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 2012

The Board of Directors (the "Board") of Chow Sang Sang Holdings International Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

FINANCIAL HIGHLIGHTS

	2012 HK$'000	2011 HK$'000 (Restated)	Change
Turnover			
Jewellery retail	**14,861,040**	12,645,000	+18%
Other businesses	**3,399,192**	4,513,286	-25%
	18,260,232	17,158,286	+6%
Profit attributable to equity holders of the Company	**984,845**	1,097,983	-10%
Basic earnings per share	**145.5 cents**	162.2 cents	-10%
Dividend per share			
- Final	**45.0 cents**	49.0 cents	-8%
- Full Year	**55.0 cents**	60.0 cents	-8%
Dividend payout ratio	**38%**	37%	
Equity attributable to equity holders of the Company	**7,006,969**	6,355,477	+10%
Equity per share	**$10.4**	$9.4	+10%

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000 (Restated)
TURNOVER	3		
Jewellery retail		**14,861,040**	12,645,000
Other businesses		**3,399,192**	4,513,286
		18,260,232	17,158,286
Cost of sales		**(14,827,905)**	(13,903,840)
Gross profit		**3,432,327**	3,254,446
Other income		**86,308**	71,199
Selling and distribution costs		**(1,942,566)**	(1,567,629)
Administrative expenses		**(375,210)**	(336,676)
Other gains, net		**55,791**	43,483
Finance costs		**(39,162)**	(47,038)
Share of profits of associates, net		**4,179**	1,983
PROFIT BEFORE TAX	5	**1,221,667**	1,419,768
Income tax	6	**(232,853)**	(303,423)
PROFIT FOR THE YEAR		**988,814**	1,116,345
Profit attributable to:			
Equity holders of the Company		**984,845**	1,097,983
Non-controlling interests		**3,969**	18,362
		988,814	1,116,345
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		**145.5 cents**	162.2 cents
Diluted		**145.5 cents**	162.2 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	2012 **HK$'000**	2011 HK$'000 (Restated)
PROFIT FOR THE YEAR	**988,814**	1,116,345
OTHER COMPREHENSIVE INCOME		
Changes in fair value of available-for-sale investments	**37,487**	(253,838)
Exchange differences on translation	**27,685**	132,211
Other comprehensive income/(loss) for the year, net of tax	**65,172**	(121,627)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,053,986**	994,718
Total comprehensive income attributable to:		
Equity holders of the Company	**1,050,250**	973,234
Non-controlling interests	**3,736**	21,484
	1,053,986	994,718

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**663,440**	538,645	442,719
Investment properties		**208,420**	179,261	175,458
Prepaid land lease payments		**13,833**	14,019	13,506
Intangible assets		**271**	271	271
Other assets		**167,300**	137,613	95,302
Investments in associates		**21,645**	17,814	16,041
Available-for-sale investments		**671,327**	634,843	889,206
Deferred tax assets		**16,056**	16,110	14,153
Total non-current assets		**1,762,292**	1,538,576	1,646,656
CURRENT ASSETS				
Inventories		**6,602,021**	6,213,968	4,897,755
Accounts receivable	9	**707,838**	598,827	403,438
Receivables arising from securities and futures broking	9	**181,675**	139,680	256,434
Prepayments, deposits and other receivables		**132,003**	234,785	221,052
Investments at fair value through profit or loss		**12,128**	9,773	12,015
Derivative financial instruments		**2,303**	10,596	-
Tax recoverable		**543**	1,578	763
Cash held on behalf of clients		**350,885**	300,356	306,863
Cash and cash equivalents		**673,867**	630,968	272,919
Total current assets		**8,663,263**	8,140,531	6,371,239
CURRENT LIABILITIES				
Accounts payable	10	**176,868**	72,039	176,781
Payables arising from securities and futures broking	10	**383,866**	296,499	370,719
Other payables and accruals		**512,181**	492,860	382,337
Derivative financial instruments		**8**	311	9,508
Interest-bearing bank borrowings		**764,314**	1,299,432	695,544
Interest-bearing bank borrowings arising from securities and futures broking		**30,000**	30,000	30,000
Bullion loans		**501,030**	385,367	396,267
Tax payable		**229,843**	143,091	88,982
Total current liabilities		**2,598,110**	2,719,599	2,150,138
NET CURRENT ASSETS		**6,065,153**	5,420,932	4,221,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,827,445**	6,959,508	5,867,757

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	**606,298**	393,225	-
Deferred tax liabilities	**138,074**	129,747	115,559
Total non-current liabilities	**744,372**	522,972	115,559
Net assets	**7,083,073**	6,436,536	5,752,198
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	**169,230**	169,230	169,230
Reserves	**6,837,739**	6,186,247	5,523,393
	7,006,969	6,355,477	5,692,623
Non-controlling interests	**76,104**	81,059	59,575
Total equity	**7,083,073**	6,436,536	5,752,198

NOTES:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, bullion loans, derivative financial instruments and certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. Changes in accounting policies and disclosures

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

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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of the HKAS 12 Amendments, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of the HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarized below:

2. Changes in accounting policies and disclosures (continued)

	2012	2011
	HK$'000	HK$'000
Consolidated income statement for the year ended 31 December		
Increase in share of profits of associates, net	**786**	393
Decrease in income tax	**6,221**	4,081
Increase in profit for the year	**7,007**	4,474
Increase in basic earnings per share	**1.0 cent**	0.7 cent
Increase in diluted earnings per share	**1.0 cent**	0.7 cent
Consolidated statement of financial position as at 31 December		
Increase in investments in associates and total non-current assets	**3,137**	2,351
Decrease in deferred tax liabilities and total non-current liabilities	**20,140**	13,919
Increase in net assets and reserves	**23,277**	16,270
Consolidated statement of financial position as at 1 January		
Increase in investments in associates and total non-current assets		1,958
Decrease in deferred tax liabilities and total non-current liabilities		9,838
Increase in net assets and reserves		11,796

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	
	2012	2011
	HK$'000	HK$'000
Sale of goods	**18,220,751**	17,101,755
Commission on securities, futures and commodities broking	**29,987**	48,170
Gross rental income	**9,494**	8,361
	18,260,232	17,158,286

4. Operating segment information

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

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

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

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

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

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

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

	Manufacture and retail of jewellery HK$'000	Wholesale of precious metals HK$'000	Securities and futures broking HK$'000	Other businesses HK$'000	Total HK$'000
Year ended 31 December 2012					
Segment revenue					
Sales to external customers	**14,861,040**	**3,244,203**	**29,987**	**125,002**	**18,260,232**
Intersegment sales	**-**	**212,274**	**-**	**3,112**	**215,386**
	14,861,040	**3,456,477**	**29,987**	**128,114**	**18,475,618**
Reconciliation:					
Elimination of intersegment sales					**(215,386)**
					18,260,232
Segment results	**1,113,950**	**32,101**	**6,770**	**44,727**	**1,197,548**
Reconciliation:					
Dividend income					**19,940**
Share of profits of associates, net					**4,179**
Profit before tax					**1,221,667**

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

	Manufacture and retail of jewellery HK$'000	Wholesale of precious metals HK$'000	Securities and futures broking HK$'000	Other businesses HK$'000	Total HK$'000
Year ended 31 December 2012					
Other segment information					
Interest income	(4,561)	(28)	(11,149)	(3)	(15,741)
Dividend income	-	-	(312)	-	(312)
Net fair value gain on investment properties	-	-	-	(37,703)	(37,703)
Net fair value gain on bullion loans designated at fair value through profit or loss	(18,362)	-	-	-	(18,362)
Net fair value loss on derivative financial instruments - transactions not qualifying as hedges	7,612	394	-	-	8,006
Net fair value gain on investments at fair value through profit or loss	-	-	(2,355)	-	(2,355)
Net loss on bullion loans designated at fair value through profit or loss	48,080	211	-	-	48,291
Net loss on disposal of derivative financial instruments	9,648	1,748	-	-	11,396
Net loss/(gain) on disposal of items of property, plant and equipment	6,937	-	(10)	-	6,927
Gain on dissolution of an available-for-sale investment	-	-	-	(1,077)	(1,077)
Depreciation	136,915	-	2,109	477	139,501
Amortization of prepaid land lease payments	291	-	-	-	291
Impairment of receivables arising from securities and futures broking, net	-	-	287	-	287
Write-down of inventories to net realizable value	-	155	-	-	155
Finance costs	38,646	4	512	-	39,162
Capital expenditure*	264,540	-	2,387	-	266,927

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

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 (Restated)
Year ended 31 December 2011					
Segment revenue					
Sales to external customers	12,645,000	4,340,712	48,265	124,309	17,158,286
Intersegment sales	290	470,409	-	2,997	473,696
	12,645,290	4,811,121	48,265	127,306	17,631,982
Reconciliation:					
Elimination of intersegment sales					(473,696)
					17,158,286
Segment results	1,324,635	28,165	16,902	24,807	1,394,509
Reconciliation:					
Dividend income					23,276
Share of profits of associates, net					1,983
Profit before tax					1,419,768

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 2011					
Other segment information					
Interest income	(2,017)	(506)	(12,475)	(12)	(15,010)
Dividend income	-	-	(296)	-	(296)
Net fair value gain on investment properties	-	-	-	(24,737)	(24,737)
Net fair value gain on derivative financial instruments - transactions not qualifying as hedges	(18,674)	(1,075)	-	-	(19,749)
Net fair value loss on investments at fair value through profit or loss	-	-	2,242	-	2,242
Net loss on bullion loans designated at fair value through profit or loss	116,913	3,935	-	-	120,848
Net loss on disposal of derivative financial instruments	3,505	18,158	-	-	21,663
Net loss/(gain) on disposal of items of property, plant and equipment	2,107	-	(14)	-	2,093
Depreciation	104,650	-	2,210	370	107,230
Amortization of prepaid land lease payments	285	-	-	-	285
Impairment of receivables arising from securities and futures broking, net	-	-	262	-	262
Write-down of inventories to net realizable value	23,596	365	-	-	23,961
Finance costs	45,557	17	1,464	-	47,038
Capital expenditure*	187,198	-	2,373	407	189,978

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

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers

	2012	2011
	HK$'000	HK$'000
Hong Kong and Macau	**12,501,901**	12,489,966
Mainland China	**5,636,946**	4,535,537
Taiwan	**121,385**	132,783
	18,260,232	17,158,286

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

Non-current assets

	2012	2011
	HK$'000	HK$'000
		(Restated)
Hong Kong and Macau	**687,002**	603,299
Mainland China	**352,775**	247,271
Taiwan	**35,132**	37,053
	1,074,909	887,623

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

(b) Information about major customers

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

5. Profit before tax

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

	2012 **HK$'000**	2011 HK$'000
Cost of inventories sold	**14,768,063**	13,737,368
Write-down of inventories to net realizable value*	**155**	23,961
Depreciation	**139,501**	107,230
Amortization of prepaid land lease payments	**291**	285
Operating lease payments in respect of leasehold land and buildings:		
Minimum lease payments	**527,028**	390,106
Contingent rents	**35,070**	34,284
	562,098	424,390
Impairment of receivables arising from securities and futures broking, net	**287**	262
Net fair value gain on investment properties#	**(37,703)**	(24,737)
Net fair value gain on bullion loans designated at fair value through profit or loss#	**(18,362)**	-
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges#	**8,006**	(19,749)
Net fair value loss/(gain) on investments at fair value through profit or loss#	**(2,355)**	2,242
Net loss on bullion loans designated at fair value through profit or loss^	**48,291**	120,848
Net loss on disposal of derivative financial instruments^	**11,396**	21,663
Net loss on disposal of items of property, plant and equipment	**6,927**	2,093
Gain on dissolution of an available-for-sale investment	**(1,077)**	-
Interest income	**(15,741)**	(15,010)
Dividend income from listed investments	**(19,829)**	(22,438)
Dividend income from unlisted investments	**(423)**	(1,134)

* This balance 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.

^ The net loss on bullion loans designated at fair value through profit or loss of HK$48,291,000 (2011: HK$120,848,000) and the net loss on disposal of derivative financial instruments included a net loss on bullion contracts of HK$11,396,000 (2011: HK$21,663,000), which are included in "Cost of sales" on the face of the consolidated income statement. The purpose of the above bullion transactions entered into by the Group is to manage the Group's bullion price. Such loans and contracts did not meet the criteria for hedge accounting.

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Current - Hong Kong		
Charge for the year	**120,487**	131,186
Underprovision/(overprovision) in prior years	**173**	(1,138)
Current - Elsewhere		
Charge for the year	**103,085**	159,662
Underprovision in prior years	**9**	-
Deferred	**9,099**	13,713
Total tax charge for the year	**232,853**	303,423

7. Dividends

	2012	2011
	HK$'000	HK$'000
Dividends recognized as distribution during the year:		
Final dividend for 2011: HK49.0 cents (2010: HK35.0 cents) per ordinary share	**331,691**	236,922
Interim dividend for 2012: HK10.0 cents (2011: HK11.0 cents) per ordinary share	**67,692**	74,461
	399,383	311,383
Dividends proposed after the end of the reporting period:		
Final dividend for 2012: HK45.0 cents (2011: HK49.0 cents) per ordinary share	**304,614**	331,691

The proposed final dividend for 2012 was recommended after the end of the reporting period and has not been recognized as a liability at the end of the reporting period, and it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$984,845,000 (2011: HK$1,097,983,000 (restated)), and the weighted average number of ordinary shares of 676,920,000 (2011: 676,920,000) in issue during the year.

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

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

Jewellery retail
The Group's sales are normally made on a cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within one month. There are wholesale customers who have been given credit periods within 60 days.

Wholesale of diamonds
The Group normally grants credit periods of up to 60 days to its trade customers.

Wholesale of precious metals
The Group's wholesale of precious metals is normally conducted on a cash basis.

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

	Group	
	2012	2011
	HK$'000	HK$'000
Accounts receivable	**707,838**	598,827
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**52,799**	24,374
Clearing houses	**6,189**	6,381
Loans to margin clients	**123,332**	109,283
	182,320	140,038
Impairment	**(645)**	(358)
Receivables arising from securities and futures broking	**181,675**	139,680
Total accounts receivable and receivables arising from securities and futures broking	**889,513**	738,507

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

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Not yet due	**676,525**	586,422
Within 30 days past due	**75,325**	36,915
31 to 60 days past due	**7,009**	1,543
61 to 90 days past due	**3,985**	728
Over 90 days past due	**3,337**	3,616
	766,181	629,224
Loans to margin clients*	**123,332**	109,283
	889,513	738,507

* 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 2012, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$315,807,000 (2011: HK$271,834,000).

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

	Group	
	2012	2011
	HK$'000	HK$'000
Accounts payable	**176,868**	72,039
Payables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**352,189**	252,391
Margin clients	**29,618**	38,050
Clearing houses	**2,059**	6,058
Payables arising from securities and futures broking	**383,866**	296,499
Total accounts payable and payables arising from securities and futures broking	**560,734**	368,538

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	
	2012	2011
	HK$'000	HK$'000
Within 30 days (including amounts not yet due)	**177,415**	77,344
31 to 60 days	**291**	53
Over 60 days	**1,221**	700
	178,927	78,097
Cash clients accounts payable#	**352,189**	252,391
Margin clients accounts payable*	**29,618**	38,050
	560,734	368,538

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$309,881,000 (2011: HK$237,565,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2012, the cash clients accounts payable included an amount of HK$5,585,000 (2011: HK$5,143,000) 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 above, due to the adoption of 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 prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2011 has been presented.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Compared with the prior year, 2012 was a year in which there was modest growth in revenue from the sale of gold and jewellery. The slackening was already apparent in the first half, and turnover in the third quarter actually saw no growth from the year before. A final push in the fourth quarter made up for some lost time, but not enough to change the whole picture.

Whereas in 2011 the price of gold rose steadily until it peaked in August, in 2012 it was on a downtrend that started early in the year and lasted until the month of August. Although such a trend did not hurt sales of gold jewellery, the depressing effect on gross margin was considerable, especially apparent on year-on-year comparison. For the whole year, the realized net gain due to gold price movement was HK$40 million, compared to the net gain of HK$176 million in 2011.

Whether it was the cooling down of the China economy, or the continued global economic worries being the cause, there was a marked cautiousness in consumer sentiments. There was no growth in the sale of higher-priced items. To lure customers, department stores and the competition resorted to discounting, adding further downward pressure to gross margin.

The stock market in Hong Kong continued its wallowing in the doldrums throughout the year.

Despite the increase of 6% in the Group's total turnover to HK$18,260 million, the thinner gross margin, coupled with higher costs, drove net profits down by 10%, to HK$985 million.

The Group has not changed the scope and the model of its business. Its main business is the owning and operating of its networks of jewellery shops in Mainland China, Hong Kong, Macau and Taiwan. A securities and futures brokerage and a precious-metal wholesale service operation, both operating in Hong Kong, make small contributions to overall profits.

Jewellery Retail

Total turnover of this segment increased by 18% to HK$14,861 million, and profits decreased by 16% to HK$1,114 million.

Hong Kong and Macau still overshadowed the Mainland operation in terms of contribution to turnover. The latter's share was 38%, increasing from last year's 36%.

Hong Kong and Macau
Arrival of tourists from the Mainland continued to rise, but spending on higher-priced items was weaker than last year. Turnover rose by 14% to HK$9,104 million. Same store growth in turnover was 9%.

During the year, one Emphasis Jewellery was opened in Causeway Bay, and a Chow Sang Sang shop was opened in Tseung Kwan O. With their expansion works completed, the Canton Road store and the Grand Tower store in Mongkok made notable advances in their contribution to sales. In Macau, a new Emphasis Jewellery opened in Sands Cotai Central.

Capital expenditure amounted to HK$75 million. Shop rental rose by 33%.

Mainland China
As the economy slowed down, turnover for the whole year rose only 24% to HK$5,635 million. Same store growth in turnover was 5%.

A management decision was made in the middle of the year to slacken the pace of the opening of shops. All told, there were 50 new shops opened and 8 closures, bringing the total number of shops to 274 at the end of the year.

Cities newly added to the roster included Handan in Hebei, Dongying, Dezhou and Weihai in Shandong, Fushun in Liaoning, Liyang and Huaian in Jiangsu, Shaoxing in Zhejiang, Shiyan in Hubei, Chenzhou and Huaihua in Hunan, Yichun in Jiangxi, Jinjiang in Fujian and Baoji in Shaanxi.

Capital expenditure, inclusive of the cost of the works at the new plant in Shunde, amounted to HK$184 million.

Taiwan
The economy was heavily impacted by the shrinkage in export and sharp increases in the prices of fuel and electricity. In line with the retail sector in general, our turnover recorded a 9% decrease year-on-year.

Wholesale of Precious Metals

The turnover of HK$3,244 million was down 25% from last year, however thanks to the unit's taking over the business of selling 1-tael gold nuggets from the retail shops it had realized higher profit margins.

Securities and Futures Broking

Daily average market turnover in 2012 was the lowest since 2006. Some banks and retail brokers resorted to deep discounting of fees, making the business environment even more difficult.

Even though its daily turnover dropped 36%, and commission income dropped 38%, Chow Sang Sang Securities managed to report a modest profit.

Investments

Properties
The Group holds various properties that are being used for offices, shops and factories. Rental income from investment properties amounted to HK$9 million, less than 1% of the Group's turnover.

Shares in Hong Kong Exchanges and Clearing Limited ("HKEC")
Since 2000 the shares of HKEC resulting from the reorganization of the then exchanges have been held with no plan for disposal. The holding, 4,953,500 shares, remained unchanged from the start to the end of the year. The unrealized gain on the holding amounted to HK$652 million, compared to HK$617 million in 2011.

Finance

Financial Position and Liquidity
As at 31 December 2012, the Group had cash and cash equivalents of HK$674 million (2011: HK$631 million), and total unutilized banking facilities of approximately HK$4,052 million (2011: HK$2,663 million).

Total bank and bullion borrowings amounted to HK$1,902 million as at 31 December 2012, most of which was unsecured in line with Group policy. The gearing ratio was 27%, based on total bank and bullion borrowings of HK$1,902 million as a percentage of total equity holders' equity of HK$7,007 million. The current ratio as at 31 December 2012 was 3.3.

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 2012, total foreign currency bank borrowings excluding Renminbi amounted to HK$552 million (2011: HK$38 million), mainly in US dollar. For the operation in Mainland China, there was no Renminbi bank borrowing at year end (2011: RMB321 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 2012, certain items of properties of the Group with a net carrying value of HK$174 million (2011: HK$157 million), and listed equity investments of HK$330 million (2011: HK$274 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

Human Resources

The Group's long-established performance-based remuneration policies remained unchanged. Its training infrastructure has been strengthened in pace with the expansion of the retail network.

As at 31 December 2012, the total number of employees was 7,013, of which 5,128 (73%) were on the Mainland.

Outlook

Although sentiments for gold has turned less bullish as 2013 rolled around, judging by the market reaction in January one could say that consumers seem not to be affected in their sentiments.

We feel that there are reasons to remain optimistic, yet we will continue to exercise discipline in stocking, matching supply to demand as closely as possible.

Although we shall continue our expansion of the network on Mainland China, we will slacken our pace by being more selective in siting, limiting to no more than 50 new stores in the year.

In the first half of 2013 much effort will be expended in fitting out and commissioning the new plant in Shunde. Production is expected to begin in mid second quarter.

In February a street-level shop was opened at Argyle Centre Phase I to cater to visitors from the Mainland.

DIVIDENDS

The Directors have recommended the payment of a final dividend of HK45.0 cents (2011: HK49.0 cents) per ordinary share for the year ended 31 December 2012. Together with the interim dividend of HK10.0 cents (2011: HK11.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK55.0 cents (2011: HK60.0 cents).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2013 Annual General Meeting"), will be payable on or about Thursday, 13 June 2013 to shareholders whose names appear on the register of members of the Company on Friday, 7 June 2013.

CLOSURE OF REGISTER OF MEMBERS

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

(i) from Monday, 27 May 2013 to Thursday, 30 May 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 Annual General Meeting. In order to be eligible to attend and vote at the 2013 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 24 May 2013; and

(ii) from Wednesday, 5 June 2013 to Friday, 7 June 2013, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Tengis Limited at the address as set out in sub-paragraph (i) above not later than 4:00 p.m. on Tuesday, 4 June 2013.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied throughout the year 2012 with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "Code") (effective from 1 April 2012) 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. In respect of the code provision A.6.7 of the Code, a Non-executive Director was unable to attend the annual general meeting of the Company held on 29 May 2012 due to other commitment.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012 in conjunction with the Company's external auditors, Ernst & Young. The financial information set out in the annual results announcement represents an extract from these consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is published on the websites of the Group at www.chowsangsang.com and HKEC at www.hkexnews.hk. The 2012 annual report of the Company will be available on both websites and despatched to shareholders on or about Monday, 22 April 2013.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held at 4/F Chow Sang Sang Building, 229 Nathan Road, Kowloon, Hong Kong on Thursday, 30 May 2013 at 10:30 a.m. The notice of the 2013 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, Mr. LO King Man and Mr. Stephen LAU Man Lung.

By order of the Board
CHOW Kwen Lim
Chairman

Hong Kong, 21 March 2013