CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 116

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors of Chow Sang Sang Holdings International Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

FINANCIAL HIGHLIGHTS

	2007 **HK$'000**	2006 HK$'000	Change
Turnover			
Jewellery retail	**4,119,165**	2,785,254	48%
Other businesses	**3,754,418**	4,196,226	-11%
	7,873,583	6,981,480	13%
Profit attributable to shareholders of the Company	**516,278**	296,838	74%
Basic earnings per share	**85.8 cents**	49.3 cents	74%
Dividend per share			
- Final	**26.0 cents**	16.0 cents	
- Full Year	**34.0 cents**	23.0 cents	
Dividend payout ratio	**40%**	47%	
Equity attributable to shareholders of the Company	**3,634,269**	2,557,641	42%
Equity per share	**$6.0**	$4.2	42%

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

	Note	**2007**	2006
		HK$'000	HK$'000
TURNOVER	3		
Jewellery retail		**4,119,165**	2,785,254
Other businesses		**3,754,418**	4,196,226
		7,873,583	6,981,480
Cost of sales		**(6,472,603)**	(6,009,547)
Gross profit		**1,400,980**	971,933
Other income		**108,647**	62,982
Selling and distribution costs		**(641,688)**	(512,075)
Administrative expenses		**(189,314)**	(157,844)
Other gains, net		**5,399**	16,890
Finance costs		**(39,364)**	(15,190)
Share of profits of associates		**773**	1,200
PROFIT BEFORE TAX	5	**645,433**	367,896
Tax	6	**(110,851)**	(61,395)
PROFIT FOR THE YEAR		**534,582**	306,501
Attributable to:			
Shareholders of the Company		**516,278**	296,838
Minority interests		**18,304**	9,663
		534,582	306,501
DIVIDENDS	7		
Interim		**48,154**	42,134
Proposed final		**156,499**	96,307
		204,653	138,441
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic		**85.8 cents**	49.3 cents

CONSOLIDATED BALANCE SHEET
31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**356,903**	341,034
Investment properties		**126,950**	117,050
Intangible assets		**271**	320
Other assets		**51,341**	43,233
Interests in associates		**11,457**	10,652
Available-for-sale investments		**1,111,922**	439,972
Deferred tax assets		**2,267**	2,855
Total non-current assets		**1,661,111**	955,116
CURRENT ASSETS			
Inventories		**2,092,366**	1,567,589
Accounts receivable	9	**211,880**	102,028
Receivables arising from securities and futures broking	9	**395,856**	253,389
Prepayments, deposits and other receivables		**55,260**	48,259
Investments at fair value through profit or loss		**13,479**	12,246
Available-for-sale investment		**-**	7,723
Derivative financial instruments		**4,982**	3,001
Tax recoverable		**420**	289
Cash held on behalf of clients		**386,666**	365,579
Cash and cash equivalents		**264,541**	284,882
Total current assets		**3,425,450**	2,644,985
CURRENT LIABILITIES			
Accounts payable	10	**118,062**	112,606
Payables arising from securities and futures broking	10	**614,080**	509,794
Other payables and accruals		**253,141**	157,168
Derivative financial instruments		**9,451**	1,111
Interest-bearing bank borrowings		**286,229**	126,592
Tax payable		**57,974**	34,325
Total current liabilities		**1,338,937**	941,596
NET CURRENT ASSETS		**2,086,513**	1,703,389
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,747,624**	2,658,505
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**56,927**	56,378
NET ASSETS		**3,690,697**	2,602,127
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**150,480**	150,480
Reserves		**3,327,290**	2,310,854
Proposed final dividend		**156,499**	96,307
		3,634,269	2,557,641
Minority interests		**56,428**	44,486
TOTAL EQUITY		**3,690,697**	2,602,127

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, 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, derivative financial instruments, debt securities and certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards has no material effect on these financial statements.

HKAS 1 Amendment	*Capital Disclosures*
HKFRS 7	*Financial Instruments: Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

Except for HKAS 1 Amendment and HKFRS 7, the adoption of HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 has had no material effect on the Group's financial statements for the year ended 31 December 2007.

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

(a) Amendment to HKAS 1 *Presentation of Financial Statements - Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(b) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements, and comparative information has been included/revised where appropriate. There has been no effect on the financial position or results of operations of the Group.

2. Impact of new and revised HKFRSs (continued)

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKFRS 2 Amendments	*Share-based Payment – Vesting Conditions and Cancellation* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 8	*Operating Segments* [1]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions* [3]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [5]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 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.

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 year.

Revenue from the following activities has been included in turnover:

	Group	
	2007	2006
	HK$'000	HK$'000
Sale of goods	**7,732,317**	6,919,461
Commission on securities and commodities broking	**132,645**	54,040
Gross rental income	**8,621**	7,979
	7,873,583	6,981,480

4. Segment information

(a) Business segments

The following tables present revenue, profit and certain asset, liability and other segment information for the Group's business segments for the years ended 31 December 2007 and 2006.

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**
Segment revenue						
Sales to external customers	**4,119,165**	**3,566,770**	**131,619**	**56,029**	**-**	**7,873,583**
Intersegment sales	**243,936**	**247,697**	**-**	**1,718**	**(493,351)**	**-**
Other income from external sources	**20,817**	**1**	**53,033**	**7,742**	**-**	**81,593**
Other intersegment income	**2,954**	**-**	**-**	**130**	**(3,084)**	**-**
Total	**4,386,872**	**3,814,468**	**184,652**	**65,619**	**(496,435)**	**7,955,176**
Segment results	**500,311**	**13,859**	**102,921**	**19,817**	**-**	**636,908**
Interest income						**11,652**
Dividend income						**15,402**
Unallocated expenses						**(8,646)**
Finance costs						**(10,656)**
Share of profits of associates						**773**
Profit before tax						**645,433**
Tax						**(110,851)**
Profit for the year						**534,582**

2006

	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
Segment revenue						
Sales to external customers	2,785,254	4,041,210	52,956	102,060	-	6,981,480
Intersegment sales	150,177	233,547	-	1,727	(385,451)	-
Other income from external sources	17,415	1	21,941	4,019	-	43,376
Other intersegment income	3,601	-	-	128	(3,729)	-
Total	2,956,447	4,274,758	74,897	107,934	(389,180)	7,024,856
Segment results	302,616	8,985	30,334	18,403	-	360,338
Interest income						11,175
Dividend income						8,431
Unallocated expenses						(7,348)
Finance costs						(5,900)
Share of profits of associates						1,200
Profit before tax						367,896
Tax						(61,395)
Profit for the year						306,501

4. Segment information (continued)

(a) Business segments (continued)

	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**
Assets and liabilities						
Segment assets	**2,874,736**	**33,593**	**829,223**	**447,641**	**(255,055)**	**3,930,138**
Interests in associates						**11,457**
Unallocated assets						**1,144,966**
Total assets						**5,086,561**
Segment liabilities	**(445,515)**	**(22,695)**	**(653,390)**	**(117,679)**	**255,055**	**(984,224)**
Unallocated liabilities						**(411,640)**
Total liabilities						**(1,395,864)**
Other segment information						
Depreciation	**48,203**	**151**	**1,055**	**68**	**-**	**49,477**
Net (gain)/loss on disposal of derivative financial instruments	**4,165**	**(1,133)**	**-**	**-**	**-**	**3,032**
Net fair value gains on investment properties	**-**	**-**	**-**	**(9,900)**	**-**	**(9,900)**
Capital expenditure	**63,786**	**-**	**889**	**539**	**-**	**65,214**

	2006					
	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
Assets and liabilities						
Segment assets	2,289,971	26,844	669,672	495,652	(380,723)	3,101,416
Interests in associates						10,652
Unallocated assets						488,033
Total assets						3,600,101
Segment liabilities	(389,670)	(17,582)	(534,197)	(211,103)	380,723	(771,829)
Unallocated liabilities						(226,145)
Total liabilities						(997,974)
Other segment information						
Depreciation	40,794	151	862	-	-	41,807
Net loss on disposal of derivative financial instruments	17,155	4,929	-	-	-	22,084
Net fair value gains on investment properties	-	-	-	(14,600)	-	(14,600)
Capital expenditure	38,542	-	1,753	-	-	40,295

4. Segment information (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

	Hong Kong and Macau		Mainland China		Elsewhere		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue										
Sales to external customers	**6,775,552**	6,409,365	**1,026,693**	503,029	**71,338**	69,086	**-**	-	**7,873,583**	6,981,480
Other segment information										
Segment assets	**2,994,912**	2,493,809	**1,017,561**	693,087	**84,832**	74,660	**(167,167)**	(160,140)	**3,930,138**	3,101,416
Interests in associates									**11,457**	10,652
Unallocated assets									**1,144,966**	488,033
Total assets									**5,086,561**	3,600,101
Capital expenditure	**36,069**	12,668	**27,070**	25,413	**2,075**	2,214	**-**	-	**65,214**	40,295

5. Profit before tax

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

	2007 **HK$'000**	2006 HK$'000
Cost of inventories sold	**6,472,603**	6,009,547
Write-down of inventories to net realizable value	**571**	16,290
Depreciation	**49,477**	41,807
Minimum lease payments under operating leases for leasehold land and buildings	**166,247**	139,376
Interest income	**(58,619)**	(28,783)
Dividend income from listed investments	**(15,026)**	(8,193)
Dividend income from unlisted investments	**(640)**	(604)
Gain on disposal of investments at fair value through profit or loss	**(2,664)**	(1,852)
Gain on disposal of an intangible asset#	**(451)**	-
Net fair value gains on investment properties#	**(9,900)**	(14,600)
Net fair value gains on investments at fair value through profit or loss#	**(1,371)**	(400)
Net fair value losses/(gains) on derivative financial instruments – transactions not qualifying as hedges#	**6,323**	(1,890)
Net loss on disposal of derivative financial instruments^	**3,032**	22,084

\# *These balances are included in "Other gains, net" on the face of the consolidated profit and loss account.*

^ *The net loss on disposal of derivative financial instruments has included the net loss on bullion contracts of HK$8,943,000 (2006: HK$23,549,000), which is included in "Cost of sales" on the face of the consolidated profit and loss account.*

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	HK$'000
Current - Hong Kong		
Charge for the year	**77,316**	49,576
Underprovision/(overprovision) in prior years	**113**	(736)
Current - Elsewhere	**32,278**	10,096
Deferred	**1,144**	2,459
Total tax charge for the year	**110,851**	61,395

7. Dividends

	2007	2006
	HK$'000	HK$'000
Interim - HK8.0 cents (2006: HK7.0 cents) per ordinary share	**48,154**	42,134
Proposed final - HK26.0 cents (2006: HK16.0 cents) per ordinary share	**156,499**	96,307
	204,653	138,441

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. Earnings per share attributable to shareholders of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of the Company of HK$516,278,000 (2006: HK$296,838,000), and the weighted average number of 601,920,000 (2006: 601,920,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2007 and 2006 have not been presented as no diluting events existed during these years.

9. 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 a cash basis.

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Trade and credit card receivables	**211,902**	102,050
Impairment	**(22)**	(22)
Accounts receivable	**211,880**	102,028
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**270,492**	168,812
Clearing houses	**8,446**	11,730
Loans to margin clients	**117,026**	73,121
	395,964	253,663
Impairment	**(108)**	(274)
Receivables arising from securities and futures broking	**395,856**	253,389
Total accounts receivable and receivables arising from securities and futures broking	**607,736**	355,417

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

9. 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 as at the balance sheet date, based on the due date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Not yet due	**378,159**	186,991
Within 30 days past due	**96,973**	65,353
31 to 60 days past due	**13,657**	13,738
61 to 90 days past due	**1,623**	4,686
Over 90 days past due	**299**	11,529
	490,711	282,297
Loans to margin clients*	**117,025**	73,120
	607,736	355,417

* *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 2007, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$468,940,000 (2006:HK$239,591,000).*

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

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Trade payables	**118,062**	112,606
Payables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**576,581**	491,415
Margin clients	**15,734**	13,254
Clearing houses	**21,765**	5,125
Payables arising from securities and futures broking	**614,080**	509,794
Total accounts payable and payables arising from securities and futures broking	**732,142**	622,400

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

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Within 30 days (including amounts not yet due)	**128,381**	107,781
31 to 60 days	**9,846**	4,428
Over 60 days	**1,600**	5,522
	139,827	117,731
Cash clients accounts payable[#]	**576,581**	491,415
Margin clients accounts payable[*]	**15,734**	13,254
	732,142	622,400

[#] *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$351,328,000 (2006: HK$343,581,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2007, the cash clients accounts payable included an amount of HK$4,284,000 (2006: HK$2,896,000) in respect of securities transactions undertaken for the accounts of certain directors. The balances 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.*

11. Comparative amounts

During the year, the Group considered it more appropriate to reclassify certain receivables and payables in order to better reflect their underlying nature. The principal changes consist of the reclassifications of receivable from/payable to clearing houses from "Accounts receivable/payable" to "Receivables/Payables arising from securities and futures broking". Accordingly, the relevant comparative amounts of "Accounts receivable/receivables arising from securities and futures broking" of HK$11,730,000, and "Accounts payable/payables arising from securities and futures broking" of HK$5,125,000 on the face of the consolidated balance sheet have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Results

In 2007 Chow Sang Sang Group registered significant gains both in turnover and profits. The expansionary momentum of the economy continued unabated from the year before all the way through 2007, both in the Mainland and in Hong Kong. The retail sectors were buoyant and upbeat: in all four quarters turnover exceeded that of a year before, allowing the Group to report for 2007 a 48% increase in turnover and 65% increase in operating profits in jewellery retail.

Activities in the stock market in Hong Kong could be described as frenetic. The Group's brokerage arms were able to achieve significant gains in commission income as well as operating profits.

With the price of gold and platinum hovering at high levels, turnover in wholesale of the metals retreated by 12% but operating profits went up 54%. Overall, the Group's profit attributable to shareholders was HK$516 million on turnover of HK$7,874 million. Compared with 2006, the increase in profits was 74% and turnover rose 13%, between which ratios there is a disparity that is largely attributable to the fall in the turnover of wholesale of gold and platinum. Earnings per share climbed to HK85.8 cents per share from HK49.3 cents per share.

Overview

The Group's major business is jewellery retail in Hong Kong, Mainland China, Taiwan and Macau ("Greater China"), conducted by Chow Sang Sang Jewellery Company Limited together with some of its fellow subsidiaries. Chow Sang Sang Securities Limited and Chow Sang Sang Futures Limited are the operators of the Group's brokerage business. Precious metals wholesale is the business of World Commercial Sales Company Limited.

At the close of 2007, the jewellery retail network consisted of 109 shops under the name "Chow Sang Sang" in the Mainland and 38 shops in Hong Kong. In addition, under the name "Emphasis Jewellery" there were 9 shops in Hong Kong, 19 in Taiwan and 2 in Macau. Chow Sang Sang owns and operates the jewellery store under the name "Midtown Jewelry" in Hong Kong Disneyland.

The marketing strategy of the network is embodied in the tableau of merchandise offered at the shops. The mainstay is gem-set and gold jewellery designed in-house. The designs are distinguished by branding, such as Diamond in Motion (diamond jewellery whose feature is diamonds on moving mountings reflecting light), Platinum with Love and Pt Loving Hearts (jewellery featuring branded diamonds). Product differentiation in another dimension is achieved by the licensing of territorial rights for intellectual properties such as Hello Kitty and Disney characters to be used as themes for design and marketing of products.

To add content and glamour, brands of jewellery are imported from Italy and Japan. Such brands as Stefan Hafner, Marco Bicego, and Regalo are selected for their individuality, their products' harmony and synergy within our framework. In Hong Kong and the Mainland, selected shops carry Rolex and Tudor watches as official agents.

Emphasis Jewellery aims to offer an intimate shopping experience to discerning clients whose focus is on distinctiveness and taste. Although the shops are operated under the same doctrine as regards customer service, they have their own brand-management and product team. Its success is signified by the fact that many customers in Hong Kong regularly shop in Emphasis Jewellery and Chow Sang Sang alike.

To feed its jewellery manufacturing pipeline, the Group needs a substantial input of polished diamonds at varying intervals. Buying rough and polishing them in-house is therefore a step in vertical integration that affords cost-saving opportunities and, more importantly, an alternative and controllable source of raw material. Since 2005 the Group has been a "Sightholder" of the Diamond Trading Company, a major supplier of diamonds in the rough. As such it is one of two firms in Greater China that are contracted from 2008 to 2011 to procure rough diamonds direct from that company's London office. The Group also buys rough diamonds from other sources. Currently about 20% of the polished diamonds sold by the Group comes from rough diamonds purchased and polished on its own, but this ratio is expected to rise as the Group further expands its supply network for rough diamonds.

The jewellery operation generates voluminous flows of gold and platinum. The inflows are metals in the form of ingots which are bought wholesale as raw materials for jewellery manufacturing. The outflows consist of old jewellery and scraps, bought from customers who bring them to the shops, processed and then sold wholesale. World Commercial Sales Company Limited handles the metal trading, offering the same services to outside metal users as well. The business is conducted in Hong Kong on a high-volume, low-margin and minimized-risk model.

Chow Sang Sang Securities Limited and Chow Sang Sang Futures Limited are run as "boutique" brokerages aiming at retail customers with personalized professional services. The brokerages offer trading at 8 offices in Hong Kong plus a highly efficient Internet platform. As small independent brokerages, the survival strategy is to concentrate on personal service, sound internal control and good risk management.

Jewellery Retail

Hong Kong & Macau

Turnover increased by 36% to HK$3,022 million, accounting for 73% of the total turnover in jewellery retail.

Although turnover was strong during the first half of 2007, it was even more robust in the second half, and the 4th quarter was much better than expectations. Although local customers accounted for the bulk of the consumption, spending by mainlanders, especially at shops located in the tourist areas such as Mongkok and Causeway Bay, were highly significant.

During the first half of 2007 the price of gold, though still below the peak reached in May 2006, stayed at a range that was the highest in at least the past five years. Starting in August 2007, it went on a continuous climb, eventually breaching US$900 in January 2008. Despite these price levels, the amount of gold the Group bought from retail customers was way below that which was recorded in 2006. One reason was perhaps that private hoardings had not been sufficiently replenished since the sell-off. Another could be that instead of taking profits early, people are now more inclined to wait and see how high the price of gold would climb.

Turnover of gem-set jewellery in general rose by 46% from 2006, and in particular sales of items priced above HK$10,000 grew by an even higher percentage. Because of the growth in the turnover of gem-set jewellery in general, and diamond jewellery in particular, gem-set jewellery had a far more significant contribution than gold to the increase in profits.

In order to further strengthen the Group's position in Mongkok, the prime shopping area for Mainland visitors, a 500-sq.m. "mega-store" was established by leasing the space adjacent to an existing store. The mega-store, with its large floor area, very long frontage and huge billboard areas above the shopfront, has become an icon in that shopping district, offering an out-of-the-ordinary shopping experience to visitors and locals alike. At the same time, another store in that area was moved to a new location across and up the street from the "mega-store".

A new shop dedicated to the connoisseur segment of customers was opened at Elements, the new shopping complex managed by MTR Corporation Limited ("MTR") above their Kowloon Station. This shop is focused on "fine jewellery", and is outfitted distinctively for its mission. With international luxury brands as its neighbours in the mall, this shop is poised to take advantage of the high-end office, hotel and residential developments in the same complex coming on stream in turn within the coming two years.

Other Chow Sang Sang shops opened during the year included those at Terminal 2 of the Hong Kong International Airport and "district" shops at Tseung Kwan O and next to the MTR Mong Kok East Station. Five other shops were refitted or expanded.

Emphasis Jewellery continued its growth to nearly 46% over its turnover in the prior year. Its Mongkok store was re-opened as a "store-in-store" within the Chow Sang Sang mega-store. A new shop was opened at Queensway Plaza in Admiralty. The shop at Times Square, Causeway Bay, was relocated to a larger location within the mall.

In November 2007 the store in the Venetian Macao-Resort-Hotel was opened.

As a "brand" Chow Sang Sang continued to be recognized for its achievements in projecting its image and positioning to consumers. In 2007, for the branding as well as the quality of service, numerous awards had been received, of which some were adjudicated by expert panels while others were voted by consumers. These included awards given by Ming Pao Daily in conjunction with the Department of Marketing of the Chinese University of Hong Kong, Hong Kong Productivity Council and China Trademark Association, and the Hong Kong Retail Management Association. One of the shop managers of Emphasis Jewellery was chosen as the "FOREVERMARK Most Motivating Store Manager" by De Beers Group Marketing after beating candidates from other retailers in several rounds of competition.

Given the buoyant atmosphere, the rise in shop rentals was inevitable. The average increase in rental expenses due to renewals was 22%. Taking into account new stores and closures, rental expenditure rose almost 22%.

Personnel emoluments consisted of basic salary and profit-based bonus awards. Basic salary was raised by an average of 3.8% at the beginning of the year. With bonus awards as the main contributing factor, the total increase in personnel emoluments over the year was 13%.

The capital expenditure, mostly incurred on the fitting-out of stores, amounted to HK$35 million.

The opening of the mega-store in Mongkok and the image-store in Elements crystallized the two-prong strategy. Mega-stores cater to a wide spectrum of customers with their rich mix of merchandise while image-stores focus on fine jewellery in a luxury setting.

Mainland China

The contribution from the stores in the Mainland continued to rise. Their turnover in 2007 increased 104% to HK$1,026 million, which represented 25% of the total turnover in jewellery retail. In 2006 their share was 18%, in 2005 12%.

Same-store growth in turnover was 39%, with some of the stores in Beijing, Shanghai, Guangzhou, Xian and Fuzhou taking top honours. The overall sales in gem-set jewellery priced at RMB50,000 or above more than doubled.

During the year 27 shops were opened in cities including Urumqi, Lanzhou, Nantong, Quanzhou, Haikou, Zhuhai and Zhaoqing, bringing the total at the end of year to 109. One of the new shops was located in a high-end mall in Shanghai.

Capital expenditure during the year reached HK$27 million, with the fitting out of new shops taking up the bulk of the spending.

Chow Sang Sang Diamond (Shanghai) Co., Ltd. has been operating smoothly since its inception in the second half of the year. Its establishment has facilitated the importation and stocking of diamonds in the Mainland.

Taiwan

With improvements in the second half of 2007, turnover for the year was HK$71 million, or 2% of the total of the Group’s turnover in jewellery retail.

A new management structure was put into place during the year, putting a stronger focus on coordination of marketing direction from the main office in Hong Kong. The loss in Taiwan has narrowed in 2007, and the improvement is expected to pick up its pace as the change in the political climate brings stimulus to the economy.

Wholesale of Precious Metals
Turnover for the year fell by 12% to HK$3,567 million. However, operating profits registered a 54% growth to HK$14 million.

With the price of platinum rising to beyond US$1,500 by the end of the year, trading in the metal dropped to trickles. The volume of trading in gold was lower than in 2006 as less scrap gold was processed.

The business continues to be run on a low-margin, risk-controlled model.

Securities and Futures Broking
For the Hong Kong stock market, it was a year of records. The Hang Seng Index, having broken through 20,000 in December 2006, peaked at 31,638 in October 2007. Total turnover went up to HK$21,665 billion, more than 2.6 times that of 2006.

Turnover for Chow Sang Sang Securities Limited reached HK$62 billion, 2.8 times that of 2006. Financing for clients was facilitated in 82 Initial Public Offerings ("IPOs"), generating net profits of HK$11 million, which was 2.5 times that of 2006 in which there were 55 IPOs.

Despite a dramatic increase in loans to clients, HK$142 million at the end of 2007 as compared to HK$85 million in 2006, lending policies were strictly upheld and the quality of loans was maintained. No material provision for bad debt was required.

Commission income rose to HK$132 million (+149%), and operating profits reached HK$103 million (+239%).

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$9 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 2007 and 31 December 2007, the Group held 4,953,500 shares of HKEC and the unrealized gain on the holding amounted to HK$1,093 million (2006: HK$421 million). No sale of the shares are being contemplated.

Finance
Financial Position and 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 31 December 2007, the Group had cash and cash equivalents of HK$265 million, and total undrawn bank loans and other credit facilities of approximately HK$1,244 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 31 December 2007 amounted to HK$286 million, which was unsecured and repayable in one year. The Group has a low gearing ratio of 8%, based on total borrowing of HK$286 million as a percentage of total shareholders' equity of HK$3,634 million. As at 31 December 2007, the current ratio stood at a healthy level of 2.6. Most of the cash is deposited with leading banks of Hong Kong in either HK dollar or US dollar.

Foreign Exchange Risk Management
The Group considers its foreign currency exposure insignificant. The Group has exposure in Renminbi ("RMB"), 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 31 December 2007, total foreign currency borrowing excluding RMB borrowing amounted to approximately HK$8 million (2006: HK$7 million). RMB loans at year end amounted to RMB219 million (2006: RMB100 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
As at 31 December 2007, certain items of properties of the Group with a net carrying value of HK$155 million (2006: HK$153 million), and listed equity investments of HK$221 million (2006: HK$298 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

Human Resources
At the end of 2007 the Group had 3,175 employees, 59% of whom were in Mainland China. More than 95% of the staff are employed in jewellery retail and manufacture.

Aside from basic salary, employees are rewarded with performance-based bonuses. Fringe benefits such as paid vacation leave, insurance are commensurate with local practices and legal requirements. Individual performance is assessed annually on a uniform framework, which is applied to all territories and is based on openness and objectiveness. It is the Group's policy to abide with best practice principles, to hire the most suitable person for the job with competitive emoluments and to motivate staff with incentives and positive reinforcement.

Because of the predominance of frontline staff, staff training and retention are of primary concern. The Group conducts training both in Hong Kong and in the Mainland, using in-house and external resources where appropriate. Programmes are offered on a variety of subjects, falling mainly into the categories of sales skills and management technique, and pitched at different levels of prior experience and expertise.

Outlook
Hong Kong's stock market started to stumble in November 2007. From 4th quarter 2007 to 1st quarter 2008, the Hang Seng Index shed more than 5,000 points. IPOs are being called off or postponed because of uncertain market conditions. As trading volume has inevitably shrunk, the Group's brokerage arms will see lower income levels in 2008. They have taken precautionary measures in risk control such as tightening their margin lending.

By the end of 1st quarter 2008, the gloom over the United States economy deepens as the subprime crisis and the credit crunch that it triggered continue to affect the markets despite measures taken by the United States Federal Reserve and other central banks. Fears of a recession in the United States have driven the US dollar to new lows and prices of oil, gold, platinum and diamond, as well as other commodities, have all reached new highs.

How the downturn in the United States will affect the Chinese economy is not entirely clear. It might even have an indirect positive effect on the central government's effort to control the overheating of its economy. The sales of jewellery both on the Mainland and in Hong Kong remained robust from the start of 2008 through the Chinese new year holidays to Valentine's Day, with Mainland visitors playing their very important part in boosting sales in Hong Kong. It was unfortunate that just before the holidays freak snowstorms played havoc over parts of central and southern China, causing much loss and grief. Some of the Group's shops were at the risk of not getting their supply of seasonal stock, but thanks to the hard work and resourcefulness of our staff, the shops received their merchandise in time.

As attested by the results, the Mainland operations are making good progress and contributing a fast growing percentage of the Group's profits. In keeping with the strategy of establishing iconic shops, the Group has entered into a lease agreement on a property in Sanlitun, Beijing, in a shopping complex to be managed by the Swire Group. The shop, with an area of nearly 700 sq.m. in three levels in premises that appear as a building on its own, will be fitted out as the Group's first flagship in the Mainland and will open in the middle of 2008, in time for the Olympic Games.

In Hong Kong, after an absence of several years from the district, the Group will open a new store in Queen's Road Central. This will be positioned as a mega-store, like the one in Canton Road Kowloon, but further strengthened in its offering of fine, couture jewellery. In order to accommodate the large number of Mainland visitors frequenting Tsimshatsui in Kowloon, a mega-store will be opened during the first half of 2008 in Park Lane, Nathan Road.

There are certainly reasons to be cautious about the retail sector in the rest of 2008.

The weakening of the US dollar, along with other factors, has driven the price of gold beyond US$1,000 per ounce, and the price of diamonds has been rising inexorably as demand for better quality goods continued to increase. So far, however, consumers appear to be undeterred, possibly due to the perception that gold and diamonds could be alternative "investments" in such volatile and inflationary economic climates.

One of the administrative measures the central government has undertaken in order to control inflation and overheating of the economy is the restriction on bank lending. Although the Group has not been adversely affected because of its excellent relationships with banks, it nevertheless must be careful in its planning for funding needs.

Another much publicized legislation of the central government is the labour law that has been in effect since the beginning of 2008. Promulgated with the aim to protect workers, the law imposes numerous new obligations on the part of employers. However, as the Group has been abiding with best practice principles in its efforts to retain employees, it envisages that the law will cause no major difficulties other than somewhat higher costs in connection with human resource management.

Such additional costs, however, are insignificant in comparison with the demand for higher wages. The shortage of skilled or experienced workers, together with the inflationary environment, causes the overall labour cost to rise in the Mainland faster than in Hong Kong.

In Hong Kong, the major cost factor is store rentals. Rents for prime shops, especially shops with high visibility, have risen dramatically as purveyors of luxury goods fight for the best premises as showcases for their brands. Setting up iconic shops is a trend that is likely to continue in the luxury retail sector. Although the Group has adopted a similar strategy, it will be prudent in determining how many and where such shops will be opened, and it will consolidate its network in order to keep costs under control and to raise efficiency.

A study funded jointly by participating members of the jewellery industry but conducted independently by a reputable market research firm, indicated that both Chow Sang Sang and Emphasis Jewellery have made significant progress in consumer recognition. The results further showed that Chow Sang Sang was chosen by the surveyed purchasers of diamond jewellery as the "*most preferred jewellery store*".

The theme for Chow Sang Sang's advertising campaign in 2007/2008 consisted of four "platforms": I shine, I care, I promise, I move. Originally coined to signify the emotions evoked by Chow Sang Sang's jewellery *in* consumers' hearts, it happens to describe neatly and aptly how we wish to present ourselves *to* consumers; in other words, it encapsulates the service culture that is being assiduously inculcated in the Group's staff.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK26.0 cents (2006: HK16.0 cents) per ordinary share to shareholders whose names appear on the register of members of the Company on 15 May 2008. The final dividend will be paid on 5 June 2008 following approval thereof at the forthcoming annual general meeting to be held on 15 May 2008. Together with the interim dividend of HK8.0 cents (2006: HK7.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK34.0 cents (2006: HK23.0 cents).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 9 May 2008 to Thursday, 15 May 2008, both days inclusive, during such period no transfer of shares will be registered. To ensure the entitlement to the final 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 Thursday, 8 May 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Pursuant to a stock saving plan set up in May 2007 (the “Plan”) by Chow Sang Sang Securities Limited (“CSS Securities”), a wholly-owned indirect subsidiary of the Company, which is open to the staff of the Group, the participating staff may save by investing a designated monthly amount in the Company’s shares, with no commission being chargeable to the participants of the Plan. For the purpose of implementing the foregoing, CSS Securities purchased a total of 1,653 of the Company’s shares for approximately HK$9,000 in May 2007 and subsequently transferred all of such shares to the participants during the year.

Save as disclosed above, 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 with the Code on Corporate Governance Practices 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 throughout the year ended 31 December 2007.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group, in conjunction with the Company’s external auditors. The financial information set out in the annual results announcement represents an extract from these consolidated financial statements and have been reviewed by the Company’s auditors, Ernst and Young.

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 as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2007.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is published on the websites of the Company at www.chowsangsang.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2007 annual report of the Company will be despatched to shareholders and available at the same websites on or about 18 April 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 4/F Chow Sang Sang Building, 229 Nathan Road, Kowloon, Hong Kong on Thursday, 15 May 2008 at 2:30 p.m. Notice of the annual general meeting will be published and issued in due course.

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 and Mr. LO King Man.

Hong Kong, 28 March 2008

By Order of the Board
Chow Kwen Lim
Chairman