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 2008

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 2008.

FINANCIAL HIGHLIGHTS

	2008	2007	Change
	HK$'000	HK$'000	
Turnover			
Jewellery retail	**5,359,129**	4,119,165	+30%
Other businesses	**4,522,376**	3,754,418	+20%
	9,881,505	7,873,583	+26%
Profit attributable to shareholders of the Company	**470,791**	516,278	-9%
Basic earnings per share	**78.2 cents**	85.8 cents	-9%
Dividend per share			
- Final	**23.0 cents**	26.0 cents	-12%
- Full Year	**31.0 cents**	34.0 cents	-9%
Dividend payout ratio	**40%**	40%	
Equity attributable to shareholders of the Company	**3,206,844**	3,634,269	-12%
Equity per share	**$5.3**	$6.0	-12%

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
TURNOVER	3		
Jewellery retail		**5,359,129**	4,119,165
Other businesses		**4,522,376**	3,754,418
		9,881,505	7,873,583
Cost of sales		**(8,319,364)**	(6,472,603)
Gross profit		**1,562,141**	1,400,980
Other income		**82,741**	108,647
Selling and distribution costs		**(819,449)**	(641,688)
Administrative expenses		**(218,947)**	(189,314)
Other gains, net		**11,660**	5,399
Finance costs		**(22,905)**	(39,364)
Share of profits and losses of associates		**(420)**	773
PROFIT BEFORE TAX	5	**594,821**	645,433
Tax	6	**(112,036)**	(110,851)
PROFIT FOR THE YEAR		**482,785**	534,582
Attributable to:			
Shareholders of the Company		**470,791**	516,278
Minority interests		**11,994**	18,304
		482,785	534,582
DIVIDENDS	7		
Interim		**48,154**	48,154
Proposed final		**138,442**	156,499
		186,596	204,653
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic		**78.2 cents**	85.8 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**389,938**	356,903
Investment properties		**117,597**	126,950
Intangible assets		**271**	271
Other assets		**74,890**	51,341
Interests in associates		**10,900**	11,457
Available-for-sale investments		**378,084**	1,111,922
Deposits paid for purchase of items of property, plant and equipment		**53,824**	-
Deferred tax assets		**1,323**	2,267
Total non-current assets		**1,026,827**	1,661,111
CURRENT ASSETS			
Inventories		**2,528,754**	2,092,366
Accounts receivable	9	**212,352**	211,880
Receivables arising from securities and futures broking	9	**134,848**	395,856
Prepayments, deposits and other receivables		**73,858**	55,260
Investments at fair value through profit or loss		**5,820**	13,479
Derivative financial instruments		**2,759**	4,982
Tax recoverable		**9,109**	420
Cash held on behalf of clients		**325,399**	386,666
Cash and cash equivalents		**145,117**	264,541
Total current assets		**3,438,016**	3,425,450
CURRENT LIABILITIES			
Accounts payable	10	**70,023**	118,062
Payables arising from securities and futures broking	10	**381,942**	614,080
Other payables and accruals		**225,749**	253,141
Derivative financial instruments		**2,769**	9,451
Interest-bearing bank borrowings		**389,099**	286,229
Tax payable		**78,641**	57,974
Total current liabilities		**1,148,223**	1,338,937
NET CURRENT ASSETS		**2,289,793**	2,086,513
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,316,620**	3,747,624
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**57,473**	56,927
Net assets		**3,259,147**	3,690,697
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		**150,480**	150,480
Reserves		**2,917,922**	3,327,290
Proposed final dividend		**138,442**	156,499
		3,206,844	3,634,269
Minority interests		**52,303**	56,428
Total equity		**3,259,147**	3,690,697

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 (the "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, 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 interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]

2. Impact of new and revised HKFRSs (continued)

HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [6]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs*[*] which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[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 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for transfers of assets from customers received on or after 1 July 2009

[*] Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its 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, futures and commodities broking and rental income earned during the year.

Revenue from the following activities has been included in turnover:

	Group	
	2008	2007
	HK$'000	HK$'000
Sale of goods	**9,798,927**	7,732,317
Commission on securities, futures and commodities broking	**72,798**	132,645
Gross rental income	**9,780**	8,621
	9,881,505	7,873,583

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 2008 and 2007.

2008

	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	**5,359,129**	**4,356,706**	**70,401**	**95,269**	**-**	**9,881,505**
Intersegment sales	**426,660**	**477,028**	**-**	**2,564**	**(906,252)**	**-**
Other income from external sources	**24,808**	**-**	**13,034**	**8,529**	**-**	**46,371**
Other intersegment income	**2,471**	**-**	**-**	**160**	**(2,631)**	**-**
Total	**5,813,068**	**4,833,734**	**83,435**	**106,522**	**(908,883)**	**9,927,876**
Segment results	**545,313**	**13,403**	**26,607**	**4,964**	**-**	**590,287**
Interest income						**6,661**
Dividend income						**29,709**
Unallocated expenses						**(9,608)**
Finance costs						**(21,808)**
Share of losses of associates						**(420)**
Profit before tax						**594,821**
Tax						**(112,036)**
Profit for the year						**482,785**

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

4. Segment information (continued)

(a) Business segments (continued)

	2008					
	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	**3,422,018**	**26,059**	**526,707**	**651,864**	**(581,534)**	**4,045,114**
Interests in associates						**10,900**
Unallocated assets						**408,829**
Total assets						**4,464,843**
Segment liabilities	**597,089**	**20,600**	**406,314**	**228,375**	**(581,534)**	**670,844**
Unallocated liabilities						**534,852**
Total liabilities						**1,205,696**

	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

4. Segment information (continued)

(a) Business segments (continued)

	2008					
	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**
Other segment information						
Depreciation	**64,047**	**111**	**1,464**	**245**	**-**	**65,867**
Net loss on disposal of derivative financial instruments	**2,433**	**6,246**	**-**	**-**	**-**	**8,679**
Net fair value loss on investment properties	**-**	**-**	**-**	**6,019**	**-**	**6,019**
Net fair value gain on derivative financial instruments	**(2,164)**	**(469)**	**-**	**-**	**-**	**(2,633)**
Net fair value loss on investments at fair value through profit or loss	**-**	**-**	**7,476**	**-**	**-**	**7,476**
Impairment of receivables arising from securities and futures broking, net	**-**	**-**	**3,569**	**-**	**-**	**3,569**
Reversal of impairment of accounts receivable	**(22)**	**-**	**-**	**-**	**-**	**(22)**
Write-down of inventories to net realizable value	**18,816**	**38**	**-**	**-**	**-**	**18,854**
Net loss/(gain) on disposal of items of property, plant and equipment	**(23,959)**	**-**	**4**	**-**	**-**	**(23,955)**
Capital expenditure	**100,053**	**-**	**4,135**	**-**	**-**	**104,188**

	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
Other segment information						
Depreciation	48,203	151	1,055	68	-	49,477
Net loss/(gain) on disposal of derivative financial instruments	4,165	(1,133)	-	-	-	3,032
Net fair value gain on investment properties	-	-	-	(9,900)	-	(9,900)
Net fair value loss on derivative financial instruments	6,081	242	-	-	-	6,323
Net fair value gain on investments at fair value through profit or loss	-	-	(1,371)	-	-	(1,371)
Reversal of impairment of receivables arising from securities and futures broking, net	-	-	(166)	-	-	(166)
Reversal of impairment of accounts receivable	-	-	-	-	-	-
Write-down of inventories to net realizable value	571	-	-	-	-	571
Net loss on disposal of items of property, plant and equipment	2,895	-	-	-	-	2,895
Capital expenditure	63,786	-	889	539	-	65,214

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 2008 and 2007.

	Hong Kong and Macau		Mainland China		Elsewhere		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**8,298,243**	6,775,552	**1,505,196**	1,026,693	**78,066**	71,338	**-**	-	**9,881,505**	7,873,583
Other segment information										
Segment assets	**2,794,863**	2,994,912	**1,317,842**	1,017,561	**103,547**	84,832	**(171,138)**	(167,167)	**4,045,114**	3,930,138
Interests in associates									**10,900**	11,457
Unallocated assets									**408,829**	1,144,966
Total assets									**4,464,843**	5,086,561
Capital expenditure	**48,083**	36,069	**51,785**	27,070	**4,320**	2,075	**-**	-	**104,188**	65,214

5. Profit before tax

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

	2008 **HK$'000**	2007 HK$'000
Cost of inventories sold	**8,319,364**	6,472,603
Write-down of inventories to net realizable value *	**18,854**	571
Depreciation	**65,867**	49,477
Minimum lease payments under operating leases for leasehold land and buildings	**220,012**	166,247
Reversal of impairment of accounts receivable	**(22)**	-
Net loss/(gain) on disposal of items of property, plant and equipment **	**(23,955)**	2,895
Net loss on disposal of derivative financial instruments ^	**8,679**	3,032
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges #	**(2,633)**	6,323
Interest income	**(15,953)**	(58,619)
Dividend income from listed investments	**(29,439)**	(15,026)
Dividend income from unlisted investments	**(533)**	(640)
Impairment/(reversal of impairment) of receivables arising from securities and futures broking, net	**3,569**	(166)
Gain on disposal of an intangible asset #	**-**	(451)
Loss/(gain) on disposal of investments at fair value through profit or loss	**45**	(2,664)
Net fair value loss/(gain) on investment properties #	**6,019**	(9,900)
Net fair value loss/(gain) on investments at fair value through profit or loss #	**7,476**	(1,371)

* *This balance is included in "Cost of sales" on the face of the consolidated income statement.*

** *The net loss/(gain) on disposal of items of property, plant and equipment included a gain on disposal of a leasehold land and building of HK$26,248,000 (2007: Nil), which is included in "Other gains, net" on the face of the consolidated income statement.*

^ *The net loss on disposal of derivative financial instruments included net loss on bullion contracts of HK$12,511,000 (2007: HK$8,943,000), which is included in "Cost of sales" on the face of the consolidated income statement.*

\# *These balances are included in "Other gains, net" on the face of the consolidated income statement.*

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008	2007
	HK$'000	HK$'000
Current - Hong Kong		
Charge for the year	**64,301**	77,316
Underprovision/(overprovision) in prior years	**(79)**	113
Current - Elsewhere	**43,505**	32,278
Deferred	**4,309**	1,144
Total tax charge for the year	**112,036**	110,851

7. Dividends

	2008	2007
	HK$'000	HK$'000
Interim - HK8.0 cents (2007: HK8.0 cents) per ordinary share	**48,154**	48,154
Proposed final - HK23.0 cents (2007: HK26.0 cents) per ordinary share	**138,442**	156,499
	186,596	204,653

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$470,791,000 (2007: HK$516,278,000), and the weighted average number of 601,920,000 (2007: 601,920,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2008 and 2007 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 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 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	
	2008	2007
	HK$'000	HK$'000
Trade and credit card receivables	**212,352**	211,902
Impairment	**-**	(22)
Accounts receivable	**212,352**	211,880
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**93,432**	270,492
Clearing houses	**5,632**	8,446
Loans to margin clients	**39,461**	117,026
	138,525	395,964
Impairment	**(3,677)**	(108)
Receivables arising from securities and futures broking	**134,848**	395,856
Total accounts receivable and receivables arising from securities and futures broking	**347,200**	607,736

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	
	2008	2007
	HK$'000	HK$'000
Not yet due	**239,081**	378,159
Within 30 days past due	**64,176**	96,973
31 to 60 days past due	**2,042**	13,657
61 to 90 days past due	**92**	1,623
Over 90 days past due	**2,349**	299
	307,740	490,711
Loans to margin clients *	**39,460**	117,025
	347,200	607,736

* *Loans to margin clients are secured by the underlying pledged securities, repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not relevant in view of the nature of the business of securities margin financing. As at 31 December 2008, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$140,576,000 (2007: HK$468,940,000).*

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

	Group	
	2008	2007
	HK$'000	HK$'000
Accounts payable	**70,023**	118,062
Payables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**332,978**	576,581
Margin clients	**48,964**	15,734
Clearing houses	**-**	21,765
Payables arising from securities and futures broking	**381,942**	614,080
Total accounts payable and payables arising from securities and futures broking	**451,965**	732,142

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	
	2008	2007
	HK$'000	HK$'000
Within 30 days (including amounts not yet due)	**69,271**	128,381
31 to 60 days	**694**	9,846
Over 60 days	**58**	1,600
	70,023	139,827
Cash clients accounts payable #	**332,978**	576,581
Margin clients accounts payable *	**48,964**	15,734
	451,965	732,142

\# *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$262,410,000 (2007: HK$351,328,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2008, the cash clients accounts payable included an amount of HK$4,048,000 (2007: HK$4,284,000) 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.*

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Results

The worldwide economic downturn that started to spread in the third quarter of 2008 sent commodity prices tumbling from peaks reached earlier in the year. The price of gold, which shot past US$1,000 per ounce in March, bounced down to the US$700 level in November. Platinum price took a dive from above US$2,200 in March to below US$900 in October.

The price of polished diamonds made a steady climb to peak in August and then retreated. Compared to January 2008, the price of finer and larger goods went up as much as 150% but by the end of the year was only 50% higher. More basic goods went up by 25% but finished the year flat; the pattern for other goods fell in between.

Turnover of diamond jewellery went off its rising track of the first half. Consumers, becoming more cautious in spending and lured by the drop in the price of the metals, tended to favour gold and platinum. In the last quarter they stocked up on bridal jewellery and gifts as the next lunar year of the Ox was deemed auspicious for weddings.

The stock market in Hong Kong continued its decline, with the Hang Seng Index ending the year down 48% from 2007. The daily average market turnover for the whole year went down by 18%, but the shrinkage was markedly worse in the 4th quarter. The results of the Group's brokerage reflected this impact.

For 2008, the Group achieved a total turnover of HK$9,882 million. Although the turnover for jewellery retail managed a 30% increase over 2007, higher costs, lower profit contribution from securities trading and other factors caused a 9% drop in profits attributable to shareholders to HK$471 million.

Overview of the Group's Business

With no material change from prior years, 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 2008, the jewellery retail network consisted of 120 shops under the name "Chow Sang Sang" in the Mainland and 37 shops in Hong Kong. In addition, under the name "Emphasis Jewellery" there were 10 shops in Hong Kong (3 of which were shops within Chow Sang Sang shops), 21 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 to offer a wide range of product types to different segments of consumers. The mainstay is gem-set and gold jewellery. 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.

Such brands as Stefan Hafner, Marco Bicego, Calgaro, Versace and Regalo from Italy and Japan 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. This small network of shops has its own brand-management and product team, which adheres to Group-wide policies of quality in product and service. Despite its smaller trading volume, it has a following of customers from the Mainland and many Chow Sang Sang customers in Hong Kong regularly shop in Emphasis Jewellery as well.

To feed its jewellery manufacturing pipeline, the Group needs a substantial input of polished diamonds. About one third of the needed amount comes from rough diamonds that the Group bought and polished to its specifications. The other two-thirds are either bought from suppliers of polished diamonds or procured in the form of ready-made jewellery from their manufacturers. The Group buys rough diamonds from the Diamond Trading Company in London, as well as other sources. Diamonds marketed under the exclusive brand "Love Diamond" are produced from the rough so purchased.

The jewellery operation generates large trading volumes of gold and platinum as raw material. The metals are bought in the form of ingots as feedstock for jewellery manufacturing. Old jewellery, bought from retail customers at the shops, are processed along with other scraps and then sold wholesale to refiners. World Commercial Sales Company Limited handles this 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, assisted by a highly efficient Internet platform. As small independent brokerages, the strategy is to concentrate on personal service, sound internal control and good risk management.

Jewellery Retail

Hong Kong & Macau
Turnover increased by 25% to HK$3,777 million, accounting for 70% of the total turnover in jewellery retail across Greater China.

Although the buoyant atmosphere of 2007 continued into the first half of 2008, as the economic alarms went off in the second half the pace of growth began to slacken, with high-priced gem-set jewellery impacted the most. Visitors from the Mainland, however, managed to take up the slack left by local consumers. Increase in the sale of gold and platinum jewellery also offset some of the decline.

In 2008 the "mega-store" in Mongkok went into full swing, complementing the shops in Canton Road and Causeway Bay as centres of attraction for shoppers from the Mainland. Another mega-store opened in Park Lane in north Tsimshatsui. After a period of absence from Central, Chow Sang Sang returned in style in December, with a two-storey shop in Queen's Road.

Two years ago we adopted a strategy to redeploy resources in recognition of the important contribution to sales and profits from Mainland tourists. With the establishment of these mega-stores and the closure of five other shops, the implementation is now completed. These stores play a major role as icons that make so strong an impression on visitors that they would recognize the Chow Sang Sang stores in their home territories.

During the year a successful bid was made for a shop space on the main shopping floor airside of Terminal 1 of the Hong Kong International Airport. The old airside shop and the one in the Arrival Hall were closed upon the expiration of their leases. The Airport is being served by the landside shop in Terminal 2 as well as the new airside shop which opened in March 2009.

In terms of turnover Emphasis Jewellery achieved a growth rate of 10%. It opened a store-in-store at the Park Lane Chow Sang Sang. When its own Central store came up for lease renewal the new rent was deemed to be too high, and we chose to set up a store-in-store in the new Central Chow Sang Sang instead.

In 2008, Chow Sang Sang and Emphasis Jewellery continued to garner awards for their branding as well as the quality of service, of which some were adjudicated by expert panels while others were voted by consumers. For the second time in as many years Ming Pao Daily, in conjunction with the Department of Marketing of the Chinese University of Hong Kong, again awarded us their honours. For five years running awards have been received from the Guangzhou Daily. Four sales staff from Chow Sang Sang and one from Emphasis Jewellery were named as Outstanding Salespersons in the fortieth round of the competition organized by the Hong Kong Management Association.

Rental expenses for the year increased by HK$53 million, the hike being driven by the kicking in of the leases for the new mega-stores as well as escalations on existing leases.

Capital expenditure, incurred on the fitting-out of stores as well as realignment of back offices, amounted to HK$44 million.

Mainland China
The contribution to turnover from the stores in the Mainland rose 47% to HK$1,504 million, which amounted to 28% of the total turnover in jewellery retail. In 2007 their share was 25%, in 2006 18%.

Same-store growth in turnover was 27%. The cities Beijing, Shanghai, Guangzhou, Xian and Fuzhou continued to lead the roster of cities with the best performing shops.

During the year 17 shops were added, including one mega-store situated in the Village, Sanlitun, Beijing, bringing the total at the end of year to 120.

Although turnover of gem-set jewellery increased by 19%, as a percentage of total turnover it lost ground to gold. In the second half of 2008 the gloomy economic outlook dampened consumer interest in gem-set jewellery. Instead they turned to gold and platinum jewellery as the prices of the metals plummeted.

Capital expenditure during the year reached HK$52 million, with the fitting out of new shops taking up the bulk of the spending. The mega-store in Beijing was relatively more expensive, because of its large floor area and its status as the first flagship store in the Mainland.

Taiwan
Turnover for the year amounted to HK$78 million, representing 2% of the total for jewellery retail.

During the year a shift in merchandising strategy brought about an increase in sales of gem-set jewellery, which improved the gross profit margin. At the end of the year there were 21 shops, two more than the prior year.

There had been little progress in the turning round of the economy by the new government, whose job could only be more difficult in the global crisis. Consumer sentiments remained weak as the public was preoccupied by the political polarization which was intensified by the corruption trials.

Wholesale of Precious Metals

Turnover for the year increased by 22% to HK$4,357 million. Operating profits remained steady at HK$13 million.

There had been dramatic ups and downs in the prices of gold and platinum during the year. In weight terms trading in gold went up 20% and platinum down 37%.

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

Securities and Futures Broking

The Hang Seng Index peaked at 31,958 in October 2007 but by the end of 2008 it was at 14,387. Daily average market turnover went down 18% from 2007.

Turnover for Chow Sang Sang Securities Limited retreated by 48% to HK$32 billion. Financing for clients was facilitated in 30 Initial Public Offerings ("IPOs") as compared to 82 in 2007. Even with so few IPOs, demand for financing from retail investors was halved.

Commission income dropped to HK$70 million, yielding operating profits of HK$27 million, a 74% decrease from 2007.

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$10 million, less than 1% of the Group's overall turnover.

Shares in Hong Kong Exchanges and Clearing Limited
Shares in Hong Kong Exchanges and Clearing Limited ("HKEC"), received as a distribution from the merger of the stock and futures exchanges in 2000, are being held by the Group as available-for-sale investments. As at 1 January 2008 and 31 December 2008, the Group held 4,953,500 shares of HKEC and the unrealized gain on the holding amounted to HK$364 million (2007: HK$1,093 million). There is no plan to dispose of part or all the shares.

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 2008, the Group had cash and cash equivalents of HK$145 million, and total undrawn bank loans and other credit facilities of approximately HK$1,178 million. The Group generates strong recurring cashflow from its jewellery business.

As far as possible banking facilities are obtained on an unsecured basis. Total borrowing as at 31 December 2008 amounted to HK$389 million. Expressing this as a percentage of total shareholder's equity of HK$3,207 million, it means that the Group has a low gearing ratio of 12%. As at 31 December 2008, the current ratio stood at a healthy level of 3. Most of the cash is deposited with leading banks in either HK dollar or Renminbi ("RMB").

The Group is aware that reliance on short-term loans exposes the Group to the risk of shortage of facilities. The Group mitigates the risk by establishing good working relationships with a multitude of lending banks. Conversion into longer-term loans will be seriously considered when the money market condition turns more favourable.

Foreign Exchange Risk Management
The Group considers its foreign currency exposure insignificant. The Group has exposure in 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 2008, total foreign currency borrowing excluding RMB amounted to approximately HK$16 million (2007: HK$8 million). RMB borrowings at year end amounted to RMB256 million (2007: RMB219 million) and are used for the operations in Mainland China. Most of the Group's assets and liabilities, revenues and expenses are denominated in HK dollar, RMB and US dollar.

Charge on Assets
As at 31 December 2008, certain items of properties of the Group with a net carrying value of HK$135 million (2007: HK$155 million), and listed equity investments of HK$74 million (2007: HK$221 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

Human Resources

At the end of 2008 the Group had 3,594 employees, 61% of whom were in Mainland China. More than 97% of the staff were 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 within 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.

The Group conducts training both in Hong Kong and in the Mainland, using in-house and external resources as 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

Little need be added to the plethora of commentary and forecast on the economic downturn. Suffice it to say that in light of the widespread perceived reduction in wealth and rising unemployment, the Group has taken defensive measures.

Since the last quarter of 2008, purchase of polished diamond has been trimmed down in order to control the inventory. The intake of rough diamonds likewise has been reduced. In the months ahead, all types of inventory will be closely monitored and kept to the lowest level that is commensurate with sales.

The mix of merchandise has been adjusted to reflect the changing patterns of spending by consumers in the economic gloom: more lower priced items of gem-set jewellery are being offered, as are choices in gold and platinum jewellery.

The reconfiguring of the store network in Hong Kong has been completed, and no expansion is envisaged in the territory. Save for a long-awaited refitting out of the Main Store at 229 Nathan Road, there would be no major capital works during 2009. For Macau and Taiwan, there are also no additional stores being planned.

In Beijing, the store in Sanlitun, in an iconic "brand tower", was officially opened in February. Attended by our business partners from different parts of the country and from overseas, the ceremony, but more so the store itself, made a strong impression on guests and media alike. The event made a strong and clear statement of Chow Sang Sang's positioning and direction.

In other cities like Shanghai, Harbin and Chengdu, more new stores are on the drawing board. We believe that being able to expand our network in the Mainland sends out an important message of our commitment and staying power to consumers.

It may be a time to "go back to the basics" after the excesses of the mid-decade years, but there is still opportunity for rational and judicious expansion. The Group is mindful that in the near term sales will be harder to make, banking facilities may become scarce, and that it is absolutely necessary to control expenditure and to husband resources to continue building up the retail network on the Mainland.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK23.0 cents (2007: HK26.0 cents) per ordinary share to shareholders whose names appear on the register of members of the Company on 2 June 2009. The final dividend will be paid on 16 June 2009 following approval thereof at the forthcoming annual general meeting to be held on 2 June 2009. Together with the interim dividend of HK8.0 cents (2007: HK8.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK31.0 cents (2007: HK34.0 cents).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Tuesday, 26 May 2009 to Tuesday, 2 June 2009, both days inclusive, during such period no transfer of shares will be registered. In order to qualify for the proposed final dividend and be entitled to attend and vote at the annual general meeting to be held on Tuesday, 2 June 2009, shareholders are reminded to lodge their transfer documents accompanied by the relevant share certificates with the Company's branch share registrar, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 25 May 2009.

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 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 2008.

Despite the removal of the requirement for a qualified accountant in the Main Board Listing Rules effective 1 January 2009, the Group continues to maintain a team of qualified accountants to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2008, 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 which has been reviewed by the Company's auditors, Ernst & 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 (the "Model Code") as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2008.

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 2008 annual report of the Company will be despatched to shareholders and available at the same websites on or about 23 April 2009.

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 Tuesday, 2 June 2009 at 10:30 a.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, 31 March 2009

By order of the Board
Chow Kwen Lim
Chairman