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 2016

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 2016.

FINANCIAL HIGHLIGHTS

	2016 HK$'000	2015 HK$'000	Change
Turnover			
Jewellery retail	**14,045,322**	16,723,183	-16%
Other businesses	**2,047,215**	2,346,074	-13%
	16,092,537	19,069,257	-16%
Profit attributable to equity holders of the Company#	**742,176**	1,130,320	-34%
Earnings per share			
Basic	**109.6 cents**	167.0 cents	-34%
Diluted	**109.6 cents**	167.0 cents	-34%
Dividend per share			
- Interim	**8.0 cents**	12.0 cents	
- Final	**35.0 cents**	36.0 cents	
- Special final	**-**	14.0 cents	
Total dividend per share for the year	**43.0 cents**	62.0 cents	
Dividend payout ratio	**39%**	37%	
Equity attributable to equity holders of the Company	**9,037,898**	9,077,915	-0.4%
Equity per share	**$13.4**	$13.4	-

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 Exchanges and Clearing Limited.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
TURNOVER	3		
Jewellery retail		**14,045,322**	16,723,183
Other businesses		**2,047,215**	2,346,074
		16,092,537	19,069,257
Cost of sales		**(12,042,321)**	(14,841,158)
Gross profit		**4,050,216**	4,228,099
Other income, net		**78,009**	89,804
Selling and distribution costs		**(2,594,159)**	(2,708,693)
Administrative expenses		**(517,629)**	(518,077)
Other gains/(losses), net		**(1,342)**	58,338
Gain on disposal of available-for-sale investments		**-**	245,501
Finance costs		**(19,040)**	(27,369)
Share of profit of an associate		**4,207**	454
PROFIT BEFORE TAX	5	**1,000,262**	1,368,057
Income tax	6	**(258,086)**	(237,737)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**742,176**	1,130,320
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		**109.6 cents**	167.0 cents
Diluted		**109.6 cents**	167.0 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	2016	2015
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**742,176**	1,130,320
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments:		
Changes in fair value	**(61,779)**	201,493
Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss	-	(245,501)
	(61,779)	(44,008)
Exchange differences:		
Exchange differences on translation	**(331,198)**	(242,209)
Reclassification adjustment upon deregistration of a subsidiary	**(1,172)**	-
	(332,370)	(242,209)
Other comprehensive loss for the year	**(394,149)**	(286,217)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**348,027**	844,103

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**704,191**	720,808
Investment properties		**295,573**	296,067
Prepaid land lease payments		**11,356**	12,422
Intangible assets		**271**	271
Other assets		**240,423**	239,359
Investment in an associate		**28,388**	24,739
Available-for-sale investments		**763,180**	824,959
Deferred tax assets		**13,381**	11,410
Total non-current assets		**2,056,763**	2,130,035
CURRENT ASSETS			
Inventories		**6,557,877**	6,676,380
Accounts receivable	9	**791,681**	775,000
Receivables arising from securities and futures broking	10	**826,332**	187,018
Prepayments, deposits and other receivables		**224,250**	188,376
Investments at fair value through profit or loss		**33,078**	36,686
Derivative financial instruments		**18**	5,798
Tax recoverable		**2,590**	410
Cash held on behalf of clients		**426,002**	390,680
Cash and cash equivalents		**1,282,809**	1,620,982
Total current assets		**10,144,637**	9,881,330
CURRENT LIABILITIES			
Accounts payable	11	**263,387**	86,864
Payables arising from securities and futures broking	11	**419,717**	413,145
Other payables and accruals		**343,237**	412,975
Derivative financial instruments		**558**	-
Interest-bearing bank borrowings		**496,268**	561,233
Interest-bearing bank borrowings arising from securities and futures broking		**230,000**	15,520
Bullion loans		**756,390**	795,023
Tax payable		**96,325**	94,995
Total current liabilities		**2,605,882**	2,379,755
NET CURRENT ASSETS		**7,538,755**	7,501,575
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,595,518**	9,631,610

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	2016	2015
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**360,154**	383,397
Deferred tax liabilities	**197,466**	170,298
Total non-current liabilities	**557,620**	553,695
Net assets	**9,037,898**	9,077,915
EQUITY		
Issued capital	**169,230**	169,230
Reserves	**8,868,668**	8,908,685
Total equity	**9,037,898**	9,077,915

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 new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

3. Turnover

Turnover, which is also the Group's revenue, 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:

	2016	2015
	HK$'000	HK$'000
Sale of goods	**16,054,769**	19,007,356
Commission on securities and futures broking	**26,231**	50,671
Gross rental income	**11,537**	11,230
	16,092,537	19,069,257

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 profit of an associate 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 2016					
Segment revenue					
Sales to external customers	**14,045,322**	**1,907,604**	**26,231**	**113,380**	**16,092,537**
Intersegment sales	**-**	**869,670**	**-**	**3,084**	**872,754**
	14,045,322	**2,777,274**	**26,231**	**116,464**	**16,965,291**
Reconciliation:					
Elimination of intersegment sales					**(872,754)**
					16,092,537
Segment results	**946,526**	**13,668**	**6,325**	**7,434**	**973,953**
Reconciliation:					
Dividend income					**22,102**
Share of profit of an associate					**4,207**
Profit before tax					**1,000,262**

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 2016					
Other segment information					
Interest income	(11,436)	(1)	(28,265)	(12)	(39,714)
Dividend income	-	-	(996)	-	(996)
Net fair value gain on investment properties	-	-	-	(900)	(900)
Net fair value gain on bullion loans designated as at fair value through profit or loss	(9,083)	-	-	-	(9,083)
Net fair value loss on derivative financial instruments - transactions not qualifying as hedges	6,201	38	-	-	6,239
Net fair value loss on investments at fair value through profit or loss	-	-	3,608	-	3,608
Net loss on bullion loans designated as at fair value through profit or loss	144,090	-	-	-	144,090
Net loss on disposal of derivative financial instruments	85,293	4,399	-	-	89,692
Net loss/(gain) on disposal of items of property, plant and equipment	2,176	-	(2)	-	2,174
Depreciation	180,237	-	1,588	162	181,987
Amortization of prepaid land lease payments	276	-	-	-	276
Reversal of impairment of accounts receivable	(1,010)	-	-	-	(1,010)
Reversal of impairment of receivables arising from securities and futures broking, net	-	-	(706)	-	(706)
Write-down of inventories to net realizable value	5,006	-	-	-	5,006
Finance costs	17,037	-	2,003	-	19,040
Capital expenditure	194,203	-	2,402	-	196,605

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)

(a) Geographical information

Revenue from external customers

	2016 **HK$'000**	2015 HK$'000
Hong Kong and Macau	**8,653,601**	11,262,353
Mainland China	**7,339,783**	7,690,270
Taiwan	**99,153**	116,634
	16,092,537	19,069,257

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

Non-current assets

	2016 **HK$'000**	2015 HK$'000
Hong Kong and Macau	**751,249**	793,557
Mainland China	**503,455**	471,810
Taiwan	**25,498**	28,299
	1,280,202	1,293,666

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):

	2016 HK$'000	2015 HK$'000
Cost of inventories sold	**11,803,533**	14,918,552
Write-down of inventories to net realizable value*	**5,006**	19,078
Depreciation	**181,987**	186,838
Amortization of prepaid land lease payments	**276**	292
Operating lease payments in respect of leasehold land and buildings:		
Minimum lease payments	**930,155**	911,579
Contingent rents	**17,091**	27,513
	947,246	939,092
Impairment/(reversal of impairment) of accounts receivable	**(1,010)**	1,066
Reversal of impairment of receivables arising from securities and futures broking, net	**(706)**	(56)
Net fair value gain on investment properties#	**(900)**	(15,144)
Net fair value gain on bullion loans designated as at fair value through profit or loss#	**(9,083)**	(21,013)
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges#	**6,239**	(10,512)
Net fair value loss/(gain) on investments at fair value through profit or loss#	**3,608**	(1,998)
Net loss/(gain) on bullion loans designated as at fair value through profit or loss^	**144,090**	(84,840)
Net loss/(gain) on disposal of derivative financial instruments^	**89,692**	(11,632)
Net loss on disposal of items of property, plant and equipment	**2,174**	4,113
Interest income	**(39,714)**	(36,224)
Dividend income from listed investments	**(21,630)**	(21,708)
Dividend income from unlisted investments	**(1,468)**	(944)

* 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/(losses), 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 and foreign currency contracts entered into by the Group is to manage the Group's bullion price and foreign currency 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% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT law, the tax rate of the Mainland China subsidiaries is 25% (2015: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	HK$'000	HK$'000
Current - Hong Kong		
Charge for the year	**18,773**	71,093
Overprovision in prior years	**(2,408)**	(154)
Current - Mainland China and elsewhere		
Charge for the year	**217,526**	157,374
Overprovision in prior years	**(829)**	(17,475)
Deferred	**25,024**	26,899
Total tax charge for the year	**258,086**	237,737

7. Dividends

	2016	2015
	HK$'000	HK$'000
Dividends recognized as distribution during the year:		
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**	-
Interim dividend for 2016: HK8.0 cents (2015: HK12.0 cents) per ordinary share	**54,154**	81,230
	392,614	412,921
Dividends proposed after the end of the reporting period:		
Final dividend for 2016: HK35.0 cents (2015: HK36.0 cents) per ordinary share	**236,922**	243,691
Special final dividend for 2016: Nil (2015: HK14.0 cents) per ordinary share	**-**	94,769
	236,922	338,460

The proposed final dividend for 2016 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 amount is based on the profit for the year attributable to equity holders of the Company of HK$742,176,000 (2015: HK$1,130,320,000), and the weighted average number of ordinary shares of 676,920,000 (2015: 676,920,000) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2015.

9. Accounts receivable

	2016	2015
	HK$'000	HK$'000
Trade and credit card receivables	**792,781**	777,207
Impairment	**(1,100)**	(2,207)
Accounts receivable	**791,681**	775,000

The Group's trading terms with its retail customers are mainly on cash and credit card settlement while trading terms for corporate clients and wholesale customers are on credit with credit period generally up to 60 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the accounts receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	HK$'000	HK$'000
Within 1 month	**682,677**	663,788
1 to 2 months	**87,509**	92,917
2 to 3 months	**14,237**	14,954
Over 3 months	**7,258**	3,341
	791,681	775,000

10. Receivables arising from securities and futures broking

	2016	2015
	HK$'000	HK$'000
Cash clients	**71,439**	47,090
Clearing houses	**10,059**	9,774
Clients for subscription of initial public offering ("IPO") shares	**-**	21,598
Loans to margin clients	**744,834**	109,262
	826,332	187,724
Impairment	**-**	(706)
Receivables arising from securities and futures broking	**826,332**	187,018

The receivables are settled two days after the trade date or at specific terms agreed with clearing houses, brokers and dealers. Futures deals are normally settled on a cash basis. Receivables from margin and cash clients arising from the business of dealing in securities and futures broking are repayable on demand subsequent to settlement date.

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

	2016	2015
	HK$'000	HK$'000
Not yet due	**17,411**	22,881
Within 1 month past due	**36,637**	18,282
1 to 2 months past due	**22,430**	4,156
2 to 3 months past due	**366**	1,209
Over 3 months past due	**4,654**	9,630
	81,498	56,158
Loans to margin clients[#]	**744,834**	109,262
Clients for subscription of IPO shares[*]	**-**	21,598
	826,332	187,018

[#] 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 2016, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$1,492,212,000 (2015: HK$405,351,000).

[*] As at 31 December 2015, receivables from clients for subscription of IPO shares of HK$21,598,000 were due when the corresponding allotment results of the related IPO shares had been publicly announced and bore interest at commercial rates.

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

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 invoice date, is as follows:

	2016	2015
	HK$'000	HK$'000
Within 1 month	**248,762**	80,782
1 to 2 months	**14,625**	5,655
Over 2 months	**-**	427
Accounts payable	**263,387**	86,864
Payables arising from securities and futures broking*	**419,717**	413,145
	683,104	500,009

* No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not meaningful in view of the nature of such business.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During 2016, the uncertainties in the global economic and political environment drove gold price upward to a point by more than 20% in the year. However, we did not see demand for gold jewellery increase as they did in similar hikes in recent years.

Consumer sentiment had been weak. The softness in the property markets and the lack of momentum in the stock markets were limiting consumptions. This is particularly the case for Hong Kong. The strong Hong Kong dollar, as it was pegged to the US dollar, made Hong Kong a less attractive place to visit, especially from Mainland visitors. Overall, we see the number of China visitors dropped by 6.7%. Except for the month of December, we see year on year decline in retail sales value in Hong Kong.

The Group's turnover for the year 2016 reduced 16% to HK$16,093 million. Profit attributable to equity holders dropped by 34% to HK$742 million. If the gain from the disposal of part of the long-term holding of shares in Hong Kong Exchanges and Clearing Limited in the year 2015 is excluded, the drop in profit attributable to equity holders will be 16%.

Jewellery Retail

Operating profit reduced by 6% year-on-year to HK$947 million. Jewellery retail accounted for 87% of the Group's turnover.

Hong Kong and Macau
Sales registered a slip of 26%. Same store sales growth was -25%.

As gold price increased, the total weight of gold sales dropped by 34%.

Sales of gem-set jewellery had not reversed its downward trend since 2015.

During the year, three Chow Sang Sang shops in tourist district were closed. Two new shops established, one in Kwun Tong and one in Yuen Long.

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

Lease renewals during the period resulted in small savings as some of the heftier shop leases were renewed in the last quarter of the year. Total shop rental expenditure was flat. For leases renewed, rental adjustment achieved was between +10% to -38%.

Capital expenditure amounted to HK$33 million, most of which was for new shops and refitting of shops.

Mainland China
Total turnover slipped by 5% year-on-year to HK$7,339 million. Same store sales growth was -4%.

Gold sales also suffered a setback with same store sales growth at -13% while gem-set jewellery maintained a positive momentum.

Online sales continued to grow, and accounted for about 10% of our China sales. Gold products dominate the sales mix.

At year-end, there was a total of 374 shops located in 111 cities. New shops numbered 47, and there were 16 closings.

With new openings and the refitting of 68 stores, setting up of a diamond cutting and polishing factory, and production capacity upgrade, capital expenditure came to RMB136 million.

Taiwan
The retail sector remained weak. There is no significant change in the results from the prior year.

Wholesale of Precious Metals

Turnover decreased by 15% to HK$1,908 million. Operating profit decreased by HK$10 million.

Securities and Futures Broking

The market momentum in 2016 was extremely weak. Market turnover was 37% less with daily turnover averaged at HK$66.9 billion (2015: HK$105.6 billion). Our turnover dropped by 48% as our customers, mainly retail investors, became very cautious.

During the year, we completed the relocation of our data centre, further strengthening our customer service as well as backup capabilities. With the launch of Shanghai-Hong Kong and Shenzhen–Hong Kong Stock Connect, clients can now trade A shares online using our internet platform and mobile app.

To further explore the opportunities in China, we entered into a joint venture agreement with Harvest Fund Management Co., Ltd to form a securities company in the PRC under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) framework.

Investments

Properties
The Group holds various properties that are being used for offices, shops and factories. Rental income from investment properties amounted to HK$12 million, less than 1% of the Group's turnover.

Shares in Hong Kong Exchanges and Clearing Limited ("HKEC")
As at 1 January 2016, the Group had 4,061,800 shares of HKEC, received as distribution from the reorganization of the then exchanges in year 2000. The amount remained unchanged throughout the year under review. As at 31 December 2016, the unrealized gain on the holding amounted to HK$744 million (2015: HK$806 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 2016, the Group had cash and cash equivalents of HK$1,283 million (2015: HK$1,621 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$6,206 million in banking facilities including bank borrowings and bullion loans, out of which HK$817 million are committed facilities. As at 31 December 2016, the total unutilized banking facilities amounted to HK$4,318 million (2015: HK$3,831 million).

As at 31 December 2016, total bank borrowings and bullion loans amounted to HK$1,086 million and HK$756 million respectively, most of which were unsecured in accordance with the Group's policy. All the loans are repayable within three years. The gearing ratio was 20%, based on total bank borrowings and bullion loans of HK$1,842 million as a percentage of total equity of HK$9,038 million. The current ratio of the Group was 3.9.

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 29% of its bank loans at fixed rates as at 31 December 2016, increased from 16% as at 31 December 2015.

As at 31 December 2016, 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 2016, the borrowings denominated in New Taiwan dollar amounted to NT$116 million.

Charge on Assets and Contingent Liabilities
As at 31 December 2016, certain items of properties of the Group with a net carrying value of HK$217 million (2015: HK$221 million), and listed equity investments of HK$660 million (2015: HK$476 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 31 December 2016, the Group had no material contingent liabilities.

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 of the Group was 8,807. There were 1,447 staff in Hong Kong and 7,113 staff in the mainland.

On 22 July 2016, share options have been granted according to the Company's share option scheme.

Outlook

For 2017, we remain cautious. Though we had seen very weak consumer sentiment for over 24 months, the recovery is yet to be seen. We will continue to keep tight control over our inventory level.

In Hong Kong, though we will have a lower base to work with, we will continue with the realignment of our network to match the change in consumer pattern and preferences. A few shops in tourist area will be closed. Shop-lease renewal will only be made if it makes strategic and economic sense. Overall, we expect to reduce the amount of floor space with no significant changes in number of shops.

In China, though the economy has slowed down, consumers are getting more and more sophisticated. We see opportunities to grow via product and brand differentiation. As our online sales expand, we are putting more effort into offering a seamless customer experience. We will continue to open new stores, at around 50 per year, and more than half of these will be in shopping malls which will allow more flexibility for providing various services to customers.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK35.0 cents (2015: final dividend of HK36.0 cents and special final dividend of HK14.0 cents) per ordinary share for the year ended 31 December 2016. Together with the interim dividend of HK8.0 cents (2015: HK12.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK43.0 cents (2015: HK62.0 cents). Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "2017 Annual General Meeting"), the final dividend will be payable on or about Friday, 16 June 2017 to shareholders whose names appear on the register of members of the Company on Friday, 9 June 2017.

CLOSURE OF REGISTER OF MEMBERS

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

(i) from Friday, 26 May 2017 to Thursday, 1 June 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 Annual General Meeting. In order to be entitled to attend and vote at the 2017 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 4:30 p.m. on Thursday, 25 May 2017; and

(ii) from Wednesday, 7 June 2017 to Friday, 9 June 2017, 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 4:30 p.m. on Tuesday, 6 June 2017.

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 2016 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 AUDITOR 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 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, 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 2016 in conjunction with Ernst & Young.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held at 4/F, Chow Sang Sang Building, 229 Nathan Road, Kowloon, Hong Kong on Thursday, 1 June 2017 at 10:30 a.m. The notice of the 2017 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 and HKEC at www.hkexnews.hk. The 2016 annual report of the Company will be available on both websites and despatched to shareholders on or about Wednesday, 26 April 2017.

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, 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, 27 March 2017