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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Board of Directors (the "Board") of Chow Sang Sang Holdings International Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018. The interim results have been reviewed by the Audit Committee of the Board.

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2018	2017	
	HK$'000	HK$'000	Change
Turnover			
Jewellery retail	**8,646,150**	7,005,048	+23%
Other businesses	**911,802**	1,007,302	-9%
	9,557,952	8,012,350	+19%
Profit attributable to equity holders of the Company	**605,508**	392,074	+54%
Earnings per share			
- Basic	**89.4 cents**	57.9 cents	+54%
- Diluted	**89.4 cents**	57.8 cents	+55%
Interim dividend per share	**15.0 cents**	9.0 cents	
Dividend payout ratio	**17%**	16%	
Equity attributable to equity holders of the Company	**10,367,670**	10,125,075^	+2%
Equity per share	**$15.3**	$15.0^	+2%

^ Audited as at 31 December 2017

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June **2018** **HK$'000**	 2017 HK$'000
TURNOVER	4		
Jewellery retail		**8,646,150**	7,005,048
Other businesses		**911,802**	1,007,302
		9,557,952	8,012,350
Cost of sales		**(7,198,162)**	(6,054,814)
Gross profit		**2,359,790**	1,957,536
Other income, net		**66,171**	75,181
Selling and distribution costs		**(1,374,077)**	(1,235,592)
Administrative expenses		**(299,348)**	(253,722)
Other gains, net		**44,129**	6,204
Gain on disposal of an associate		**26,614**	-
Finance costs		**(18,550)**	(14,413)
Share of profit of an associate		**245**	294
PROFIT BEFORE TAX	5	**804,974**	535,488
Income tax	6	**(199,466)**	(143,414)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**605,508**	392,074
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		**89.4 cents**	57.9 cents
Diluted		**89.4 cents**	57.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
PROFIT FOR THE PERIOD	**605,508**	392,074
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of available-for-sale investments	**-**	75,550
Exchange differences on translation	**(92,560)**	162,030
	(92,560)	237,580
Item that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income	**(13,535)**	-
Other comprehensive income/(loss) for the period	**(106,095)**	237,580
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**499,413**	629,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018 HK$'000**	Audited 31 December 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**779,467**	762,321
Investment properties		**322,013**	322,013
Prepaid land lease payments		**11,626**	11,932
Intangible assets		**271**	271
Other assets		**208,885**	210,435
Investment in an associate		**-**	32,453
Available-for-sale investments		**-**	874,000
Financial assets at fair value through other comprehensive income		**879,119**	-
Deferred tax assets		**21,645**	22,213
Total non-current assets		**2,223,026**	2,235,638
CURRENT ASSETS			
Inventories		**7,192,776**	7,489,574
Accounts receivable	9	**738,498**	920,088
Receivables arising from securities and futures broking	10	**1,238,449**	984,906
Prepayments, deposits and other receivables		**377,980**	307,221
Financial assets at fair value through profit or loss		**14,928**	17,073
Derivative financial instruments		**2,194**	-
Tax recoverable		**36**	41
Cash held on behalf of clients		**506,785**	515,659
Cash and cash equivalents		**1,648,578**	1,199,915
Total current assets		**11,720,224**	11,434,477
CURRENT LIABILITIES			
Accounts payable	11	**156,472**	122,071
Payables arising from securities and futures broking	11	**524,998**	574,048
Other payables and accruals		**488,757**	464,034
Derivative financial instruments		**1,520**	4,394
Interest-bearing bank borrowings		**543,133**	488,547
Interest-bearing bank borrowings arising from securities and futures broking		**290,074**	60,000
Bullion loans		**735,370**	1,069,873
Tax payable		**103,906**	93,905
Total current liabilities		**2,844,230**	2,876,872
NET CURRENT ASSETS		**8,875,994**	8,557,605
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,099,020**	10,793,243

continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**486,457**	453,656
Deferred tax liabilities	**244,893**	214,512
Total non-current liabilities	**731,350**	668,168
Net assets	**10,367,670**	10,125,075
EQUITY		
Issued capital	**169,359**	169,230
Reserves	**10,198,311**	9,955,845
Total equity	**10,367,670**	10,125,075

NOTES:

1. Basis of preparation

This unaudited condensed consolidated interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

This interim financial report should be read in conjunction with the Annual Report 2017.

The accounting policies and basis of computation used in the preparation of this interim financial report are the same as those used in the Group's audited financial statements for the year ended 31 December 2017, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) which have become effective for accounting periods beginning on or after 1 January 2018 as disclosed in note 2 below.

2. Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current period's consolidated interim financial report:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the impacts of the adoption of HKFRS 9 and HKFRS 15 as further explained below, the adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

2. **Changes in accounting policies and disclosures (continued)**

The following table sets out a summary of adjustments to the opening balances of financial statement line items of the consolidated statement of financial position as at 1 January 2018 upon the adoption of HKFRS 9 and HKFRS 15.

Consolidated statement of financial position (extract)	Balance as at 31 December 2017 as originally presented HK$'000	Re-classification due to HKFRS 9 HK$'000	Re-measurement due to HKFRS 9 HK$'000	Adjustments due to HKFRS 15 HK$'000	Balance as at 1 January 2018 Restated HK$'000
Non-current assets					
Available-for-sale investments	874,000	(874,000)	-	-	-
Financial assets at fair value through other comprehensive income	-	874,000	18,654	-	892,654
Current assets					
Inventories	7,489,574	-	-	254	7,489,828
Prepayments, deposits and other receivables	307,221	-	-	72	307,293
Current liabilities					
Other payables and accruals	464,034	-	-	501	464,535
Equity					
Investment revaluation reserve	872,035	(872,035)	-	-	-
Fair value reserve of financial assets at fair value through other comprehensive income	-	872,035	18,654	-	890,689
Retained profits	7,216,449	-	-	(175)	7,216,274

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 prospectively, with the initial application date of 1 January 2018. The Group did not restate comparative information, which continues to be reported under HKAS 39, and recognized the transition adjustments against the opening balance of equity at 1 January 2018. The effects of adopting HKFRS 9 are summarized as follows:

2. Changes in accounting policies and disclosures (continued)

HKFRS 9 Financial Instruments (continued)

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments is solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of HKFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under HKAS 39. The following is the change in the classification of the Group's financial assets:

Accounts receivable, receivables arising from securities and futures broking and other financial assets (i.e., other assets, prepayments, deposits and other receivables, cash held on behalf of clients and cash and cash equivalents) classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning 1 January 2018.

Listed equity investments and equity investments in non-listed companies classified as available-for-sale investments as at 31 December 2017 are classified and measured as financial assets at fair value through other comprehensive income beginning 1 January 2018. Certain unlisted equity investments previously classified as available-for-sale investments at cost were remeasured at fair value on 1 January 2018. The Group elected to classify irrevocably these equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

As a result of the change in classification of the Group's listed equity investments and unlisted equity investments, the investment revaluation reserve of HK$872,035,000 related to those investments that were previously presented under accumulated other comprehensive income, was reclassified to fair value reserve of financial assets at fair value through other comprehensive income.

There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that there is no significant impact on the provision for impairment upon the initial adoption of the standard.

2. **Changes in accounting policies and disclosures (continued)**

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted HKFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying HKFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained profits. Therefore, the comparative information was not restated and continues to be reported under HKAS 18 and related Interpretations.

The effect of adopting HKFRS 15 as at 1 January 2018 is shown in the table on page 7.

Set out below, are the amount by which each financial statement line item is affected as at and for the period ended 30 June 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows. The first column shows what the amounts would have been had HKFRS 15 not been adopted and the third column shows the amounts prepared under HKFRS 15:

Consolidated statement of profit or loss for the period ended 30 June 2018 (extract)	Before adoption of HKFRS 15 HK$'000	Effect of adopting HKFRS 15 HK$'000	As reported HK$'000
Turnover - Jewellery retail	8,646,436	(286)	8,646,150
Cost of sales	(7,198,359)	197	(7,198,162)
Consolidated statement of financial position as at 30 June 2018 (extract)			
Current assets			
Inventories	7,192,579	197	7,192,776
Prepayments, deposits and other receivables	377,934	46	377,980
Current liabilities			
Other payables and accruals	488,425	332	488,757
Equity			
Retained profits	7,537,349	(89)	7,537,260

2. Changes in accounting policies and disclosures (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

The Group's contracts with customers for the sale of jewellery generally include one performance obligation. The Group has concluded that revenue from sale of jewellery should be recognized at the point of time when control of the asset is transferred to the customer, generally on delivery of the jewellery. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognized was affected, as noted below.

(a) Variable consideration - right of return

Some contracts for the sale of jewellery through e-shops provide customers with a right of return. Prior to the adoption of HKFRS 15, the Group recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and trade discounts. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under HKFRS 15, rights of return give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Under HKFRS 15, the consideration received from the customers is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in HKFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group included a refund liability, an asset for the right to recover products from a customer and corresponding value-added tax in other payables and accruals, inventories and prepayments, deposits and other receivables respectively in the consolidated statement of financial position.

(b) Customer loyalty program

The Group's retail of jewellery segment operates a customer loyalty program, which allows customers to accumulate award credits when they purchase products in the Group's retail stores. The award credits can be redeemed for discounts on products in a limited period. Prior to adoption of HKFRS 15, the customer loyalty program offered by the Group resulted in the allocation of a portion of the transaction price to the customer loyalty program using the fair value of award credits granted for which they could be redeemed and recognition of deferred revenue in relation to award credits granted but not yet redeemed or expired. The Group concluded that under HKFRS 15, the customer loyalty program gives rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty credits awarded to customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty program compared with that before adoption of HKFRS 15 was not significant and thus, no adjustment was made to the opening balance of retained profits as at 1 January 2018.

3. 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 an associate 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.

	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
Six months ended 30 June 2018					
Segment revenue					
Sales to external customers	**8,646,150**	**870,441**	**21,345**	**20,016**	**9,557,952**
Intersegment sales	**-**	**383,790**	**-**	**1,560**	**385,350**
	8,646,150	**1,254,231**	**21,345**	**21,576**	**9,943,302**
Reconciliation:					
Elimination of intersegment sales					**(385,350)**
					9,557,952
Segment results	**733,102**	**8,963**	**23,861**	**1,630**	**767,556**
Reconciliation:					
Dividend income					**10,559**
Gain on disposal of an associate					**26,614**
Share of profit of an associate					**245**
Profit before tax					**804,974**

3. 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
Six months ended 30 June 2017					
Segment revenue					
Sales to external customers	7,005,048	960,054	13,965	33,283	8,012,350
Intersegment sales	-	224,332	-	1,542	225,874
	7,005,048	1,184,386	13,965	34,825	8,238,224
Reconciliation:					
Elimination of intersegment sales					(225,874)
					8,012,350
Segment results	499,548	6,459	17,073	3,402	526,482
Reconciliation:					
Dividend income					8,712
Share of profit of an associate					294
Profit before tax					535,488

4. 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 period.

Revenue from the following activities has been included in turnover:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Sales of goods	**9,530,809**	7,992,554
Commission on securities and futures broking	**21,345**	13,965
Gross rental income	**5,798**	5,831
	9,557,952	8,012,350

5. Profit before tax

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Depreciation	**105,527**	93,031
Operating lease payments in respect of leasehold land and buildings:		
Minimum lease payments	**387,933**	423,021
Contingent rents	**11,613**	7,927
	399,546	430,948
Expected credit losses of accounts receivable	**10,129**	-
Net fair value loss/(gain) on bullion loans designated as at fair value through profit or loss#	**(29,289)**	13,178
Net fair value gain on derivative financial instruments - transactions not qualifying as hedges#	**(5,084)**	(8,590)
Net fair value loss/(gain) on financial assets at fair value through profit or loss#	**2,144**	(4,379)
Net loss on bullion loans designated as at fair value through profit or loss∆	**8,805**	36,757
Net loss/(gain) on disposal of derivative financial instruments∆	**(6,641)**	7,163
Net loss on disposal of items of property, plant and equipment	**1,405**	1,355
Interest income	**(49,158)**	(33,748)
Dividend income	**(10,903)**	(9,243)

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 risk. 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% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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% (2017: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current - Hong Kong		
Charge for the period	**33,806**	14,070
Overprovision in prior periods	**(20)**	-
Current - Mainland China and elsewhere		
Charge for the period	**134,699**	116,533
Under/(over) provision in prior periods	**204**	(28)
Deferred	**30,777**	12,839
Total tax charge for the period	**199,466**	143,414

7. Dividends

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Dividends recognized as distribution during the period:		
Final dividend for 2017: HK42.0 cents (2016: HK35.0 cents) per ordinary share	**284,522**	236,922
Dividends declared after the end of the reporting period:		
Interim dividend declared for 2018: HK15.0 cents (2017: HK9.0 cents) per ordinary share	**101,615**	60,923

The interim dividend is not recognized as a liability as at 30 June 2018 because it has been declared after the end of the reporting period.

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 period attributable to equity holders of the Company and the weighted average number of ordinary shares of 677,371,127 (2017: 676,920,000) in issue during the period.

The calculation of the diluted earnings per share amounts for the periods ended 30 June 2018 and 30 June 2017 is based on the profit for the period attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

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

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Earnings		
Profit attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation	**605,508**	392,074

	Number of shares	
	Six months ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**677,371,127**	676,920,000
Weighted average number of ordinary shares for effect of share options dilution	**293,935**	1,153,791
	677,665,062	678,073,791

9. Accounts receivable

	30 June 2018 HK$'000	31 December 2017 HK$'000
Trade and credit card receivables	**748,250**	920,088
Allowance for expected credit losses	**(9,752)**	-
Accounts receivable	**738,498**	920,088

The Group's trading terms with its retail customers are mainly on cash and credit card settlement while trading terms with 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 receivable at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within 1 month	**521,468**	776,534
1 to 2 months	**148,277**	113,824
2 to 3 months	**38,391**	18,680
Over 3 months	**30,362**	11,050
	738,498	920,088

10. Receivables arising from securities and futures broking

	30 June 2018 HK$'000	31 December 2017 HK$'000
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	**63,686**	76,890
Clearing houses, brokers and dealers	**11,479**	47,934
Clients for subscription of initial public offering ("IPO") shares	**145,492**	10,221
Loans to margin clients	**1,017,792**	849,861
Receivables arising from securities and futures broking	**1,238,449**	984,906

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 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 at the end of the reporting period, based on the due date and net of provisions, is as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Not yet due	**34,706**	72,260
Within 1 month past due	**27,293**	42,787
1 to 2 months past due	**3,397**	1,710
2 to 3 months past due	**3,330**	1,625
Over 3 months past due	**6,439**	6,442
	75,165	124,824
Loans to margin clients#	**1,017,792**	849,861
Clients for subscription of IPO shares*	**145,492**	10,221
	1,238,449	984,906

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 30 June 2018, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$1,725,200,000 (31 December 2017: HK$1,417,070,000).

* As at 30 June 2018, receivables from clients for subscription of IPO shares of HK$145,492,000 (31 December 2017: HK$10,221,000), 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 at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within 1 month	**154,622**	121,520
1 to 2 months	**1,850**	551
Accounts payable	**156,472**	122,071
Payables arising from securities and futures broking*	**524,998**	574,048
	681,470	696,119

* 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

As we progressed into 2018, the trade war materialized through imposition of punitive tariffs. Equity markets turned volatile and so did currency rates. Renminbi's strong trend against the Hong Kong dollar started to turn south in the second quarter. Despite the thickening of the storm, consumer sentiment seemed to be holding up. Mainland visitors to Hong Kong registered an increase of 12.7% for the first five months comparing to the same period last year.

China's economic growth, though having slowed down, still registered more than 6% growth in the first half of 2018.

The Group's turnover for the first half of 2018 increased 19% to HK$9,558 million. Profit attributable to equity holders increased by 54% to HK$606 million.

Jewellery Retail

Operating profit continued to improve from the recovery commenced in the second half of 2017 with an increase of 47% period-on-period to HK$733 million. Jewellery retail accounted for 90% of the Group's turnover.

Hong Kong and Macau
Sales registered a growth of 24% thanks to the stronger tourist business and the lower base last year. Same store sales growth ("SSSG") was +22%. Considering that SSSG in 1H 2017 was -3%, and -1% in 2H 2017, the recovery appeared robust.

Sales of gem-set jewellery improved further from the 2H of last year and out-performed gold products with a SSSG of +33%.

During the period, one Chow Sang Sang shop was opened in Yuen Long with one watch shop closed in Mong Kok. We also closed one Emphasis shop in Elements, Kowloon.

Macau also benefited from improved tourists visit.

Total shop rental expenditure was HK$56 million less than last year. For leases renewed in the first half, the adjustment in rental ranged between +11% to -40%. In 2H of 2018 leases due for renewal include two pertaining to large shops in tourist areas.

Capital expenditure amounted to HK$20 million, most of which was for fitting out of new and existing shops.

Mainland China
Total turnover rose 23% period-on-period to HK$4,966 million. In Renminbi terms, total turnover rose by 13% and SSSG was +2%.

Gold sales were stronger in term of period-on-period performance with SSSG +7%. Jewellery SSSG was -8% for the 1H partly due to very strong base in 1Q of 2017 (SSSG for 1Q 2017 was +15%). Jewellery SSSG improved in 2Q.

Online sales continued to grow and accounted for about 14% of our China sales. Gold products dominated the sales mix.

At the end of June, there were a total of 442 shops located in 121 cities. New shops numbered 34, of which 12 were set up in shopping malls. There were 14 shops closed.

With new openings, refitting of 23 shops and building of new logistic center in Shunde, capital expenditure came to RMB90 million.

Taiwan
The retail sector was stable but weak. There was no significant change in the results from the same period in 2017.

Wholesale of Precious Metals

Turnover decreased by 9% to HK$870 million. Operating profit improved by 39% to HK$9 million.

Securities and Futures Broking

The market momentum in the first half of 2018 was largely strong. Market turnover increased by 67% with average daily turnover at HK$127 billion (2017: HK$76 billion). Our turnover increased by 59% while commission income increased by over 50%.

To further explore the opportunities in China, we have 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. The joint venture is in the process of applying for approval and licensing.

Investments

Properties
The Group holds various properties that are being used for offices, shops and factories. Rental income from investment properties amounted to HK$6 million, less than 1% of the Group's turnover.

Shares in Hong Kong Exchanges and Clearing Limited ("HKEC")
As at 1 January 2018, the Group had 3,561,800 shares of HKEC, received as distribution from the reorganization of the then exchanges in year 2000. The amount remained unchanged throughout the period under review.

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 30 June 2018, the Group had cash and cash equivalents of HK$1,649 million, compared to HK$1,200 million at the end of 2017. 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$6,606 million in banking facilities including bank borrowings and bullion loans, out of which HK$997 million are committed facilities. As at 30 June 2018, the total unutilized banking facilities amounted to HK$4,505 million (31 December 2017: HK$4,128 million).

As at 30 June 2018, total bank borrowings and bullion loans amounted to HK$1,320 million and HK$735 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$2,055 million expressed as a percentage of total equity of HK$10,368 million. The current ratio of the Group was 4.1.

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 27% of its bank loans in jewellery businesses at fixed rates as at 30 June 2018, increased from 24% as at 31 December 2017.

As at 30 June 2018, outstanding derivatives on the books were mainly bullion contracts for hedging the bullion price exposure. The Group's policy is to hedge approximately 40% of the total gold inventory, and the activity is always under close watch by the management.

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 30 June 2018, the borrowings denominated in New Taiwan dollar amounted to NT$126 million.

Charge on Assets and Contingent Liabilities
As at 30 June 2018, listed equity investments of HK$614 million (31 December 2017: HK$719 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2018, the Group had no material contingent liabilities.

Human Resources

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

A share option scheme is in place to provide incentives or rewards to eligible participants for their contribution to the Group and enabling the Group to recruit and retain valuable employees.

As at 30 June 2018, the total number of employees of the Group was 9,018. There were 1,386 staff members in Hong Kong and 7,389 in the mainland.

Outlook

Though the results of the first half of 2018 looked encouraging, the impact of international trade disputes, the effect of interest rate increase as well as currency revaluation may take their toll in 2H.

In Hong Kong, in the second half we will have a higher 2017 base to compare with. With the retail sector seemingly on a rebound, further room to reduce rental expense may be limited. Our focus will be on improving the productivity of shops via inventory management and staff efficiency.

In China, though the rate of economic growth is slowing, domestic consumption expansion is central to the government's strategy. As the economy continues to expand, increasing sophistication in consumer behavior provides room for growth via product, services and brand differentiation. To explore these opportunities, out of the 34 new shops set up in the 1H, 8 carried a new brand name "MINTYGREEN". The new store brand shoulders the mission of appealing to new and younger customers with an ambience and a product focus that are quite different from those of the mainline stores.

We will continue to open new stores at around 50 per year, and seek ever tighter integration of the physical shops with our online ones.

DIVIDEND

The Board has declared an interim dividend of HK15.0 cents (2017: HK9.0 cents) per ordinary share for the six months ended 30 June 2018 payable to shareholders whose names appear on the register of members of the Company on Thursday, 13 September 2018. The dividend will be paid on Friday, 21 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 September 2018 to Thursday, 13 September 2018, both days inclusive, during such period no transfer of shares will be registered. To ensure the entitlement to the interim dividend, shareholders are reminded to lodge their transfer documents accompanied by the relevant share certificates with the Company's branch share registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 10 September 2018.

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 period.

CORPORATE GOVERNANCE

The Company has complied throughout the period under review with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules, except for the deviation from a code provision A.2.1 of the Code 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Group at www.chowsangsang.com and HKEC at www.hkexnews.hk. The 2018 interim report of the Company will be available on both websites and despatched to shareholders on or about Friday, 14 September 2018.

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. 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 August 2018