# CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED
# 周生生集團國際有限公司*

*(Incorporated in Bermuda with limited liability)*

**Stock code: 116**

## ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

### FINANCIAL HIGHLIGHTS

| | 2015<br>HK$'000 | 2014<br>HK$'000 | Change |
|---|---|---|---|
| Turnover | | | |
| Jewellery retail | **16,723,183** | 16,932,576 | -1% |
| Other businesses | **2,346,074** | 2,313,382 | +1% |
| | **19,069,257** | 19,245,958 | -1% |
| Profit attributable to equity holders of the Company# | **1,130,320** | 1,082,324 | +4% |
| Basic earnings per share | **167.0 cents** | 159.9 cents | +4% |
| Dividend per share | | | |
| - Interim | **12.0 cents** | 12.0 cents | |
| - Final | **36.0 cents** | 49.0 cents | |
| - Special final | **14.0 cents** | - | |
| Total dividend per share for the year | **62.0 cents** | 61.0 cents | |
| Dividend payout ratio | **37%** | 38% | |
| Equity attributable to equity holders of the Company | **9,077,915** | 8,646,733 | +5% |
| Equity per share | **$13.4** | $12.8 | +5% |

# Profit attributable to equity holders of the Company for the year ended 31 December 2015 included a gain of HK$246 million on the disposal of shares in Hong Kong Exchange and Clearing Limited.

* *For identification purpose only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
Year ended 31 December 2015

| | Note | **2015** | 2014 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| **TURNOVER** | 3 | | |
| Jewellery retail | | **16,723,183** | 16,932,576 |
| Other businesses | | **2,346,074** | 2,313,382 |
| | | **19,069,257** | 19,245,958 |
| Cost of sales | | **(14,841,158)** | (14,950,963) |
| Gross profit | | **4,228,099** | 4,294,995 |
| Other income | | **89,804** | 98,875 |
| Selling and distribution costs | | **( 2,708,693)** | ( 2,531,082) |
| Administrative expenses | | **( 518,077)** | ( 478,145) |
| Other gains, net | | **58,338** | 7,710 |
| Gain on disposal of available-for-sale investments | | **245,501** | - |
| Finance costs | | **( 27,369)** | ( 32,263) |
| Share of profits of associates, net | | **454** | 2,211 |
| **PROFIT BEFORE TAX** | 5 | **1,368,057** | 1,362,301 |
| Income tax | 6 | **( 237,737)** | ( 276,907) |
| **PROFIT FOR THE YEAR** | | **1,130,320** | 1,085,394 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **1,130,320** | 1,082,324 |
| Non-controlling interests | | **-** | 3,070 |
| | | **1,130,320** | 1,085,394 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | 8 | | |
| Basic | | **167.0 cents** | 159.9 cents |
| Diluted | | **167.0 cents** | 159.9 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **1,130,320** | 1,085,394 |
| **OTHER COMPREHENSIVE INCOME/(LOSSES)** | | |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Available-for-sale investments: | | |
| Changes in fair value | **201,493** | 209,839 |
| Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss | **( 245,501)** | - |
| | **( 44,008)** | 209,839 |
| Exchange differences on translation | **( 242,209)** | ( 132,569) |
| Net other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods | **( 286,217)** | 77,270 |
| **Item that will not be reclassified to profit or loss:** | | |
| Gains on property revaluations | **-** | 3,850 |
| **Other comprehensive income/(losses) for the year, net of tax** | **( 286,217)** | 81,120 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **844,103** | 1,166,514 |
| **Total comprehensive income/(losses) attributable to:** | | |
| Equity holders of the Company | **844,103** | 1,168,028 |
| Non-controlling interests | **-** | ( 1,514) |
| | **844,103** | 1,166,514 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
As at 31 December 2015

| | Note | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **720,808** | 760,312 |
| Investment properties | | **296,067** | 281,924 |
| Prepaid land lease payments | | **12,422** | 13,299 |
| Intangible assets | | **271** | 271 |
| Other assets | | **239,359** | 234,866 |
| Investment in an associate | | **24,739** | 24,761 |
| Available-for-sale investments | | **824,959** | 869,067 |
| Deferred tax assets | | **11,410** | 29,307 |
| Total non-current assets | | **2,130,035** | 2,213,807 |
| **CURRENT ASSETS** | | | |
| Inventories | | **6,676,380** | 7,385,323 |
| Accounts receivable | 9 | **775,000** | 718,745 |
| Receivables arising from securities and futures broking | 9 | **187,018** | 247,997 |
| Prepayments, deposits and other receivables | | **188,376** | 228,673 |
| Investments at fair value through profit or loss | | **36,686** | 13,388 |
| Derivative financial instruments | | **5,798** | - |
| Tax recoverable | | **410** | 872 |
| Cash held on behalf of clients | | **390,680** | 424,968 |
| Cash and cash equivalents | | **1,620,982** | 1,008,636 |
| Total current assets | | **9,881,330** | 10,028,602 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 10 | **86,864** | 136,215 |
| Payables arising from securities and futures broking | 10 | **413,145** | 487,169 |
| Other payables and accruals | | **412,975** | 520,941 |
| Derivative financial instruments | | **-** | 4,576 |
| Interest-bearing bank borrowings | | **561,233** | 697,699 |
| Interest-bearing bank borrowings arising from securities and futures broking | | **15,520** | - |
| Bullion loans | | **795,023** | 1,030,680 |
| Tax payable | | **94,995** | 31,126 |
| Total current liabilities | | **2,379,755** | 2,908,406 |
| **NET CURRENT ASSETS** | | **7,501,575** | 7,120,196 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **9,631,610** | 9,334,003 |

continued/…

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
As at 31 December 2015

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank borrowings | **383,397** | 526,279 |
| Deferred tax liabilities | **170,298** | 160,991 |
| Total non-current liabilities | **553,695** | 687,270 |
| **Net assets** | **9,077,915** | 8,646,733 |
| **EQUITY** | | |
| Equity attributable to equity holders of the Company | | |
| Issued capital | **169,230** | 169,230 |
| Reserves | **8,908,685** | 8,477,503 |
| **Total equity** | **9,077,915** | 8,646,733 |

## 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 applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, bullion loans, derivative financial instruments and certain equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. Changes in accounting policies and disclosures

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

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Annual Improvements 2010-2012 Cycle | Amendments to a number of HKFRSs |
| Annual Improvements 2011-2013 Cycle | Amendments to a number of HKFRSs |

The adoption of the above revised standards 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.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and value-added tax; commission on securities and futures broking and gross rental income earned during the year.

Revenue from the following activities has been included in turnover:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sale of goods | **19,007,356** | 19,195,753 |
| Commission on securities and futures broking | **50,671** | 39,572 |
| Gross rental income | **11,230** | 10,633 |
| | **19,069,257** | 19,245,958 |

## 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, gain on disposal of available-for-sale investments 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.

## 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 2015** | | | | | |
| **Segment revenue** | | | | | |
| Sales to external customers | **16,723,183** | **2,243,735** | **50,671** | **51,668** | **19,069,257** |
| Intersegment sales | **-** | **1,231,736** | **-** | **3,013** | **1,234,749** |
| | **16,723,183** | **3,475,471** | **50,671** | **54,681** | **20,304,006** |
| *Reconciliation:* | | | | | |
| Elimination of intersegment sales | | | | | **( 1,234,749)** |
| | | | | | **19,069,257** |
| **Segment results** | **1,006,505** | **23,366** | **26,777** | **43,267** | **1,099,915** |
| *Reconciliation:* | | | | | |
| Dividend income | | | | | **22,187** |
| Gain on disposal of available-for-sale investments | | | | | **245,501** |
| Share of profit of an associate | | | | | **454** |
| Profit before tax | | | | | **1,368,057** |

## 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 2015** | | | | | |
| **Other segment information** | | | | | |
| Interest income | **( 14,319)** | **( 2)** | **(21,829)** | **( 74)** | **( 36,224)** |
| Dividend income | **-** | **-** | **( 465)** | **-** | **( 465)** |
| Net fair value gain on investment properties | **-** | **-** | **-** | **(15,144)** | **( 15,144)** |
| Net fair value gain on bullion loans designated as at fair value through profit or loss | **( 21,013)** | **-** | **-** | **-** | **( 21,013)** |
| Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges | **( 10,814)** | **302** | **-** | **-** | **( 10,512)** |
| Net fair value gain on investments at fair value through profit or loss | **-** | **-** | **( 1,998)** | **-** | **( 1,998)** |
| Net gain on bullion loans designated as at fair value through profit or loss | **( 84,327)** | **( 513)** | **-** | **-** | **( 84,840)** |
| Net gain on disposal of derivative financial instruments | **( 9,390)** | **(2,242)** | **-** | **-** | **( 11,632)** |
| Net loss on disposal of items of property, plant and equipment | **4,113** | **-** | **-** | **-** | **4,113** |
| Depreciation | **185,296** | **-** | **1,542** | **-** | **186,838** |
| Amortization of prepaid land lease payments | **292** | **-** | **-** | **-** | **292** |
| Impairment of accounts receivable | **1,066** | **-** | **-** | **-** | **1,066** |
| Reversal of impairment of receivables arising from securities and futures broking, net | **-** | **-** | **( 56)** | **-** | **( 56)** |
| Write-down of inventories to net realizable value | **18,975** | **103** | **-** | **-** | **19,078** |
| Finance costs | **24,046** | **-** | **3,323** | **-** | **27,369** |
| Capital expenditure | **170,927** | **-** | **1,297** | **-** | **172,224** |

## 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 2014** | | | | | |
| **Segment revenue** | | | | | |
| Sales to external customers | 16,932,576 | 2,107,981 | 39,572 | 165,829 | 19,245,958 |
| Intersegment sales | 728 | 970,895 | - | 2,971 | 974,594 |
| | 16,933,304 | 3,078,876 | 39,572 | 168,800 | 20,220,552 |
| *Reconciliation:* | | | | | |
| Elimination of intersegment sales | | | | | ( 974,594) |
| | | | | | 19,245,958 |
| **Segment results** | 1,255,129 | 22,384 | 19,815 | 44,322 | 1,341,650 |
| *Reconciliation:* | | | | | |
| Dividend income | | | | | 18,440 |
| Share of profits of associates, net | | | | | 2,211 |
| Profit before tax | | | | | 1,362,301 |

## 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 2014** | | | | | |
| **Other segment information** | | | | | |
| Interest income | ( 19,329) | ( 1) | (28,225) | ( 77) | ( 47,632) |
| Dividend income | - | - | ( 1,404) | - | ( 1,404) |
| Net fair value gain on investment properties | - | - | - | (36,298) | ( 36,298) |
| Net fair value loss on bullion loans designated as at fair value through profit or loss | 20,154 | - | - | - | 20,154 |
| Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges | 15,542 | ( 259) | - | - | 15,283 |
| Net fair value loss on investments at fair value through profit or loss | - | - | 2,422 | - | 2,422 |
| Net loss/(gain) on bullion loans designated as at fair value through profit or loss | ( 13,754) | 2,647 | - | - | ( 11,107) |
| Net gain on disposal of derivative financial instruments | ( 38,210) | ( 774) | - | - | ( 38,984) |
| Net loss/(gain) on disposal of items of property, plant and equipment | 2,647 | - | - | ( 37) | 2,610 |
| Gain on disposal of an associate | - | - | - | ( 2,840) | ( 2,840) |
| Depreciation | 182,514 | - | 1,966 | 185 | 184,665 |
| Amortization of prepaid land lease payments | 298 | - | - | - | 298 |
| Impairment of receivables arising from securities and futures broking, net | - | - | 64 | - | 64 |
| Write-down of inventories to net realizable value | 34 | 1 | - | - | 35 |
| Finance costs | 27,183 | - | 5,080 | - | 32,263 |
| Capital expenditure | 187,328 | - | 1,544 | - | 188,872 |

## 4. Operating segment information (continued)

### (a) Geographical information

*Revenue from external customers*

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong and Macau | **11,262,353** | 12,202,321 |
| Mainland China | **7,690,270** | 6,910,642 |
| Taiwan | **116,634** | 132,995 |
| | **19,069,257** | 19,245,958 |

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

*Non-current assets*

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hong Kong and Macau | **793,557** | 796,164 |
| Mainland China | **471,810** | 491,898 |
| Taiwan | **28,299** | 27,371 |
| | **1,293,666** | 1,315,433 |

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):

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Cost of inventories sold | **14,918,552** | 15,001,019 |
| Write-down of inventories to net realizable value* | **19,078** | 35 |
| Depreciation | **186,838** | 184,665 |
| Amortization of prepaid land lease payments | **292** | 298 |
| Operating lease payments in respect of leasehold land and buildings: | | |
| Minimum lease payments | **911,579** | 801,262 |
| Contingent rents | **27,513** | 33,786 |
| | **939,092** | 835,048 |
| Impairment of accounts receivable | **1,066** | - |
| Impairment/(reversal of impairment) of receivables arising from securities and futures broking, net | **(56)** | 64 |
| Net fair value gain on investment properties# | **(15,144)** | (36,298) |
| Net fair value loss/(gain) on bullion loans designated as at fair value through profit or loss# | **(21,013)** | 20,154 |
| Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges# | **(10,512)** | 15,283 |
| Net fair value loss/(gain) on investments at fair value through profit or loss# | **(1,998)** | 2,422 |
| Net gain on bullion loans designated as at fair value through profit or loss^ | **(84,840)** | (11,107) |
| Net gain on disposal of derivative financial instruments^ | **(11,632)** | (38,984) |
| Net loss on disposal of items of property, plant and equipment | **4,113** | 2,610 |
| Gain on disposal of an associate# | **-** | (2,840) |
| Interest income | **(36,224)** | (47,632) |
| Dividend income from listed investments | **(21,708)** | (18,989) |
| Dividend income from unlisted investments | **(944)** | (855) |

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

# These balances are included in "Other gains, net" on the face of the consolidated statement of profit or loss.

^ These balances are included in "Cost of sales" on the face of the consolidated statement of profit or loss. The purpose of the above bullion transactions entered into by the Group is to manage the Group's bullion price exposures. Such loans and contracts did not meet the criteria for hedge accounting.

## 6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current - Hong Kong | | |
| Charge for the year | **71,093** | 130,089 |
| Overprovision in prior years | **( 154)** | ( 715) |
| Current - Elsewhere | | |
| Charge for the year | **157,374** | 151,654 |
| Overprovision in prior years | **( 17,475)** | ( 750) |
| Deferred | **26,899** | ( 3,371) |
| Total tax charge for the year | **237,737** | 276,907 |

## 7. Dividends

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Dividends recognized as distribution during the year:** | | |
| Final dividend for 2014: HK49.0 cents (2013: HK54.0 cents) per ordinary share | **331,691** | 365,537 |
| Interim dividend for 2015: HK12.0 cents (2014: HK12.0 cents) per ordinary share | **81,230** | 81,230 |
| | **412,921** | 446,767 |
| **Dividends proposed after the end of the reporting period:** | | |
| Final dividend for 2015: HK36.0 cents (2014: HK49.0 cents) per ordinary share | **243,691** | 331,691 |
| Special final dividend for 2015: HK14.0 cents (2014: Nil) per ordinary share | **94,769** | - |
| | **338,460** | 331,691 |

The proposed final dividend and special final dividend for 2015 were recommended after the end of the reporting period and have not been recognized as a liability at the end of the reporting period, and they are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK$1,130,320,000 (2014: HK$1,082,324,000), and the weighted average number of ordinary shares of 676,920,000 (2014: 676,920,000) in issue during the year.

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

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

**Jewellery retail**

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

**Wholesale of diamonds**

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

**Wholesale of precious metals**

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

**Securities and futures broking**

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade and credit card receivables | **777,207** | 719,976 |
| Impairment | **( 2,207)** | ( 1,231) |
| Accounts receivable | **775,000** | 718,745 |
| Receivables arising from securities and futures broking conducted in the ordinary course of business: | | |
| Cash clients | **47,090** | 76,617 |
| Clearing houses | **9,774** | 33,841 |
| Clients for subscription of initial public offering ("IPO") shares | **21,598** | - |
| Loans to margin clients | **109,262** | 138,301 |
| | **187,724** | 248,759 |
| Impairment | **( 706)** | ( 762) |
| Receivables arising from securities and futures broking | **187,018** | 247,997 |
| Total accounts receivable and receivables arising from securities and futures broking | **962,018** | 966,742 |

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:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Not yet due | **698,317** | 681,295 |
| Within 30 days past due | **98,279** | 123,792 |
| 31 to 60 days past due | **20,539** | 15,857 |
| 61 to 90 days past due | **4,376** | 3,412 |
| Over 90 days past due | **9,647** | 4,085 |
| | **831,158** | 828,441 |
| Loans to margin clients[#] | **109,262** | 138,301 |
| Clients for subscription of IPO shares[*] | **21,598** | - |
| | **962,018** | 966,742 |

[#] 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 2015, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$405,351,000 (2014: HK$408,824,000).

[*] As at 31 December 2015, clients for subscription of IPO shares of HK$21,598,000 (2014: Nil), are due when the corresponding allotment results of the related IPO shares have been publicly announced and bear interest at commercial rates.

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Accounts payable | **86,864** | 136,215 |
| Payables arising from securities and futures broking conducted in the ordinary course of business: | | |
| Cash clients | **349,440** | 428,732 |
| Margin clients | **58,877** | 58,437 |
| Clearing houses | **4,828** | - |
| Payables arising from securities and futures broking | **413,145** | 487,169 |
| Total accounts payable and payables arising from securities and futures broking | **500,009** | 623,384 |

## 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:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days (including amounts not yet due) | **91,692** | 135,515 |
| Over 60 days | **-** | 700 |
| | **91,692** | 136,215 |
| Cash clients accounts payable# | **349,440** | 428,732 |
| Margin clients accounts payable* | **58,877** | 58,437 |
| | **500,009** | 623,384 |

# 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$326,840,000 (2014: HK$355,608,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2015, the cash clients accounts payable included an amount of HK$4,879,000 (2014: HK$6,161,000) in respect of securities transactions undertaken for the accounts of certain Directors. The cash clients accounts payable are repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

Although there was no reduction in the number of visits to Hong Kong by mainlanders as compared to the prior year, spending by the visitors remained decidedly low-key throughout 2015.

In the second half, the spending power of the visitors was weakened by both the slowing down of the economy in China and the downward slide of the Renminbi.

Softness in the property sector, together with the gyrations of the stock markets in both Hong Kong and China intensified the chill.

All the ebullience in the Hong Kong stock market during the first half evaporated as the index fell off its peak in April to end the year some 6,600 points lower. Poor market sentiments in the mainland bourses probably added fuel to the volatility in Hong Kong.

The Group's turnover for the year 2015 stood at HK$19,069 million, slipping by HK$177 million or 1% from the prior year. The disposal of part of the long-term holding of shares in Hong Kong Exchanges and Clearing Limited resulted in a gain of HK$246 million. Including this amount, the Group's overall profit attributable to equity holders amounted to HK$1,130 million, increasing 4% year on year.

### Jewellery Retail

Operating profit retreated 20% from the previous year to HK$1,007 million. Jewellery retail accounted for 88% of the Group's turnover.

*Hong Kong and Macau*
Sales registered a drop of 10%. Same store sales growth ("SSSG") was -11%.

Although the total weight of gold sold maintained its level, turnover decreased by 8% because of the fall in gold price. Slower sales in jewellery was the other contributing factor to the drop in turnover.

During the year, two shops, one Chow Sang Sang and one Emphasis Jewellery, were closed. The watch section of two shops, in Tsuen Wan and Tuen Mun respectively, were upgraded to separate shops in the same malls.

Macau was still suffering from a dearth of visitors. Shops located in the shopping arcades fared worse than the main street shop.

Lease renewals during the year resulted in some small savings but total rental expenditure went up 12%.

Capital expenditure amounted to HK$59 million, most of which was for refitting of shops.

*Mainland China*
Total turnover increased by 11% to HK$7,689 million. SSSG was +6%.

Contribution to gross profit was 49% from gold and 51% from other than gold. Sales through the internet went up by 77%.

At year-end there was a total of 343 shops located in 103 cities. New shops numbered 40, and there were 19 closings.

Capital expenditure, mostly spent on the fitting out of the new shops and the refitting of 56 existing shops, amounted to RMB83 million.

*Taiwan*
During the year, five shops were redecorated and a new one was opened. There was no significant change in the results from the prior year.

**Wholesale of Precious Metals**

Turnover increased by 6% to HK$2,244 million. Operating profit increased 4%.

**Securities and Futures Broking**

Despite an increase of 52% in daily market turnover, our increase was a more modest 38%. In the second half, our clients, mostly retail customers, turned very cautious because of the roller-coaster behaviour of the market. Their participation in IPO activities was so low our income therefrom dropped by a third.

During the year, our system replacement project was completed. In December, we became a China Connect Exchange and Clearing Participant.

**Investments**

*Properties*
The Group holds various properties that are being used for offices, shops and factories. Rental income from investment properties amounted to HK$11 million, less than 1% of the Group's turnover.

*Shares in Hong Kong Exchanges and Clearing Limited ("HKEC")*
At 1 January 2015, the Group had 4,953,500 shares of HKEC, received as distribution from the reorganization of the then exchanges in year 2000. During the year, 891,700 shares were sold at a gain of HK$246 million in order to generate working capital. As at 31 December 2015, the Group held 4,061,800 shares of HKEC and the unrealized gain on the holding amounted to HK$806 million (2014: 4,953,500 shares with unrealized gain of HK$850 million).

## Finance

*Financial Position and Liquidity*

The Group generates strong recurring cashflow from its jewellery business and continues to enjoy a solid cash position. As at 31 December 2015, the Group had cash and cash equivalents of HK$1,621 million (2014: HK$1,009 million). Cash is mostly held in Renminbi or Hong Kong dollar and deposited in leading banks with maturity dates falling within one year.

The Group was well supported by over HK$5,629 million in banking facilities including bank borrowings and bullion loans, out of which HK$915 million are committed facilities. As at 31 December 2015, total unutilized banking facilities was HK$3,831 million (2014: HK$3,813 million).

As at 31 December 2015, total bank borrowings and bullion loans with respect to its jewellery business amounted to HK$945 million and HK$795 million respectively, most of which were unsecured in accordance with Group policy. All the loans are repayable within three years. Bank borrowing with respect to its securities business amounted to HK$16 million, which was arranged to provide financing to subscribers of IPOs. The gearing ratio was 19%, based on total bank borrowings (excluding IPO financing) and bullion loans of HK$1,740 million as a percentage of total equity of HK$9,078 million. The current ratio of the Group was 4.2.

The Group manages risk of credit cost and availability by several means: cultivating relationship with a large number of lending banks; diversifying the funding sources by engaging a number of local and overseas banks; putting some loans on a term basis; and fixing interest costs on loans as appropriate. The Group had 16% of its bank loans at fixed rate as at 31 December 2015, decreased from 23% as at 31 December 2014.

As at 31 December 2015, outstanding derivatives on the books were mainly bullion contracts for hedging the bullion price exposure. The management monitors the hedging policy closely and the hedging level of the Group is approximately 40% of the total gold inventories.

*Foreign Exchange Risk Management*

The Group's assets and liabilities, revenue and expenses are mostly denominated in Hong Kong dollar, Renminbi and US dollar. As such, the risk is easily manageable and slight. Simultaneously, the Group maintains an appropriate level of foreign currency borrowings for natural hedge to minimize the foreign exchange exposure. As at 31 December 2015, the borrowing denominated New Taiwan dollar amounted NT$126 million.

*Charge on Assets*

As at 31 December 2015, certain items of properties of the Group with a net carrying value of HK$221 million (2014: HK$216 million), and listed equity investments of HK$476 million (2014: HK$525 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

## Human Resources

The Group maintains its long-established performance-based remuneration policies. Training has been provided to new and existing staff at a pace commensurate with the expansion of the networks in all territories.

At year-end, the total number of employees was 8,410, with 6,476 (77%) on the mainland.

**Outlook**

The year 2016 will be a challenging one, more so in Hong Kong and Macau than in Mainland China.

In Hong Kong, although we have no immediate plans to close any shops, any shop-lease renewal will be scrutinized very carefully to see if the renewal made strategic and economic sense.

In China, we will continue to open new stores, at the pace of about 40 per year. Although the economy has slowed down, consumers are getting more and more sophisticated and we see opportunities for growth.

Overall, our finance and inventory are both in good health; we are continuing our efforts to improve our product development.

## DIVIDENDS

During the year, the Group disposed of 891,700 HKEC shares at a gain of HK$246 million. Given this extraordinary gain, the Board after considering the Group's working capital needs intended to pay a special final dividend of HK14.0 cents per ordinary share.

As such, the Board have recommended the payment of a final dividend of HK36.0 cents (2014: HK49.0 cents) per ordinary share and a special final dividend of HK14.0 cents (2014: Nil) per ordinary share for the year ended 31 December 2015. Together with the interim dividend of HK12.0 cents (2014: HK12.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK62.0 cents (2014: HK61.0 cents). Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "2016 Annual General Meeting"), the final dividend and special final dividend will be payable on or about Thursday, 23 June 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 16 June 2016.

## CLOSURE OF REGISTER OF MEMBERS

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

(i) from Thursday, 2 June 2016 to Tuesday, 7 June 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2016 Annual General Meeting. In order to be entitled to attend and vote at the 2016 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 1 June 2016; and

(ii) from Tuesday, 14 June 2016 to Thursday, 16 June 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend and special final dividend. In order to establish entitlements to the proposed final dividend and special 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 Monday, 13 June 2016.

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

The Company has complied throughout the year 2015 with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the derivation from a code provision A.2.1 of the Code and which is explained below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Vincent CHOW Wing Shing holds both positions of the Chairman and the Group General Manager of the Company. The Board is of the opinion that the present board structure provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

## SCOPE OF WORK OF AUDITORS ON THE PRELIMINARY ANNOUNCEMENT OF THE ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2015 in conjunction with 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 standard set out in the Model Code throughout the review year.

## ANNUAL GENERAL MEETING

The 2016 Annual General Meeting will be held at 4/F, Chow Sang Sang Building, 229 Nathan Road, Kowloon, Hong Kong on Tuesday, 7 June 2016 at 10:30 a.m. The notice of the 2016 Annual General Meeting will be published and issued in due course.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is published on the websites of the Group at www.chowsangsang.com/group/eng/index.htm and HKEC at www.hkexnews.hk. The 2015 annual report of the Company will be available on both websites and despatched to shareholders on or about Friday, 22 April 2016.

## BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are 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, Dr. CHOW Kwen Lim, 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, Dr. LO King Man and Mr. Stephen LAU Man Lung.

By order of the Board
**Vincent CHOW Wing Shing**
*Chairman*

Hong Kong, 22 March 2016