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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 2013

The Board of Directors (the “Board”) of Chow Sang Sang Holdings International Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013.

FINANCIAL HIGHLIGHTS

	2013 HK\$'000	2012 HK\$'000	Change
Turnover			
Jewellery retail	19,942,531	14,861,040	+34%
Other businesses	<u>5,199,909</u>	<u>3,399,192</u>	+53%
	<u>25,142,440</u>	<u>18,260,232</u>	+38%
Profit attributable to equity holders of the Company	1,218,461	984,845	+24%
Basic earnings per share	180.0 cents	145.5 cents	+24%
Dividend per share			
- Final	54.0 cents	45.0 cents	+20%
- Full Year	68.0 cents	55.0 cents	+24%
Dividend payout ratio	38%	38%	
Equity attributable to equity holders of the Company	7,934,900	7,006,969	+13%
Equity per share	\$11.7	\$10.4	+13%

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
TURNOVER	3		
Jewellery retail		19,942,531	14,861,040
Other businesses		<u>5,199,909</u>	<u>3,399,192</u>
		25,142,440	18,260,232
Cost of sales		<u>(20,934,908)</u>	<u>(14,827,905)</u>
Gross profit		4,207,532	3,432,327
Other income		96,532	86,308
Selling and distribution costs		(2,402,578)	(1,942,566)
Administrative expenses		(436,908)	(375,210)
Other gains, net		77,748	55,791
Finance costs		(32,167)	(39,162)
Share of profits of associates, net		<u>1,828</u>	<u>4,179</u>
PROFIT BEFORE TAX	5	1,511,987	1,221,667
Income tax	6	<u>(288,428)</u>	<u>(232,853)</u>
PROFIT FOR THE YEAR		<u>1,223,559</u>	<u>988,814</u>
Profit attributable to:			
Equity holders of the Company		1,218,461	984,845
Non-controlling interests		<u>5,098</u>	<u>3,969</u>
		<u>1,223,559</u>	<u>988,814</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>180.0 cents</u>	<u>145.5 cents</u>
Diluted		<u>180.0 cents</u>	<u>145.5 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 2013

	2013 HK\$'000	2012 HK\$'000
PROFIT FOR THE YEAR	<u>1,223,559</u>	<u>988,814</u>
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of available-for-sale investments	(12,099)	37,487
Exchange differences on translation	<u>123,324</u>	<u>27,685</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	<u>111,225</u>	<u>65,172</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,334,784</u>	<u>1,053,986</u>
Total comprehensive income attributable to:		
Equity holders of the Company	1,327,314	1,050,250
Non-controlling interests	<u>7,470</u>	<u>3,736</u>
	<u>1,334,784</u>	<u>1,053,986</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		779,281	663,440
Investment properties		234,740	208,420
Prepaid land lease payments		13,939	13,833
Intangible assets		271	271
Other assets		198,160	167,300
Investments in associates		23,162	21,645
Available-for-sale investments		659,228	671,327
Deferred tax assets		16,986	16,056
Total non-current assets		<u>1,925,767</u>	<u>1,762,292</u>
CURRENT ASSETS			
Inventories		6,866,394	6,602,021
Accounts receivable	9	741,470	707,838
Receivables arising from securities and futures broking	9	223,320	181,675
Prepayments, deposits and other receivables		163,902	132,003
Investments at fair value through profit or loss		15,810	12,128
Derivative financial instruments		10,785	2,303
Tax recoverable		130	543
Cash held on behalf of clients		385,532	350,885
Cash and cash equivalents		<u>1,008,873</u>	<u>673,867</u>
Total current assets		<u>9,416,216</u>	<u>8,663,263</u>
CURRENT LIABILITIES			
Accounts payable	10	155,116	176,868
Payables arising from securities and futures broking	10	426,916	383,866
Other payables and accruals		616,079	512,181
Derivative financial instruments		-	8
Interest-bearing bank borrowings		681,822	764,314
Interest-bearing bank borrowings arising from securities and futures broking		30,000	30,000
Bullion loans		693,184	501,030
Tax payable		<u>114,864</u>	<u>229,843</u>
Total current liabilities		<u>2,717,981</u>	<u>2,598,110</u>
NET CURRENT ASSETS		<u>6,698,235</u>	<u>6,065,153</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,624,002</u>	<u>7,827,445</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	2013 HK\$'000	2012 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	454,009	606,298
Deferred tax liabilities	<u>151,519</u>	<u>138,074</u>
Total non-current liabilities	<u>605,528</u>	<u>744,372</u>
Net assets	<u><u>8,018,474</u></u>	<u><u>7,083,073</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	169,230	169,230
Reserves	<u>7,765,670</u>	<u>6,837,739</u>
	7,934,900	7,006,969
Non-controlling interests	<u>83,574</u>	<u>76,104</u>
Total equity	<u><u>8,018,474</u></u>	<u><u>7,083,073</u></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”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They 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 new and revised HKFRSs for the first time for the current year’s financial statements:

HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Government Loans</i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 - Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	<i>Amendments to HKAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	<i>Annual Improvements 2009-2011 Cycle issued in June 2012</i>

2. Changes in accounting policies and disclosures (continued)

Other than as further explained below regarding the impact of HKFRS 13 and amendments to HKAS 1, the adoption of the new and revised HKFRSs 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.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.
- (b) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments 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 rental income earned during the year.

Revenue from the following activities has been included in turnover:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Sale of goods	25,097,733	18,220,751
Commission on securities and futures broking	35,065	29,987
Gross rental income	9,642	9,494
	<u>25,142,440</u>	<u>18,260,232</u>

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.

	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
Year ended 31 December 2013					
Segment revenue					
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>	<u>25,801,711</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(659,271)</u>
					<u>25,142,440</u>
Segment results	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
Year ended 31 December 2013					
Other segment information					
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)

	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
Year ended 31 December 2012					
Segment revenue					
Sales to external customers	14,861,040	3,244,203	29,987	125,002	18,260,232
Intersegment sales	<u>-</u>	<u>212,274</u>	<u>-</u>	<u>3,112</u>	<u>215,386</u>
	<u>14,861,040</u>	<u>3,456,477</u>	<u>29,987</u>	<u>128,114</u>	18,475,618
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(215,386)</u>
					<u>18,260,232</u>
Segment results	1,113,950	32,101	6,770	44,727	1,197,548
<i>Reconciliation:</i>					
Dividend income					19,940
Share of profits of associates, net					<u>4,179</u>
Profit before tax					<u>1,221,667</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
Year ended 31 December 2012					
Other segment information					
Interest income	(4,561)	(28)	(11,149)	(3)	(15,741)
Dividend income	-	-	(312)	-	(312)
Net fair value gain on investment properties	-	-	-	(37,703)	(37,703)
Net fair value gain on bullion loans designated as at fair value through profit or loss	(18,362)	-	-	-	(18,362)
Net fair value loss on derivative financial instruments - transactions not qualifying as hedges	7,612	394	-	-	8,006
Net fair value gain on investments at fair value through profit or loss	-	-	(2,355)	-	(2,355)
Net loss on bullion loans designated as at fair value through profit or loss	48,080	211	-	-	48,291
Net loss on disposal of derivative financial instruments	9,648	1,748	-	-	11,396
Net loss/(gain) on disposal of items of property, plant and equipment	6,937	-	(10)	-	6,927
Gain on dissolution of an available-for-sale investment	-	-	-	(1,077)	(1,077)
Depreciation	136,915	-	2,109	477	139,501
Amortization of prepaid land lease payments	291	-	-	-	291
Impairment of receivables arising from securities and futures broking, net	-	-	287	-	287
Write-down of inventories to net realizable value	-	155	-	-	155
Finance costs	38,646	4	512	-	39,162
Capital expenditure	<u>264,540</u>	<u>-</u>	<u>2,387</u>	<u>-</u>	<u>266,927</u>

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2013 HK\$'000	2012 HK\$'000
Hong Kong and Macau	17,561,531	12,501,901
Mainland China	7,452,315	5,636,946
Taiwan	<u>128,594</u>	<u>121,385</u>
	<u>25,142,440</u>	<u>18,260,232</u>

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

Non-current assets

	2013 HK\$'000	2012 HK\$'000
Hong Kong and Macau	757,931	687,002
Mainland China	461,224	352,775
Taiwan	<u>30,398</u>	<u>35,132</u>
	<u>1,249,553</u>	<u>1,074,909</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):

	2013 HK\$'000	2012 HK\$'000
Cost of inventories sold	21,173,346	14,768,063
Write-down of inventories to net realizable value*	2,077	155
Depreciation	167,443	139,501
Amortization of prepaid land lease payments	298	291
Operating lease payments in respect of leasehold land and buildings:		
Minimum lease payments	637,384	527,028
Contingent rents	53,368	35,070
	<u>690,752</u>	<u>562,098</u>
Impairment of accounts receivable	1,263	-
Impairment of receivables arising from securities and futures broking, net	53	287
Net fair value gain on investment properties#	(38,013)	(37,703)
Net fair value gain on bullion loans designated as at fair value through profit or loss#	(4,061)	(18,362)
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges#	(8,594)	8,006
Net fair value gain on investments at fair value through profit or loss#	(3,682)	(2,355)
Net loss/(gain) on bullion loans designated as at fair value through profit or loss^	(211,324)	48,291
Net loss/(gain) on disposal of derivative financial instruments^	(29,191)	11,396
Net loss on disposal of items of property, plant and equipment	6,698	6,927
Gain on disposal of an investment property#	(11,745)	-
Gain on dissolution of an available-for-sale investment	-	(1,077)
Interest income	(29,589)	(15,741)
Dividend income from listed investments	(16,567)	(19,829)
Dividend income from unlisted investments	(1,462)	(423)

* 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.

^ 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% (2012: 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.

	Group	
	2013	2012
	HK\$'000	HK\$'000
Current - Hong Kong		
Charge for the year	165,565	120,487
Underprovision/(overprovision) in prior years	(931)	173
Current - Elsewhere		
Charge for the year	110,927	103,085
Underprovision/(overprovision) in prior years	(84)	9
Deferred	<u>12,951</u>	<u>9,099</u>
Total tax charge for the year	<u>288,428</u>	<u>232,853</u>

7. Dividends

	2013	2012
	HK\$'000	HK\$'000
Dividends recognized as distribution during the year:		
Final dividend for 2012: HK45.0 cents (2011: HK49.0 cents) per ordinary share	304,614	331,691
Interim dividend for 2013: HK14.0 cents (2012: HK10.0 cents) per ordinary share	<u>94,769</u>	<u>67,692</u>
	<u>399,383</u>	<u>399,383</u>
Dividends proposed after the end of the reporting period:		
Final dividend for 2013: HK54.0 cents (2012: HK45.0 cents) per ordinary share	<u>365,537</u>	<u>304,614</u>

The proposed final dividend for 2013 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\$1,218,461,000 (2012: HK\$984,845,000), and the weighted average number of ordinary shares of 676,920,000 (2012: 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.

	Group	
	2013	2012
	HK\$'000	HK\$'000
Trade and credit card receivables	742,733	707,838
Impairment	(1,263)	-
Accounts receivable	<u>741,470</u>	<u>707,838</u>
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	57,476	52,799
Clearing houses	12,599	6,189
Clients for subscription of securities	33,100	-
Loans to margin clients	<u>120,843</u>	<u>123,332</u>
	224,018	182,320
Impairment	(698)	(645)
Receivables arising from securities and futures broking	<u>223,320</u>	<u>181,675</u>
Total accounts receivable and receivables arising from securities and futures broking	<u>964,790</u>	<u>889,513</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	
	2013	2012
	HK\$'000	HK\$'000
Not yet due	722,423	676,525
Within 30 days past due	83,464	75,325
31 to 60 days past due	2,990	7,009
61 to 90 days past due	862	3,985
Over 90 days past due	<u>1,108</u>	<u>3,337</u>
	810,847	766,181
Loans to margin clients*	120,843	123,332
Clients for subscription of securities [#]	<u>33,100</u>	<u>-</u>
	<u>964,790</u>	<u>889,513</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 2013, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$409,606,000 (2012: HK\$315,807,000).

[#] Clients for subscription of securities of HK\$33,100,000 (2012: Nil), which are due when the corresponding allotment result of the related securities has been announced and bear interest at commercial rates.

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Accounts payable	<u>155,116</u>	<u>176,868</u>
Payables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	374,315	352,189
Margin clients	49,301	29,618
Clearing houses	<u>3,300</u>	<u>2,059</u>
Payables arising from securities and futures broking	<u>426,916</u>	<u>383,866</u>
Total accounts payable and payables arising from securities and futures broking	<u>582,032</u>	<u>560,734</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	
	2013	2012
	HK\$'000	HK\$'000
Within 30 days (including amounts not yet due)	156,955	177,415
31 to 60 days	752	291
Over 60 days	709	<u>1,221</u>
	158,416	178,927
Cash clients accounts payable [#]	374,315	352,189
Margin clients accounts payable [*]	49,301	<u>29,618</u>
	582,032	<u>560,734</u>

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\$328,247,000 (2012: HK\$309,881,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2013, the cash clients accounts payable included an amount of HK\$6,987,000 (2012: HK\$5,585,000) 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.

* 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 dominant themes in 2013 must have been the slowing down of the Chinese economy, the credit tightening and the anti-corruption drive ordered by the new administration in Beijing. Together they have caused overall slackening in consumption and the luxury sector was particularly hit hard.

The gyrations of the gold price and the reactions of consumers, however, added some major highlights to the otherwise dull picture. As reported before in the first half of 2013, the Group recorded substantial increase in the sales of gold products due to the sharp drops in the gold price in April and June. Subsequent swings in the price did not deter consumers, not on the mainland nor in Hong Kong, rather they seemed to have heightened enthusiasm for gold purchases throughout the remainder of the year.

Visits to Hong Kong by mainlanders rose by more than 16% over 2012. The visitors were the main drivers of the gold rush there.

Compared with 2012, the stock market in Hong Kong had had a year of increased activities and investor interest. Market turnover rose 15% and a total of 110 stocks made IPO.

The Group's total turnover rose 38% to HK\$25,142 million, and profits rose by 24% to HK\$1,218 million.

The Group's business scope and model have not changed. During 2013 it had continued its expansion of its sales network of jewellery shops in Mainland China, Hong Kong, Macau and Taiwan. Its precious metal wholesale operation, as well as its securities and futures brokerage, each make small contributions to overall profits.

Jewellery Retail

As the major contributor to the total turnover and profits of the Group, jewellery retail registered a turnover of HK\$19,943 million, or 79% of the total. Operating profit rose to HK\$1,350 million, a 21% increase.

In terms of contribution to turnover, Hong Kong and Macau made 62%, increasing from last year's 61%, the Mainland operation's share was 37%, decreasing from last year's 38%.

Hong Kong and Macau

Largely because of the gold rush, turnover jumped by 36% to HK\$12,363 million. However, spending on high-priced items was only slightly higher than last year. Same store growth in turnover reached 33%.

The shop network was bolstered by one new store in V-City, Tuen Mun, one in Mongkok and one in Jordan. In Tseung Kwan O, a store was enlarged and its former Rolex and Tudor counters have been transformed into a boutique that is interconnected with the jewellery store.

Capital expenditure was HK\$73 million. Shop rental expenses increased by 24%.

Mainland China

The mainland stores recorded a total turnover of HK\$7,451 million, rising 32% above that of the prior year. Same store growth was 20%.

At the end of 2013 there were 296 shops on the mainland, the net result of opening 32 new shops and closing 10. New on the roster of cities with shops are Yancheng, Jiangsu; Huzhou, Zhejiang; Datong, Shanxi; Xingtai, Hebei; Weifang, Shandong; Jinzhou, Liaoning; and Wuhu, Anhui.

Along with the fitting of those new shops, 35 existing shops were renovated. Capital expenditure, inclusive of the cost of the works at the new plant in Shunde, amounted to HK\$199 million.

The new plant in Shunde started production in July. Capital works had been mostly completed and paid for. Ramping of production capacity is on track, with recruitment and training of new workers being the main challenge.

Taiwan

Taiwan's economy has been under pressure as its exports suffered from the global downturn generally and from competition with Korea in particular.

Nevertheless, thanks to an increase of gold products in the merchandise mix, turnover recorded an increase of 6%. One shop was closed but two new shops were added. Four shops were refitted.

Wholesale of Precious Metals

Turnover rose 54% as the sale of 1-tael gold nuggets were largely diverted from the jewellery stores to this unit in order to take advantage of its lower operating cost. However, trading of platinum and its related metals continued to slacken.

Securities and Futures Broking

With the stock market being more animated during the year, total turnover increased by 17%. Income from financing clients' participation in IPO increased notably.

Upgrading of the trading systems continues on track.

Investments

Properties

The Group holds various properties that are being used for offices, shops and factories. Rental income from investment properties amounted to HK\$10 million, less than 1% of the Group's turnover.

The sale of the piece of commercial property located in Mawei, Fujian, was successfully completed in the second half of the year.

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\$640 million, compared to HK\$652 million in 2012.

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 2013, the Group had cash and cash equivalents of HK\$1,009 million (2012: HK\$674 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\$5,996 million in banking facilities including bank borrowings and bullion loans, out of which HK\$999 million are committed facilities. As at 31 December 2013, total unutilized banking facilities was HK\$4,114 million (2012: HK\$4,052 million).

As at 31 December 2013, the Group had total bank borrowings and bullion loans of HK\$1,166 million and HK\$693 million respectively, most of which were unsecured according to Group policy. All the debts are repayable within three years. The gearing ratio was 23%, based on total bank borrowings and bullion loans of HK\$1,859 million as a percentage of total equity attributable to equity holders of the Company of HK\$7,935 million. The current ratio of the Group was 3.5.

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 17% of its bank loans at fixed rate as at 31 December 2013, increased from 8% as at 31 December 2012.

As at 31 December 2013, 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, revenues 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 2013, the borrowings denominated in US dollar and New Taiwan dollar amounted to US\$40 million and NT\$121 million respectively.

Charge on Assets

As at 31 December 2013, certain items of properties of the Group with a net carrying value of HK\$192 million (2012: HK\$174 million), and listed equity investments of HK\$323 million (2012: HK\$330 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 7,379, with 5,406 (73%) on the mainland.

Outlook

Relying just on self-purchase with little gifting, high-priced items are bound to move slower than in previous years.

According to the Chinese almanac, the year of the horse in 2014 is an auspicious year for weddings. With gold price at a relatively low level, demand for gold and gold products is expected to be robust. However, with gold price about 25% down from 2012, growth in turnover can hardly be expected to be stellar. For the two months ended February 2014, jewellery retail turnover was flat comparing to 2013, despite a 16% increase in gold quantity sold, and a 23% increase in total sales count. Non gold jewellery grew 9%, with China outperforming Hong Kong.

In order to attract more sales and to improve the margin, the Group's strategy is to rely on product innovation and lowering of costs, and to avoid discounting as far as possible.

Expansion of the network on the mainland will resume pace of about 50 new shops a year. In Macau, during the first half a new store will open in Galaxy, and in Hong Kong, one in Mongkok.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK54.0 cents (2012: HK45.0 cents) per ordinary share for the year ended 31 December 2013. Together with the interim dividend of HK14.0 cents (2012: HK10.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK68.0 cents (2012: HK55.0 cents).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2014 Annual General Meeting"), will be payable on or about Thursday, 3 July 2014 to shareholders whose names appear on the register of members of the Company on Wednesday, 25 June 2014.

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 2013 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, A.6.7 and E.1.2 of the Code which are explained below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following Dr. CHOW Kwen Lim's retirement as the Chairman, Mr. Vincent CHOW Wing Shing was appointed Chairman of the Board on 1 July 2013 and is now both the Chairman and the Group General Manager of the Company. Although the roles of the chairman of the board and chief executive are not separately held by different persons, the Board considers 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.

Under code provision A.6.7 of the Code, the 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 30 May 2013 (the “2013 AGM”) due to other commitment.

Under code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. Dr. CHOW Kwen Lim, who stepped down as Chairman of the Company in July 2013, was unable to attend the 2013 AGM due to health reasons.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2013 in conjunction with the Company’s external auditors, Ernst & Young. The financial information set out in the annual results announcement represents an extract from these consolidated financial statements.

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 2014 Annual General Meeting will be held at 4/F, Chow Sang Sang Building, 229 Nathan Road, Kowloon, Hong Kong on Tuesday, 17 June 2014 at 10:30 a.m. The notice of the 2014 Annual General Meeting will be published and issued in due course.

CHANGE OF ADDRESS OF BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

With effect from Monday, 31 March 2014, the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited (the “Branch Share Registrar”), will be relocated from 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (the “New Address”).

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from Thursday, 12 June 2014 to Tuesday, 17 June 2014, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2014 Annual General Meeting. In order to be eligible to attend and vote at the 2014 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Branch Share Registrar at the New Address not later than 4:00 p.m. on Wednesday, 11 June 2014; and

- (ii) from Monday, 23 June 2014 to Wednesday, 25 June 2014, 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 Branch Share Registrar at the New Address not later than 4:00 p.m. on Friday, 20 June 2014.

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is published on the websites of the Group at www.chowsangsang.com and HKEC at www.hkexnews.hk. The 2013 annual report of the Company will be available on both websites and despatched to shareholders on or about Monday, 28 April 2014.

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, Mr. LO King Man and Mr. Stephen LAU Man Lung.

By order of the Board
Vincent CHOW Wing Shing
Chairman

Hong Kong, 25 March 2014