
Depreciation	164,615	-	2,383	445	167,443
Amortization of prepaid land lease payments	298	-	-	-	298
Impairment of accounts receivable	1,263	-	-	-	1,263
Impairment of receivables arising from securities and futures broking, net	-	-	53	-	53
Write-down of inventories to net realizable value	1,217	860	-	-	2,077
Finance costs	30,426	-	1,741	-	32,167
Capital expenditure	<u>277,441</u>	<u>-</u>	<u>2,417</u>	<u>-</u>	<u>279,858</u>

#### 4. Operating segment information (continued)

##### (a) Geographical information

Revenue from external customers

	2014 HK\$'000	2013 HK\$'000
Hong Kong and Macau	12,202,321	17,561,531
Mainland China	6,910,642	7,452,315
Taiwan	<u>132,995</u>	<u>128,594</u>
	<u>19,245,958</u>	<u>25,142,440</u>

The revenue information above is based on the locations of the customers.

Non-current assets

	2014 HK\$'000	2013 HK\$'000
Hong Kong and Macau	796,164	757,931
Mainland China	491,898	461,224
Taiwan	<u>27,371</u>	<u>30,398</u>
	<u>1,315,433</u>	<u>1,249,553</u>

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments and deferred tax assets.

##### (b) Information about major customers

The turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover for the current and prior years.

## 5. Profit before tax

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

	2014 HK\$'000	2013 HK\$'000
Cost of inventories sold	15,001,019	21,173,346
Write-down of inventories to net realizable value*	35	2,077
Depreciation	184,665	167,443
Amortization of prepaid land lease payments	298	298
Operating lease payments in respect of leasehold land and buildings:		
Minimum lease payments	801,262	637,384
Contingent rents	33,786	53,368
	<u>835,048</u>	<u>690,752</u>
Impairment of accounts receivable	-	1,263
Impairment of receivables arising from securities and futures broking, net	64	53
Net fair value gain on investment properties <sup>#</sup>	( 36,298)	( 38,013)
Net fair value loss/(gain) on bullion loans designated as at fair value through profit or loss <sup>#</sup>	20,154	( 4,061)
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges <sup>#</sup>	15,283	( 8,594)
Net fair value loss/(gain) on investments at fair value through profit or loss <sup>#</sup>	2,422	( 3,682)
Net gain on bullion loans designated as at fair value through profit or loss <sup>^</sup>	( 11,107)	( 211,324)
Net gain on disposal of derivative financial instruments <sup>^</sup>	( 38,984)	( 29,191)
Net loss on disposal of items of property, plant and equipment	2,610	6,698
Gain on disposal of an investment property <sup>#</sup>	-	( 11,745)
Gain on disposal of an associate <sup>#</sup>	( 2,840)	-
Interest income	( 47,632)	( 29,589)
Dividend income from listed investments	( 18,989)	( 16,567)
Dividend income from unlisted investments	( 855)	( 1,462)

\* This balance is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

# These balances are included in "Other gains, net" on the face of the consolidated statement of profit or loss.

<sup>^</sup> These balances are included in "Cost of sales" on the face of the consolidated statement of profit or loss. The purpose of the above bullion transactions entered into by the Group is to manage the Group's bullion price exposures. Such loans and contracts did not meet the criteria for hedge accounting.

## 6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current - Hong Kong		
Charge for the year	<b>130,089</b>	165,565
Overprovision in prior years	<b>( 715)</b>	( 931)
Current - Elsewhere		
Charge for the year	<b>151,654</b>	110,927
Overprovision in prior years	<b>( 750)</b>	( 84)
Deferred	<b>( 3,371)</b>	12,951
Total tax charge for the year	<b><u>276,907</u></b>	<u>288,428</u>

## 7. Dividends

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Dividends recognized as distribution during the year:</b>		
Final dividend for 2013: HK54.0 cents (2012: HK45.0 cents) per ordinary share	<b>365,537</b>	304,614
Interim dividend for 2014: HK12.0 cents (2013: HK14.0 cents) per ordinary share	<b><u>81,230</u></b>	<u>94,769</u>
	<b><u>446,767</u></b>	<u>399,383</u>
<b>Dividends proposed after the end of the reporting period:</b>		
Final dividend for 2014: HK49.0 cents (2013: HK54.0 cents) per ordinary share	<b><u>331,691</u></b>	<u>365,537</u>

The proposed final dividend for 2014 was recommended after the end of the reporting period and has not been recognized as a liability at the end of the reporting period, and it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. Earnings per share attributable to equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$1,082,324,000 (2013: HK\$1,218,461,000), and the weighted average number of ordinary shares of 676,920,000 (2013: 676,920,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the current and prior years.

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

### Jewellery retail

The Group's sales are normally made on a 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 within 60 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 futures broking

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

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade and credit card receivables	<b>719,976</b>	742,733
Impairment	<u>( 1,231)</u>	<u>( 1,263)</u>
Accounts receivable	<u><b>718,745</b></u>	<u>741,470</u>
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	<b>76,617</b>	57,476
Clearing houses	<b>33,841</b>	12,599
Clients for subscription of securities	-	33,100
Loans to margin clients	<u><b>138,301</b></u>	<u>120,843</u>
	<b>248,759</b>	224,018
Impairment	<u>( 762)</u>	<u>( 698)</u>
Receivables arising from securities and futures broking	<u><b>247,997</b></u>	<u>223,320</u>
Total accounts receivable and receivables arising from securities and futures broking	<u><b>966,742</b></u>	<u>964,790</u>

Apart from the receivable balances arising from securities and futures broking which bear interest at commercial rates, the balances are non-interest-bearing.

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

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
Not yet due	681,295	722,423
Within 30 days past due	123,792	83,464
31 to 60 days past due	15,857	2,990
61 to 90 days past due	3,412	862
Over 90 days past due	4,085	1,108
	<u>828,441</u>	<u>810,847</u>
Loans to margin clients*	138,301	120,843
Clients for subscription of securities <sup>#</sup>	-	33,100
	<u>966,742</u>	<u>964,790</u>

\* The 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 31 December 2014, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$408,824,000 (2013: HK\$409,606,000).

<sup>#</sup> As at 31 December 2013, clients for subscription of securities of HK\$33,100,000 were due when the corresponding allotment result of the related securities had been announced and bore interest at commercial rates.

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

	Group	
	2014	2013
	HK\$'000	HK\$'000
Accounts payable	<u>136,215</u>	<u>155,116</u>
Payables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	428,732	374,315
Margin clients	58,437	49,301
Clearing houses	-	3,300
	<u>487,169</u>	<u>426,916</u>
Payables arising from securities and futures broking		
Total accounts payable and payables arising from securities and futures broking	<u>623,384</u>	<u>582,032</u>



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

An ageing analysis of the accounts payable and payables arising from securities and futures broking as at the end of the reporting period, based on the due date, is as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within 30 days (including amounts not yet due)	135,515	156,955
31 to 60 days	-	752
Over 60 days	<u>700</u>	<u>709</u>
	<b>136,215</b>	158,416
Cash clients accounts payable <sup>#</sup>	<b>428,732</b>	374,315
Margin clients accounts payable <sup>*</sup>	<u>58,437</u>	<u>49,301</u>
	<b><u>623,384</u></b>	<b><u>582,032</u></b>

<sup>#</sup> Included in the cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is an amount of approximately HK\$355,608,000 (2013: HK\$328,247,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2014, the cash clients accounts payable included an amount of HK\$6,161,000 (2013: HK\$6,987,000) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The year 2014 started out with high bases set in the previous year by the “gold rush”, particularly in the first half during which turnover for the Group was down by 34%. In the second half, with a comparatively lower gold price, the year-on-year comparison was less disappointing.

A short but marked dip in the price of gold in November stimulated demand but the effect was not sustained. By December, it became clear that the festive season was to be one of the weakest in a number of years. There was no reduction in the number of mainland visitors to Hong Kong, but they tended to spend less, especially on high-value items.

The stock market in Hong Kong became more active, especially in the second half of the year. The number of initial public offerings (“IPOs”) increased significantly over the previous year, as was participation by retail investors.

Overall, turnover for the whole year was down by 23% to HK\$19,246 million, and profit attributable to equity holders decreased 11% to HK\$1,082 million.

### Jewellery Retail

As expected this segment contributed the most to the Group’s turnover, namely 88% or HK\$16,933 million. Operating profit was HK\$1,255 million, decreasing 7% from the prior year but with improved margin.

#### *Hong Kong and Macau*

Turnover retreated 20% with higher priced jewellery bearing the brunt. Same store sales growth (SSSG) was -23%. However, we managed to put more high value-added gold products in the sales mix thus achieving an enhanced gross profit margin.

Four new shops opened in Hong Kong: two in Mongkok, one in Taipo and one in Tsim Sha Tsui. Over in Macau both the gaming industry and the retail sector suffered as the central government tightened its grip on fund flow and people travel. A new shop was opened at Galaxy Macau Resort.

Despite the relatively gloomy atmosphere, there was no slackening in the demand for rental hikes by landlords. Shop rental expenditure rose by 21%.

Fitting out of shops cost HK\$63 million as capital expenditure.

#### *Mainland China*

Total turnover dropped by 7% and gold sales slackened. SSSG was -12%. However, turnover of jewellery grew by 20% with SSSG at 11% and online sales made progress at 43%.

During the year there were 40 new shop openings, bringing the total number of cities covered to 100. The store situated next to the Bund in Shanghai is notable because of its location and its flagship-grade fitting out. The net increase in the number of stores was 26, as 14 shops were closed, mostly due to poor operating environment provided by the host department stores.

Capital expenditure stood at RMB95 million.

### *Taiwan*

Modest growth in the economy brought small improvement in the operating results, which are nevertheless not significant.

### **Wholesale of Precious Metals**

Demand for gold for manufacturing use as well as demand of gold nuggets both dwindled, cutting down turnover by 58%.

### **Securities and Futures Broking**

Turnover improved by 13%, in line with the market. Participation in 64 IPOs gave a significant boost to income.

We have not participated in the Shanghai-Hong Kong Stock Connect but we are planning to offer Northbound trading service in the second half of 2015.

The migration to the new systems of the Hong Kong Exchanges and Clearing Limited's Orion Central Gateway will be completed by first quarter of 2015.

### **Investments**

#### *Properties*

The Group holds various properties that are being used for offices, shops and factories. Rental income from investment properties amounted to HK\$11 million, less than 1% of the Group's turnover.

#### *Shares in Hong Kong Exchanges and Clearing Limited ("HKEC")*

Since 2000 the shares of HKEC resulting from the reorganization of the then exchanges have been held with no plan for disposal. The holding, 4,953,500 shares, remained unchanged from the start to the end of the year. The unrealized gain on the holding amounted to HK\$850 million, compared to HK\$640 million in 2013.

### **Finance**

#### *Financial Position and Liquidity*

The Group generates strong recurring cashflow from its jewellery business and continues to enjoy a solid cash position. As at 31 December 2014, the Group had cash and cash equivalents of HK\$1,009 million (2013: HK\$1,009 million). Cash is mostly held in Hong Kong dollar or Renminbi and deposited in leading banks with maturity dates falling within one year.

The Group was well supported by over HK\$6,121 million in banking facilities including bank borrowings and bullion loans, out of which HK\$1,064 million are committed facilities. As at 31 December 2014, total unutilized banking facilities was HK\$3,813 million (2013: HK\$4,114 million).

As at 31 December 2014, the Group had total bank borrowings and bullion loans of HK\$1,224 million and HK\$1,031 million respectively, most of which were unsecured according to Group policy. All the debts are repayable within three years. The gearing ratio was 26%, based on total bank borrowings and bullion loans of HK\$2,255 million as a percentage of total equity attributable to equity holders of the Company of HK\$8,647 million. The current ratio of the Group was 3.4.

The Group manages risk of credit cost and availability by several means: cultivating relationship with a large number of lending banks; diversifying the funding sources by engaging a number of local and overseas banks; putting some loans on a term basis; and fixing interest costs on loans as appropriate. The Group had 23% of its bank loans at fixed rate as at 31 December 2014, increased from 17% as at 31 December 2013.

As at 31 December 2014, outstanding derivatives on the books were mainly bullion contracts for hedging the bullion price exposure. The management monitors the hedging policy closely and the hedging level of the Group is approximately 40% of the total gold inventories.

#### *Foreign Exchange Risk Management*

The Group's assets and liabilities, revenue and expenses are mostly denominated in Hong Kong dollar, Renminbi and US dollar. As such, the risk is easily manageable and slight. Simultaneously, the Group maintains an appropriate level of foreign currency borrowings for natural hedge to minimize the foreign exchange exposure. As at 31 December 2014, the borrowings denominated in US dollar and New Taiwan dollar amounted to US\$13 million and NT\$61 million respectively.

#### *Charge on Assets*

As at 31 December 2014, certain items of properties of the Group with a net carrying value of HK\$216 million (2013: HK\$192 million), and listed equity investments of HK\$525 million (2013: HK\$323 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

### **Human Resources**

The Group maintains its long-established performance-based remuneration policies. Training has been provided to new and existing staff at a pace commensurate with the expansion of the networks in all territories.

At year-end, the total number of employees was 7,895, with 5,912 (75%) on the mainland.

### **Outlook**

As the turnover of big-ticket items crawls in the slow lane, more resources are being concentrated in the development of "affordable luxury" or daily-wear products. At the same time, adjustment must be made to accommodate the changing of consumer habits. We have witnessed the remarkable growth of online sales and it behooves us to look into how we can heighten the synergy between our online store and our physical ones.

Inventory control is of paramount importance under such an operating environment. Aside from close monitoring, we are developing sophisticated models in order to better match supply and demand, while taking into account the development and buildup of products needed for marketing and branding.

Currently there are no new stores being contemplated in Hong Kong and Macau, save for the one already planned for YOHO Town in Yuen Long.

In China we will continue with our pace of expansion of 50 new shops a year. However, this number is just a guideline and not a commitment. We follow our stringent criteria in store location and the reality is that availability of suitable space may be the limiting factor.

## **DIVIDENDS**

The Directors have recommended the payment of a final dividend of HK49.0 cents (2013: HK54.0 cents) per ordinary share for the year ended 31 December 2014. Together with the interim dividend of HK12.0 cents (2013: HK14.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK61.0 cents (2013: HK68.0 cents).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the “2015 Annual General Meeting”), will be payable on or about Wednesday, 17 June 2015 to shareholders whose names appear on the register of members of the Company on Wednesday, 10 June 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed during the following periods:

- (i) from Thursday, 28 May 2015 to Tuesday, 2 June 2015, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2015 Annual General Meeting. In order to be entitled to attend and vote at the 2015 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 27 May 2015; and
- (ii) from Monday, 8 June 2015 to Wednesday, 10 June 2015, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Tricor Tengis Limited at the address as set out in sub-paragraph (i) above not later than 4:00 p.m. on Friday, 5 June 2015.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

## **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 year.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year 2014 with the applicable code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited, except for the derivations from code provisions A.2.1 and A.6.7 of the Code which are explained below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Vincent CHOW Wing Shing holds both positions of the Chairman and the Group General Manager of the Company. The Board is of the opinion that the present board structure provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Code provision A.6.7 of the Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. A Non-executive Director was unable to attend the annual general meeting of the Company held on 17 June 2014 due to other commitment.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in respect of the Group’s results for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group’s independent auditors, Messrs. Ernst & Young (“EY”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2014 in conjunction with EY.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) as the Company’s code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the review year.

## **ANNUAL GENERAL MEETING**

The 2015 Annual General Meeting will be held at 4/F, Chow Sang Sang Building, 229 Nathan Road, Kowloon, Hong Kong on Tuesday, 2 June 2015 at 10:30 a.m. The notice of the 2015 Annual General Meeting will be published and issued in due course.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The results announcement is published on the websites of the Group at [www.chowsangsang.com](http://www.chowsangsang.com) and HKEC at [www.hkexnews.hk](http://www.hkexnews.hk). The 2014 annual report of the Company will be available on both websites and despatched to shareholders on or about Friday, 24 April 2015.

## **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; and the Independent Non-executive Directors are Dr. CHAN Bing Fun, Mr. LEE Ka Lun, Dr. LO King Man and Mr. Stephen LAU Man Lung.

By order of the Board  
**Vincent CHOW Wing Shing**  
*Chairman*

Hong Kong, 26 March 2015