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 2010

The Board of Directors (the "Board") of Chow Sang Sang Holdings International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

FINANCIAL HIGHLIGHTS

	2010	2009	Change
	HK$'000	HK$'000	
Turnover			
Jewellery retail	**8,265,447**	5,922,590	+40%
Other businesses	**3,439,844**	3,540,846	-3%
	11,705,291	9,463,436	+24%
Profit attributable to equity holders of the Company	**757,198**	574,090	+32%
Basic earnings per share	**116.2 cents**	95.4 cents	+22%
Dividend per share			
- Final	**35.0 cents**	26.0 cents	+35%
- Full Year	**43.0 cents**	33.0 cents	+30%
Dividend payout ratio	**37%**	35%	
Equity attributable to equity holders of the Company	**5,680,827**	3,928,790	+45%
Equity per share	**$8.4**	$6.5	+29%

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
TURNOVER	3		
Jewellery retail		**8,265,447**	5,922,590
Other businesses		**3,439,844**	3,540,846
		11,705,291	9,463,436
Cost of sales		**(9,403,384)**	(7,576,468)
Gross profit		**2,301,907**	1,886,968
Other income		**71,994**	80,973
Selling and distribution costs		**(1,139,711)**	(946,883)
Administrative expenses		**(275,982)**	(237,497)
Other gains, net		**34,751**	6,374
Finance costs		**(22,221)**	(19,924)
Share of profits of associates, net		**2,688**	1,222
PROFIT BEFORE TAX	5	**973,426**	771,233
Income tax	6	**(206,402)**	(182,834)
PROFIT FOR THE YEAR		**767,024**	588,399
Profit attributable to:			
Equity holders of the Company		**757,198**	574,090
Non-controlling interests		**9,826**	14,309
		767,024	588,399
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		**116.2 cents**	95.4 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**767,024**	588,399
OTHER COMPREHENSIVE INCOME		
Changes in fair value of available-for-sale investments	**184,475**	327,872
Leasehold land and buildings:		
Revaluation upon transfer to investment properties	**155**	15,969
Deferred tax liabilities on revaluation	**(26)**	(2,130)
Release upon disposal of a property	**-**	(3,059)
	129	10,780
Leasehold land and buildings revaluation reserve transferred to retained profits upon disposal of a property	**-**	3,059
Exchange differences on translation	**71,687**	(14,508)
Other comprehensive income for the year, net of tax	**256,291**	327,203
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,023,315**	915,602
Total comprehensive income attributable to:		
Equity holders of the Company	**1,011,662**	903,598
Non-controlling interests	**11,653**	12,004
	1,023,315	915,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	**2010**	2009
		HK$'000	HK$'000
			(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**442,719**	427,888
Investment properties		**175,458**	150,840
Prepaid land lease payments		**13,506**	-
Intangible assets		**271**	271
Other assets		**95,302**	77,605
Investments in associates		**14,083**	11,611
Available-for-sale investments		**889,206**	705,255
Deferred tax assets		**14,153**	4,225
Total non-current assets		**1,644,698**	1,377,695
CURRENT ASSETS			
Inventories		**4,426,974**	2,884,841
Accounts receivable	9	**403,438**	326,272
Receivables arising from securities and futures broking	9	**256,434**	201,152
Prepayments, deposits and other receivables		**221,052**	84,982
Investments at fair value through profit or loss		**12,015**	8,010
Derivative financial instruments		**-**	180
Tax recoverable		**763**	639
Cash held on behalf of clients		**306,863**	388,012
Cash and cash equivalents		**272,919**	378,999
Total current assets		**5,900,458**	4,273,087
CURRENT LIABILITIES			
Accounts payable	10	**176,781**	132,231
Payables arising from securities and futures broking	10	**370,719**	474,205
Other payables and accruals		**307,823**	284,430
Derivative financial instruments		**9,508**	14,096
Interest-bearing bank borrowings		**695,544**	598,043
Interest-bearing bank borrowings arising from securities and futures broking		**30,000**	-
Tax payable		**88,982**	80,238
Total current liabilities		**1,679,357**	1,583,243
NET CURRENT ASSETS		**4,221,101**	2,689,844
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,865,799**	4,067,539
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**125,397**	90,827
Net assets		**5,740,402**	3,976,712

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	2010	2009
	HK$'000	HK$'000
		(Restated)
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**169,230**	150,480
Reserves	**5,511,597**	3,778,310
	5,680,827	3,928,790
Non-controlling interests	**59,575**	47,922
Total equity	**5,740,402**	3,976,712

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 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.

2.1 Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009

Other than as further explained below regarding the impact of HK Interpretation 5, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.1 Changes in accounting policies and disclosures (continued)

HK Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, a portion of the Group's term loan was classified in the statement of financial position as a non-current liability based on the maturity date of repayment. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, in accordance with HKAS 1 *Presentation of Financial Statements*, the Group is required to present the consolidated statement of financial position as at the beginning of the earliest comparative period, i.e., as at 1 January 2009, upon the retrospective application of HK Interpretation 5. However, since the adoption of this interpretation has had no impact on the consolidated statement of financial position of the Group as at 1 January 2009, the presentation of such statement which is readily available in the annual report of the Group published in the preceding year, provides no additional information to the users of these financial statements. Accordingly, the statement of financial position as at 1 January 2009 was not presented in these financial statements.

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarized as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank borrowings	**144,756**	164,733	-
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	**144,756**	164,733	-

There was no impact on the net assets of the Group.

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [2]
HKFRS 9	*Financial Instruments* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [6]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 February 2010

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	
	2010	2009
	HK$'000	HK$'000
Sale of goods	**11,628,661**	9,367,235
Commission on securities, futures and commodities broking	**66,721**	86,395
Gross rental income	**9,909**	9,806
	11,705,291	9,463,436

4. Operating segment information

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

(a) the manufacture and retail of jewellery segment produces jewellery products for the Group's retail business and operates retail stores mainly in Hong Kong, Macau and Mainland China;

(b) the wholesale of precious metals segment trades precious metals to wholesale customers;

(c) the securities and futures broking segment provides brokering and dealing services for securities and futures; and

(d) the other businesses segment comprises, principally, the investment in properties for their rental income and capital appreciation potential and other jewellery related businesses.

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

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

	Manufacture and retail of jewellery HK$'000	Wholesale of precious metals HK$'000	Securities and futures broking HK$'000	Other businesses HK$'000	Total HK$'000
Year ended 31 December 2010					
Segment revenue:					
Sales to external customers	**8,265,447**	**3,313,107**	**66,969**	**59,768**	**11,705,291**
Intersegment sales	**-**	**369,621**	**-**	**5,396**	**375,017**
	8,265,447	**3,682,728**	**66,969**	**65,164**	**12,080,308**
Reconciliation:					
Elimination of intersegment sales					**(375,017)**
					11,705,291
Segment results	**864,531**	**16,826**	**44,309**	**24,944**	**950,610**
Reconciliation:					
Dividend income					**20,128**
Share of profits of associates, net					**2,688**
Profit before tax					**973,426**

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

	Manufacture and retail of jewellery HK$'000	Wholesale of precious metals HK$'000	Securities and futures broking HK$'000	Other businesses HK$'000	Total HK$'000
Year ended 31 December 2010					
Other segment information					
Interest income	**(1,234)**	**(104)**	**(16,706)**	**(215)**	**(18,259)**
Dividend income	**-**	**-**	**(259)**	**-**	**(259)**
Net fair value gain on investment properties	**-**	**-**	**-**	**(26,299)**	**(26,299)**
Net fair value gain on investments at fair value through profit or loss	**-**	**-**	**(4,005)**	**-**	**(4,005)**
Impairment of receivables arising from securities and futures broking, net	**-**	**-**	**3**	**-**	**3**
Depreciation	**100,137**	**6**	**1,906**	**310**	**102,359**
Write-down of inventories to net realizable value	**-**	**55**	**-**	**-**	**55**
Net fair value loss/(gain) on derivative financial instruments	**(5,091)**	**644**	**-**	**-**	**(4,447)**
Net loss on disposal of derivative financial instruments	**95,301**	**2,787**	**-**	**-**	**98,088**
Net loss on disposal of items of property, plant and equipment	**1,021**	**-**	**-**	**-**	**1,021**
Finance costs	**20,496**	**5**	**1,717**	**3**	**22,221**
Capital expenditure*	**120,927**	**-**	**1,162**	**475**	**122,564**

* Capital expenditure consists of additions to "Property, plant and equipment" and "Prepaid land lease payments".

4. Operating segment information (continued)

	Manufacture and retail of jewellery HK$'000	Wholesale of precious metals HK$'000	Securities and futures broking HK$'000	Other businesses HK$'000	Total HK$'000
Year ended 31 December 2009					
Segment revenue:					
Sales to external customers	5,922,590	3,409,828	84,920	46,098	9,463,436
Intersegment sales	31,671	417,683	-	3,087	452,441
	5,954,261	3,827,511	84,920	49,185	9,915,877
Reconciliation:					
Elimination of intersegment sales					(452,441)
					9,463,436
Segment results	662,344	28,411	53,705	7,107	751,567
Reconciliation:					
Dividend income					18,444
Share of profits of associates, net					1,222
Profit before tax					771,233

4. Operating segment information (continued)

	Manufacture and retail of jewellery HK$'000	Wholesale of precious metals HK$'000	Securities and futures broking HK$'000	Other businesses HK$'000	Total HK$'000
Year ended 31 December 2009					
Other segment information					
Interest income	(711)	(152)	(13,105)	(6)	(13,974)
Dividend income	-	-	(259)	-	(259)
Net fair value gain on investment properties	-	-	-	(12,361)	(12,361)
Net fair value gain on investments at fair value through profit or loss	-	-	(2,190)	-	(2,190)
Reversal of impairment of receivables arising from securities and futures broking, net	-	-	(3,584)	-	(3,584)
Depreciation	80,097	9	2,091	245	82,442
Write-down of inventories to net realizable value	6,163	74	-	-	6,237
Net fair value loss on derivative financial instruments	13,601	249	-	-	13,850
Net loss on disposal of derivative financial instruments	27,013	1,065	-	-	28,078
Net loss on disposal of items of property, plant and equipment	5,159	-	-	-	5,159
Loss on disposal of an investment property	-	-	-	44	44
Finance costs	17,445	3	2,456	20	19,924
Capital expenditure**	134,714	-	706	-	135,420

** Capital expenditure represents the additions of "Property, plant and equipment".

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2010	2009
	HK$'000	HK$'000
Hong Kong and Macau	**8,832,324**	7,501,872
Mainland China	**2,763,666**	1,875,560
Elsewhere	**109,301**	86,004
	11,705,291	9,463,436

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

Non-current assets

	2010	2009
	HK$'000	HK$'000
Hong Kong and Macau	**520,537**	500,090
Mainland China	**191,347**	165,766
Elsewhere	**29,455**	2,359
	741,339	668,215

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

(b) Information about major customers

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

5. Profit before tax

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

	2010 HK$'000	2009 HK$'000
Cost of inventories sold	**9,403,384**	7,576,468
Write-down of inventories to net realizable value*	**55**	6,237
Depreciation	**102,359**	82,442
Operating lease payments in respect of leasehold land and buildings:		
Minimum lease payments	**305,185**	274,582
Contingent rents	**22,343**	13,260
Sublease payments	**2,160**	2,160
Net loss on disposal of items of property, plant and equipment	**1,021**	5,159
Loss on disposal of an investment property	**-**	44
Net loss on disposal of derivative financial instruments^	**98,088**	28,078
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges#	**(4,447)**	13,850
Interest income	**(18,259)**	(13,974)
Dividend income from listed investments	**(19,974)**	(18,290)
Dividend income from unlisted investments	**(413)**	(413)
Impairment/(reversal of impairment) of receivables arising from securities and futures broking, net	**3**	(3,584)
Net gain on disposal of investments at fair value through profit or loss	**(366)**	(27)
Net fair value gain on investment properties#	**(26,299)**	(12,361)
Net fair value gain on investments at fair value through profit or loss#	**(4,005)**	(2,190)

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

^ The net loss on disposal of derivative financial instruments included a net loss on bullion contracts of HK$98,263,000 (2009: HK$30,164,000), which is included in "Cost of sales" on the face of the consolidated income statement. The purpose of the bullion contracts entered into by the Group is to manage the Group's bullion price. Such contracts did not meet the criteria for hedge accounting.

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

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2010	2009
	HK$'000	HK$'000
Current - Hong Kong		
Charge for the year	**86,467**	68,107
Underprovision/(Overprovision) in prior years	**122**	(627)
Current - Elsewhere		
Charge for the year	**108,421**	87,065
Overprovision in prior years	**(13,300)**	-
Deferred	**24,692**	28,289
Total tax charge for the year	**206,402**	182,834

7. Dividends

	2010	2009
	HK$'000	HK$'000
Dividends recognized as distribution during the year		
Final dividend for 2009: HK26.0 cents (2008: HK23.0 cents) per ordinary share	**175,999**	138,442
Interim dividend for 2010: HK8.0 cents (2009: HK7.0 cents) per ordinary share	**54,154**	42,134
	230,153	180,576
Dividends proposed after the end of the reporting period		
Final dividend for 2010: HK35.0 cents (2009: HK26.0 cents) per ordinary share	**236,922**	175,999

The proposed final dividend for 2010 was declared after the end of the reporting period and has not been recognized as a liability at the end of the reporting period, and it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK$757,198,000 (2009: HK$574,090,000), and the weighted average number of ordinary shares of 651,440,548 (2009: 601,920,000) in issue during the year, as adjusted to reflect the shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

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

Jewellery retail
The Group's sales are normally made on a cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within one month. There are wholesale customers who have been given credit periods within 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	
	2010	2009
	HK$'000	HK$'000
Accounts receivable	**403,438**	326,272
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**81,754**	120,291
Clearing houses	**19,890**	3,704
Loans to margin clients	**154,886**	77,250
	256,530	201,245
Impairment	**(96)**	(93)
Receivables arising from securities and futures broking	**256,434**	201,152
Total accounts receivable and receivables arising from securities and futures broking	**659,872**	527,424

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

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Not yet due	**446,446**	347,955
Within 30 days past due	**50,551**	92,495
31 to 60 days past due	**6,134**	6,309
61 to 90 days past due	**455**	486
Over 90 days past due	**1,400**	2,929
	504,986	450,174
Loans to margin clients*	**154,886**	77,250
	659,872	527,424

* The loans to margin clients are secured by the underlying pledged securities, repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not relevant in view of the nature of the business of securities margin financing. As at 31 December 2010, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$521,480,000 (2009: HK$427,652,000).

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

	Group	
	2010	2009
	HK$'000	HK$'000
Accounts payable	**176,781**	132,231
Payables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**351,382**	424,245
Margin clients	**19,167**	33,296
Clearing houses	**170**	16,664
Payables arising from securities and futures broking	**370,719**	474,205
Total accounts payable and payables arising from securities and futures broking	**547,500**	606,436

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days (including amounts not yet due)	**176,343**	147,810
31 to 60 days	**25**	770
Over 60 days	**583**	315
	176,951	148,895
Cash clients accounts payable#	**351,382**	424,245
Margin clients accounts payable*	**19,167**	33,296
	547,500	606,436

Included in the cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is an amount of approximately HK$281,074,000 (2009: HK$333,796,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2010, the cash clients accounts payable included an amount of HK$6,808,000 (2009: HK$6,495,000) in respect of securities transactions undertaken for the accounts of certain Directors. The cash clients accounts payable are repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

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

11. Comparative amounts

As further explained in note 2.1 above, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2010, the dominant news in global finance included the shaky creditworthiness of some Euro countries and the excess liquidity due to "quantitative easing" in the USA. It appeared that it was the latter that had more impact on Asia. The price of gold climbed from around US$1,050/oz to the $1,400 level, but the rise seemed only to fuel the demand for the metal. Turnover of gem-set jewellery, Rolex and Tudor watches and gold all registered new highs. Demand for luxury goods by Mainland Chinese both at home and in Hong Kong was largely responsible for the Group's 2010 total turnover of HK$11,705 million, increasing 24% from 2009. Total profits attributable to equity holders reached HK$757 million, rising 32%.

During the year the Group expanded its sales network both in the Mainland and Hong Kong; otherwise it has not changed the scope and the model of its business. The bulk of the Group's turnover and profits came from its jewellery retail business, with shops operating under the name Chow Sang Sang in the Mainland and Hong Kong, and shops under the name Emphasis Jewellery in Hong Kong, Macau and Taiwan. A securities and futures brokerage and a wholesale operation in precious metals, both operating in Hong Kong, constitute the other major contributors to profits and sales.

Jewellery Retail

This segment was the driving force behind the growth in the year's results. Total turnover over all regions rose 40% over 2009 to HK$8,265 million, with the Mainland operation contributing 33% (as compared to 32% in the prior year). The yearly change in the ratio is not as high as it had been in prior years because of the strong performance this year in Hong Kong and Macau.

Inventories in China and Hong Kong were increased manifestly in order to meet the sales demand and the need to stock the new shops. For the same reasons gold holding went up both in terms of quantity and value, the latter being compounded by the increase in the price of gold.

Hong Kong and Macau
Thanks to visitors from the Mainland, 2010 turnover in Hong Kong and Macau registered a 36% increase to HK$5,394 million. Contribution to turnover by Mainlanders went up to 41% from last year's 37%.

The Group had strong performance in the first half of 2010 as previously reported, and the strength continued into the third and fourth quarters.

With the four new Chow Sang Sang shops opened during the year, (Yan Ping Road, Causeway Bay; Metroplaza, Kwai Fong; Cameron Road, Tsimshatsui; ifc mall, Central) the total number at the end of the year stood at 40. Over at Emphasis Jewellery, the programme of redeployment to top-tier shopping malls progressed apace. With the closing of 4 shops and opening of one at Elements, Tsimshatsui, at year end there were 8 stores in Hong Kong.

Capital expenditure amounted to HK$19 million. Hong Kong and Macau shops rental increased by HK$33 million (13%).

Mainland China
Turnover for the whole year rose to HK$2,763 million, increasing 47% over the previous year. Gross profit from the sales of gem-set jewellery continued to expand at 27%, but as a ratio of the total gross profit it experienced a one percentage-point drop because the gross profit from gold also advanced significantly.

During the year 43 new shops were opened. Cities new on the list included Eerduosi in Inner Mongolia, Maanshan in Anhui, Jiangyin in Jiangsu, Zibo in Shandong and Yichang in Hubei. A Rolex/Tudor boutique was opened in Beijing. Same-store growth in turnover was 23%.

A piece of land with an area of about 2.8 hectares was acquired through auction in Shunde, Guangdong. On it a state-of-the-art manufacturing plant will be built, with opening slated for late 2012.

In November the Beijing Administration for Industry and Commerce publicized a long list of 18K items from various retailers which they had earlier in the year determined to be below 18K(or 750) in fineness, and one of them was a bracelet from the Group that was said to have a fineness of 734. Although the bureau pointed out that discrepancies of such magnitude could have been caused by the varying amount of solder applied in the course of fabrication by hand, the report was quoted widely on both conventional and electronic media, mentioning the Group's piece in particular. In fact, all such bracelets had already been withdrawn from sale as soon as the original notification was received from the bureau earlier in the year. Nevertheless as a show of goodwill and good faith the Group ran a 45-day refund programme for all 18K items. At the end, less than 1,600 refunds had been made and the financial impact was insignificant.

Subsequently, notwithstanding the long working relationships it had already had with the two national testing laboratories, the Group entered into formal agreements with them to ensure that certification of jewellery can be more comprehensive and expeditious. Separately, an agreement with Hong Kong Productivity Council was also made in order to procure consulting services that would enhance both quality control and quality assurance at the new plant in Shunde.

Capital expenditure amounted to HK$60 million, mostly attributable to fitting out of new shops and redecoration of older ones.

Taiwan
Emphasis Jewellery in Taiwan achieved a 27% growth in turnover, as the shift in merchandising bore fruit for the second year.

Although in substance the benefit of cross-strait tourism remains to be seen, the pulse of the economy has quickened palpably. Encouraged by government policies, domestic consumption has gone up along with activities in the property market.

The office space in Taipei that was purchased to accommodate the Taiwan operation was put into use in December, providing a comfortable workspace and a sense of belonging to staff.

At the end of the year the number of shops stood at 22.

Wholesale of Precious Metals

After a relatively slow in the first half, trading in all metals started to pick up. In the fourth quarter brisk sales of gold bars gave a boost to profits. For the whole year, turnover went down by 3% to HK$3,313 million and operating profits down by 41% to HK$17 million.

Securities and Futures Broking

Despite a year-on-year gain both in the Hang Seng Index and total market turnover, the Group recorded a 21% drop in turnover and a 17% drop in operating profits to HK$44 million.

Income from lending on IPOs increased. Thanks to the internet margin service started in 2009, there was a healthy buildup in both margin accounts and loans, bringing a 58% rise in interest income.

Two offices were upgraded during the year. The internet trading platform was overhauled, adding functionality such as multi-currency capability to cater for the launch of Renminbi products by the Hong Kong Stock Exchange in 2011.

Investments

Properties
The Group holds various properties for the purpose of accommodation for offices, shops and factories. Rental income from investment properties amounted to HK$10 million, less than 1% of the Group's turnover.

Shares in Hong Kong Exchanges and Clearing Limited ("HKEC")
The shares of HKEC resulting from the reorganization of the exchanges in 2000 have been held since the distribution, with no plans for their disposal. As at 1 January 2010 and 31 December 2010 as well, the Group held 4,953,500 shares and the unrealized gain on the holding was HK$873 million as compared to HK$690 million in 2009.

Finance

New Capital
In a private placement exercise conducted in April, the Group netted HK$970 million in new capital. The funds had been deployed for the expansion in Mainland China.

Financial Position and Liquidity
As at 31 December 2010, the Group had cash and cash equivalents of HK$273 million, and total undrawn bank loans and other credit facilities of approximately HK$1,689 million.

Total borrowing amounted to HK$726 million as at 31 December 2010, most of which was unsecured in line with Group policy. The gearing ratio was 13%, based on total borrowing of HK$726 million as a percentage of total equity holder's equity of HK$5,681 million. The current ratio as at 31 December 2010 was 3.5.

Cash is mostly held in Hong Kong dollar or Renminbi and deposited with leading banks.

The Group manages risk of credit cost and availability by several means: cultivating relationship with a large number of lending banks; putting some loans on a term basis; and fixing interest costs by executing rate swaps on loans as appropriate.

Foreign Exchange Risk Management
The Group's foreign exchange exposure relates to the currencies in which it carries on its business: Renminbi, New Taiwan dollar, US dollar, Euro and Japanese Yen. As such, the risk is easily manageable and slight. As at 31 December 2010, total foreign currency borrowing excluding Renminbi amounted to HK$11 million (2009: HK$7 million). For the operation in Mainland China Renminbi borrowing at year end stood at RMB337 million (2009: RMB301 million).

The Group's assets and liabilities, revenues and expenses are mostly denominated in Hong Kong dollar, Renminbi and US dollar.

Charge on Assets
As at 31 December 2010, certain items of properties of the Group with a net carrying value of HK$149 million (2009: HK$141 million), and listed equity investments of HK$257 million (2009: HK$204 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

Human Resources

As at 31 December 2010 the total number of employees was 4,895, of which 3,411 (70%) were in Mainland China.

The Group has long established performance-based remuneration policies, training infrastructure and other human resources policies that are being reviewed from time to time.

During the year a share option scheme was approved at a special general meeting. To date no option has been granted.

Outlook

Spending by Mainlanders both at home and in Hong Kong continues to fuel the momentum of the retail sector. However, given the central government's wish to deploy credit control as a measure to curb inflation and soaring property prices, one cannot dismiss entirely the possibility that domestic consumption may eventually be affected.

The long drought in northern China is already having some impact on agricultural production. Food prices may rise as a consequence, adding to inflation woes. Yet another factor that would exacerbate inflation is the rapid rise of the price of oil, driven upward by the political turmoil in Arab countries across North Africa and the Middle East.

In 2010, the price of gold was on a spectacular upward trend. It is not clear if the rise will be sustained, and how a less volatile gold price will affect consumer sentiments. If the price of gold levels off, the growth in gross profit in the sale of gold products will flatten. At the same time, in view of the turmoil in the Arab countries and its effect on oil prices, consumer sentiments may yet drive gold price to new heights.

While gold continues to be the Group's staple, gem-set jewellery is the main focus. The inventory is now dominated by diamond jewellery, but more resources are being directed into jade, pearl and coloured stones.

On the Mainland, the expansion of the sales network will continue at its present pace, adding about 50 shops a year.

In Taiwan, with the re-awakening of the economy, the priority will be on the setting up of flagship-class stores.

In Hong Kong, a Rolex/Tudor shop is slated to open mid-year at Grand Tower, Mongkok. The shop will be accommodated in the additional space leased to expand the existing shop in the premises.

Consumption of luxury goods by Mainland Chinese is expected to remain strong despite economic uncertainties.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK35.0 cents (2009: HK26.0 cents) per ordinary share to shareholders whose names appear on the register of members of the Company on 2 June 2011. The final dividend will be paid on 15 June 2011 following approval thereof at the forthcoming annual general meeting to be held on 2 June 2011. Together with the interim dividend of HK8.0 cents (2009: HK7.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK43.0 cents (2009: HK33.0 cents).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 30 May 2011 to Thursday, 2 June 2011, 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 Thursday, 2 June 2011, 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 Friday, 27 May 2011.

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 2010.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2010, 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 set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company's code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is published on the websites of the Company at www.chowsangsang.com and HKEC at www.hkexnews.hk. The 2010 annual report of the Company will be available on both websites and despatched to shareholders on or about 19 April 2011.

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, 2 June 2011 at 10:30 a.m. The 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.

By order of the Board
CHOW Kwen Lim
Chairman

Hong Kong, 22 March 2011