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## 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 2019

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 2019.

| FINANCIAL HIGHLIGHTS                                 |                   |                   |        |
|--|-------------------|-------------------|--------|
|  | 2019<br>HK\$'000  | 2018<br>HK\$'000  | Change |
| Turnover   |                   |                   |        |
| Jewellery retail                                     | 16,258,416        | 17,130,414        | -5%    |
| Other businesses                                     | 1,477,810         | 1,675,928         | -12%   |
|  | <u>17,736,226</u> | <u>18,806,342</u> | -6%    |
| Profit attributable to equity holders of the Company | 643,533           | 1,012,257         | -36%   |
| Earnings per share                                   |                   |                   |        |
| - Basic  | 95.0 cents        | 149.4 cents       | -36%   |
| - Diluted  | 95.0 cents        | 149.4 cents       | -36%   |
| Dividend per share                                   |                   |                   |        |
| - Interim  | 14.0 cents        | 15.0 cents        |        |
| - Final  | 25.0 cents        | 44.0 cents        |        |
| Total dividend per share for the year                | <u>39.0 cents</u> | <u>59.0 cents</u> |        |
| Dividend payout ratio                                | 41%               | 39%               |        |
| Equity attributable to equity holders of the Company | 10,632,385        | 10,418,937        | +2%    |
| Equity per share                                     | \$15.7            | \$15.4            | +2%    |

\* For identification purpose only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

Year ended 31 December 2019

|  | Note | 2019<br>HK\$'000         | 2018<br>HK\$'000     |
|--|------|--------------------------|----------------------|
| <b>TURNOVER</b>  | 3    |                          |                      |
| Jewellery retail   |      | 16,258,416               | 17,130,414           |
| Other businesses   |      | 1,477,810                | 1,675,928            |
|  |      | <u>17,736,226</u>        | <u>18,806,342</u>    |
| Cost of sales  |      | <u>( 12,958,750)</u>     | <u>( 14,175,208)</u> |
| Gross profit   |      | 4,777,476                | 4,631,134            |
| Other income, net  |      | 118,251                  | 110,459              |
| Selling and distribution costs   |      | ( 2,784,708)             | ( 2,775,215)         |
| Administrative expenses  |      | ( 686,123)               | ( 613,503)           |
| Other losses, net  |      | ( 452,443)               | ( 20,092)            |
| Gain on disposal of an associate   |      | -                        | 26,614               |
| Finance costs  |      | ( 89,162)                | ( 36,991)            |
| Share of profit of an associate  |      | -                        | 245                  |
|  |      | <u>-</u>                 | <u>245</u>           |
| <b>PROFIT BEFORE TAX</b>   | 5    | <b>883,291</b>           | 1,322,651            |
| Income tax   | 6    | <u>( 239,758)</u>        | <u>( 310,394)</u>    |
| <b>PROFIT FOR THE YEAR ATTRIBUTABLE<br/>TO EQUITY HOLDERS OF THE COMPANY</b> |      | <u><b>643,533</b></u>    | <u>1,012,257</u>     |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO<br/>EQUITY HOLDERS OF THE COMPANY</b>  | 8    |                          |                      |
| Basic  |      | <u><b>95.0 cents</b></u> | <u>149.4 cents</u>   |
| Diluted  |      | <u><b>95.0 cents</b></u> | <u>149.4 cents</u>   |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

|   | 2019<br>HK\$'000      | 2018<br>HK\$'000      |
|---|-----------------------|-----------------------|
| <b>PROFIT FOR THE YEAR</b>  | <u>643,533</u>        | <u>1,012,257</u>      |
| <b>OTHER COMPREHENSIVE LOSS</b>   |                       |                       |
| <b>Item that may be reclassified subsequently to profit or loss:</b>  |                       |                       |
| Exchange differences on translation   | <u>( 106,424)</u>     | <u>( 314,059)</u>     |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>                                  |                       |                       |
| Changes in fair value of financial assets designated at fair value through other comprehensive income       | 91,208                | ( 48,263)             |
| Revaluation upon transfer of a leasehold land and building to an investment property                        | <u>-</u>              | <u>845</u>            |
| Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods | <u>91,208</u>         | <u>( 47,418)</u>      |
| <b>Other comprehensive loss for the year</b>  | <u>( 15,216)</u>      | <u>( 361,477)</u>     |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>                | <u><u>628,317</u></u> | <u><u>650,780</u></u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

|   | Note | 2019<br>HK\$'000  | 2018<br>HK\$'000  |
|---|------|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>   |      |                   |                   |
| Property, plant and equipment   |      | 1,014,404         | 853,823           |
| Investment properties   |      | 333,026           | 331,317           |
| Right-of-use assets   |      | 1,270,893         | -                 |
| Prepaid land lease payments   |      | -                 | 11,040            |
| Intangible assets   |      | 271               | 271               |
| Other assets  |      | 217,087           | 207,821           |
| Financial assets designated at fair value through<br>other comprehensive income |      | 935,599           | 844,391           |
| Deferred tax assets   |      | 112,021           | 27,064            |
| Total non-current assets  |      | <u>3,883,301</u>  | <u>2,275,727</u>  |
| <b>CURRENT ASSETS</b>   |      |                   |                   |
| Inventories   |      | 8,932,514         | 7,451,326         |
| Accounts receivable   | 9    | 915,804           | 1,001,041         |
| Receivables arising from securities and futures broking                         | 10   | 585,230           | 1,018,341         |
| Prepayments, other receivables and other assets                                 |      | 433,861           | 327,377           |
| Financial assets at fair value through profit or loss                           |      | 13,394            | 13,595            |
| Derivative financial instruments  |      | 145               | 5,555             |
| Tax recoverable   |      | 66                | 28                |
| Cash held on behalf of clients  |      | 443,797           | 442,519           |
| Cash and cash equivalents   |      | 1,028,326         | 1,302,527         |
| Total current assets  |      | <u>12,353,137</u> | <u>11,562,309</u> |
| <b>CURRENT LIABILITIES</b>  |      |                   |                   |
| Accounts payable  | 11   | 116,156           | 146,017           |
| Payables arising from securities and futures broking                            | 11   | 503,271           | 457,010           |
| Other payables and accruals   |      | 542,920           | 491,875           |
| Derivative financial instruments  |      | 9,158             | 12,405            |
| Interest-bearing bank borrowings  |      | 496,594           | 507,988           |
| Interest-bearing bank borrowings arising from securities<br>and futures broking |      | 280,000           | 200,000           |
| Bullion loans   |      | 1,473,773         | 970,140           |
| Lease liabilities   |      | 572,891           | -                 |
| Tax payable   |      | 160,435           | 125,812           |
| Total current liabilities   |      | <u>4,155,198</u>  | <u>2,911,247</u>  |
| <b>NET CURRENT ASSETS</b>   |      | <u>8,197,939</u>  | <u>8,651,062</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                                    |      | <u>12,081,240</u> | <u>10,926,789</u> |

continued/...

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

|                                  | 2019<br>HK\$'000  | 2018<br>HK\$'000  |
|----------------------------------|-------------------|-------------------|
| <b>NON-CURRENT LIABILITIES</b>   |                   |                   |
| Interest-bearing bank borrowings | 440,330           | 257,734           |
| Lease liabilities                | 727,010           | -                 |
| Deferred tax liabilities         | 281,515           | 250,118           |
| Total non-current liabilities    | <u>1,448,855</u>  | <u>507,852</u>    |
| <b>Net assets</b>                | <u>10,632,385</u> | <u>10,418,937</u> |
| <b>EQUITY</b>                    |                   |                   |
| Issued capital                   | 169,359           | 169,359           |
| Reserves                         | 10,463,026        | 10,249,578        |
| <b>Total equity</b>              | <u>10,632,385</u> | <u>10,418,937</u> |

## NOTES:

### 1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, customer gold deposits, bullion loans, derivative financial instruments and certain financial assets 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 consolidated financial statements:

|  |  |
|--|--|
| Amendments to HKFRS 9                  | Prepayment Features with Negative Compensation       |
| HKFRS 16                               | Leases   |
| Amendments to HKAS 19                  | Plan Amendment, Curtailment or Settlement            |
| Amendments to HKAS 28                  | Long-term Interests in Associates and Joint Ventures |
| HK(IFRIC)-Int 23                       | Uncertainty over Income Tax Treatments               |
| Annual Improvements<br>2015-2017 Cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group’s consolidated financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

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

### (a) New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### As a lessee - Leases previously classified as operating leases

##### *Nature of the effect of adoption of HKFRS 16*

The Group has certain lease contracts for its office properties, retail stores and factories. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

##### *Impact on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

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

### (a) Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

|   | Increase/(decrease)<br>HK\$'000 |
|---|---------------------------------|
| <b>Assets</b>                                   |                                 |
| Right-of-use assets                             | 1,049,125                       |
| Property, plant and equipment                   | ( 1,596)                        |
| Prepaid land lease payments                     | ( 11,040)                       |
| Prepayments, other receivables and other assets | ( 18,112)                       |
| Deferred tax assets                             | <u>7,821</u>                    |
| <b>Total assets</b>                             | <u><u>1,026,198</u></u>         |
| <b>Liabilities</b>                              |                                 |
| Lease liabilities                               | 1,058,109                       |
| Other payables and accruals                     | <u>( 9,954)</u>                 |
| <b>Total liabilities</b>                        | <u><u>1,048,155</u></u>         |
| <b>Equity</b>                                   |                                 |
| Retained profits                                | ( 22,585)                       |
| Exchange fluctuation reserve                    | <u>628</u>                      |
| <b>Total equity</b>                             | <u><u>( 21,957)</u></u>         |

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

|  | HK\$'000                |
|--|-------------------------|
| <b>Operating lease commitments as at 31 December 2018</b>  | <b>1,240,545</b>        |
| Less:  |                         |
| Commitments relating to short-term leases and those with a remaining lease term ending on or before 31 December 2019 | ( 9,377)                |
| Commitments relating to leases not yet commence on 1 January 2019  | <u>( 86,711)</u>        |
|  | 1,144,457               |
| Weighted average incremental borrowing rate as at 1 January 2019   | <u>3.7%</u>             |
| <b>Discounted operating lease commitments and lease liabilities as at 1 January 2019</b>                             | <u><u>1,058,109</u></u> |



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

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group has no long-term interests in associates and joint ventures on 1 January 2019. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

### 3. Turnover

Revenue from the following activities has been included in turnover:

|  | 2019<br>HK\$'000  | 2018<br>HK\$'000  |
|--|-------------------|-------------------|
| <i>Revenue from contracts with customers</i>                     | 17,724,182        | 18,794,552        |
| <i>Revenue from other sources</i>                                |                   |                   |
| Gross rental income from investment properties operating leases: |                   |                   |
| Other lease payments, including fixed payments                   | <u>12,044</u>     | <u>11,790</u>     |
|  | <u>17,736,226</u> | <u>18,806,342</u> |

### 4. Operating segment information

For management purposes, the Group is organised 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 resource 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.

4. Operating segment information (continued)

|                                    | Manufacture<br>and retail<br>of jewellery<br>HK\$'000 | Wholesale<br>of precious<br>metals<br>HK\$'000 | Securities<br>and<br>futures<br>broking<br>HK\$'000 | Other<br>businesses<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------|---|--|---|---------------------------------|-------------------|
| <b>Year ended 31 December 2019</b> |   |  |   |                                 |                   |
| <b>Segment revenue (note 3)</b>    |   |  |   |                                 |                   |
| Sales to external customers        | 16,258,416  | 1,435,672                                      | 24,113  | 5,981                           | 17,724,182        |
| Intersegment sales                 | -   | 885,758  | -   | 2,940                           | 888,698           |
| Other revenue                      | -   | -  | -   | 12,044                          | 12,044            |
|                                    | <u>16,258,416</u>                                     | <u>2,321,430</u>                               | <u>24,113</u>                                       | <u>20,965</u>                   | <u>18,624,924</u> |
| <i>Reconciliation:</i>             |   |  |   |                                 |                   |
| Elimination of intersegment sales  |   |  |   |                                 | ( 888,698)        |
|                                    |   |  |   |                                 | <u>17,736,226</u> |
| <b>Segment results</b>             | <b>1,282,011</b>                                      | <b>5,727</b>                                   | <b>(428,640)</b>                                    | <b>( 1,062)</b>                 | <b>858,036</b>    |
| <i>Reconciliation:</i>             |   |  |   |                                 |                   |
| Dividend income                    |   |  |   |                                 | <u>25,255</u>     |
| Profit before tax                  |   |  |   |                                 | <u>883,291</u>    |

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

|   | Manufacture<br>and retail<br>of jewellery<br>HK\$'000 | Wholesale<br>of precious<br>metals<br>HK\$'000 | Securities<br>and<br>futures<br>broking<br>HK\$'000 | Other<br>businesses<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|--|---|---------------------------------|-------------------|
| <b>Year ended 31 December 2019</b>  |   |  |   |                                 |                   |
| <b>Other segment information</b>  |   |  |   |                                 |                   |
| Interest income   | ( 19,693)   | ( 23)  | ( 49,806)   | ( 6)                            | ( 69,528)         |
| Dividend income   | -   | -  | ( 525)  | -                               | ( 525)            |
| Net fair value gain on<br>investment properties   | -   | -  | -   | ( 2,088)                        | ( 2,088)          |
| Net fair value gain on bullion<br>loans designated as at fair value<br>through profit or loss         | ( 70)   | -  | -   | -                               | ( 70)             |
| Net fair value loss on derivative<br>financial instruments - transactions<br>not qualifying as hedges | 1,600   | 721  | -   | -                               | 2,321             |
| Net fair value loss on financial assets<br>at fair value through profit or loss                       | -   | -  | 201   | -                               | 201               |
| Net loss on bullion loans designated<br>as at fair value through profit or<br>loss                    | 224,208   | -  | -   | -                               | 224,208           |
| Net loss on disposal of derivative<br>financial instruments   | 121,300   | 1,932  | -   | -                               | 123,232           |
| Net loss on disposal of items of<br>property, plant and equipment                                     | 4,394   | -  | -   | -                               | 4,394             |
| Depreciation of property, plant and<br>equipment  | 233,607   | -  | 1,803   | 340                             | 235,750           |
| Depreciation of right-of-use assets   | 681,449   | -  | 3,910   | -                               | 685,359           |
| Impairment of accounts receivable   | 18,790  | -  | -   | -                               | 18,790            |
| Impairment of receivables arising<br>from securities and futures broking                              | -   | -  | 445,668   | -                               | 445,668           |
| Write-down of inventories to<br>net realisable value  | 11,790  | -  | -   | -                               | 11,790            |
| Finance costs   | 76,977  | -  | 12,185  | -                               | 89,162            |
| Capital expenditure   | 414,679   | -  | 50  | -                               | 414,729           |

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

|                                    | Manufacture<br>and retail<br>of jewellery<br>HK\$'000 | Wholesale<br>of precious<br>metals<br>HK\$'000 | Securities<br>and<br>futures<br>broking<br>HK\$'000 | Other<br>businesses<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------|---|--|---|---------------------------------|-------------------|
| <b>Year ended 31 December 2018</b> |   |  |   |                                 |                   |
| <b>Segment revenue (note 3)</b>    |   |  |   |                                 |                   |
| Sales to external customers        | 17,130,414  | 1,602,531                                      | 34,513  | 27,094                          | 18,794,552        |
| Intersegment sales                 | -   | 1,177,438                                      | -   | 3,105                           | 1,180,543         |
| Other revenue                      | -   | -  | -   | 11,790                          | 11,790            |
|                                    | <u>17,130,414</u>                                     | <u>2,779,969</u>                               | <u>34,513</u>                                       | <u>41,989</u>                   | <u>19,986,885</u> |
| <i>Reconciliation:</i>             |   |  |   |                                 |                   |
| Elimination of intersegment sales  |   |  |   |                                 | ( 1,180,543)      |
|                                    |   |  |   |                                 | <u>18,806,342</u> |
| <b>Segment results</b>             | 1,205,170   | 14,088   | 42,815  | 9,502                           | 1,271,575         |
| <i>Reconciliation:</i>             |   |  |   |                                 |                   |
| Dividend income                    |   |  |   |                                 | 24,217            |
| Gain on disposal of an associate   |   |  |   |                                 | 26,614            |
| Share of profit of an associate    |   |  |   |                                 | <u>245</u>        |
| Profit before tax                  |   |  |   |                                 | <u>1,322,651</u>  |

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

|   | Manufacture<br>and retail<br>of jewellery<br>HK\$'000 | Wholesale<br>of precious<br>metals<br>HK\$'000 | Securities<br>and<br>futures<br>broking<br>HK\$'000 | Other<br>businesses<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|--|---|---------------------------------|-------------------|
| <b>Year ended 31 December 2018</b>  |   |  |   |                                 |                   |
| <b>Other segment information</b>  |   |  |   |                                 |                   |
| Interest income   | ( 26,525)   | ( 12)  | ( 68,119)   | ( 6)                            | ( 94,662)         |
| Dividend income   | -   | -  | ( 481)  | -                               | ( 481)            |
| Net fair value gain on<br>investment properties   | -   | -  | -   | ( 10,647)                       | ( 10,647)         |
| Net fair value loss on bullion<br>loans designated as at fair value<br>through profit or loss                   | 29,353  | -  | -   | -                               | 29,353            |
| Net fair value loss/(gain) on<br>derivative financial instruments<br>- transactions not qualifying<br>as hedges | 3,522   | ( 512)   | -   | -                               | 3,010             |
| Net fair value loss on financial assets<br>at fair value through profit or loss                                 | -   | -  | 3,478   | -                               | 3,478             |
| Net gain on bullion loans designated<br>as at fair value through profit or<br>loss                              | ( 11,811)   | -  | -   | -                               | ( 11,811)         |
| Net loss on disposal of derivative<br>financial instruments   | 5,309   | 448  | -   | -                               | 5,757             |
| Net loss on disposal of items of<br>property, plant and equipment   | 2,302   | -  | 88  | -                               | 2,390             |
| Depreciation of property, plant and<br>equipment  | 209,745   | -  | 2,395   | 384                             | 212,524           |
| Amortisation of prepaid land<br>lease payments  | 281   | -  | -   | -                               | 281               |
| Impairment of accounts receivable   | 8,459   | -  | -   | -                               | 8,459             |
| Write-down of inventories to<br>net realisable value  | 706   | -  | -   | -                               | 706               |
| Finance costs   | 31,201  | -  | 5,790   | -                               | 36,991            |
| Capital expenditure   | <u>336,931</u>  | <u>-</u>                                       | <u>1,261</u>  | <u>-</u>                        | <u>338,192</u>    |

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

##### (a) Geographical information

###### *Revenue from external customers*

|                     | 2019<br>HK\$'000  | 2018<br>HK\$'000  |
|---------------------|-------------------|-------------------|
| Hong Kong and Macau | 7,912,189         | 9,363,640         |
| Mainland China      | 9,689,478         | 9,328,580         |
| Taiwan              | <u>134,559</u>    | <u>114,122</u>    |
|                     | <u>17,736,226</u> | <u>18,806,342</u> |

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

###### *Non-current assets*

|                     | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---------------------|------------------|------------------|
| Hong Kong and Macau | 1,600,135        | 692,549          |
| Mainland China      | 1,204,597        | 684,081          |
| Taiwan              | <u>30,949</u>    | <u>27,642</u>    |
|                     | <u>2,835,681</u> | <u>1,404,272</u> |

The non-current asset information above is based on the locations of the assets and excludes financial assets designated at fair value through other comprehensive income 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):

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Cost of inventories sold  | 12,599,520       | 14,180,556       |
| Write-down of inventories to net realisable value <sup>^</sup>  | 11,790           | 706              |
| Depreciation of property, plant and equipment   | 235,750          | 212,524          |
| Depreciation of right-of-use assets<br>(2018: Amortisation of<br>prepaid land lease payments)                   | 685,359          | 281              |
| Lease payments not included in the measurement<br>of lease liabilities  | 55,178           | -                |
| Operating lease payments in respect of<br>leasehold land and buildings:   |                  |                  |
| Minimum lease payments  | -                | 768,105          |
| Contingent rents  | -                | 18,697           |
|   | -                | 786,802          |
| Impairment of accounts receivable <sup>#</sup>  | 18,790           | 8,459            |
| Impairment of receivables arising from securities<br>and futures broking <sup>#</sup>                           | 445,668          | -                |
| Net fair value gain on investment properties <sup>#</sup>   | ( 2,088)         | ( 10,647)        |
| Net fair value loss/(gain) on bullion loans designated<br>as at fair value through profit or loss <sup>#</sup>  | ( 70)            | 29,353           |
| Net fair value loss on derivative financial<br>instruments - transactions not qualifying as hedges <sup>#</sup> | 2,321            | 3,010            |
| Net fair value loss on financial assets at fair value<br>through profit or loss <sup>#</sup>                    | 201              | 3,478            |
| Net loss/(gain) on bullion loans designated as<br>at fair value through profit or loss <sup>^^</sup>            | 224,208          | ( 11,811)        |
| Net loss on disposal of derivative<br>financial instruments <sup>^^</sup>                                       | 123,232          | 5,757            |
| Net loss on disposal of items of property, plant and<br>equipment   | 4,394            | 2,390            |
| Interest income   | ( 69,528)        | ( 94,662)        |
| Dividend income from listed investments   | ( 24,710)        | ( 23,597)        |
| Dividend income from unlisted investments   | ( 1,070)         | ( 1,101)         |

<sup>^</sup> This balance is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

<sup>#</sup> These balances are included in "Other losses, net" on the face of the consolidated statement of profit or loss.

<sup>^^</sup> 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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2018: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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% (2018: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| Current - Hong Kong                    |                  |                  |
| Charge for the year                    | 33,609           | 61,412           |
| Overprovision in prior years           | ( 86)            | ( 11)            |
| Current - Mainland China and elsewhere |                  |                  |
| Charge for the year                    | 252,142          | 218,864          |
| Underprovision in prior years          | 245              | 220              |
| Deferred                               | <u>( 46,152)</u> | <u>29,909</u>    |
| Total tax charge for the year          | <u>239,758</u>   | <u>310,394</u>   |

## 7. Dividends

|  | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--|------------------|------------------|
| <b>Dividends recognised as distribution during the year:</b>                       |                  |                  |
| Final dividend for 2018: HK44.0 cents<br>(2017: HK42.0 cents) per ordinary share   | 298,071          | 284,522          |
| Interim dividend for 2019: HK14.0 cents<br>(2018: HK15.0 cents) per ordinary share | <u>94,841</u>    | <u>101,615</u>   |
|  | <u>392,912</u>   | <u>386,137</u>   |
| <b>Dividends proposed after the end of the reporting period:</b>                   |                  |                  |
| Final dividend for 2019: HK25.0 cents<br>(2018: HK44.0 cents) per ordinary share   | <u>169,359</u>   | <u>298,071</u>   |

The proposed final dividend for 2019 was recommended after the end of the reporting period and has not been recognised as a liability at the end of the reporting period, and it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares of 677,434,000 (2018: 677,402,822) in issue during the year.

The calculation of the diluted earnings per share amounts for the years ended 31 December 2019 and 2018 is based on the profit for the year 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 year, 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.

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

|   | 2019<br>HK\$'000        | 2018<br>HK\$'000   |
|---|-------------------------|--------------------|
| <b>Earnings</b>   |                         |                    |
| Profit attributable to equity holders of the Company,<br>used in the basic and diluted earnings per share calculation   | <u>643,533</u>          | <u>1,012,257</u>   |
|   | <b>Number of shares</b> |                    |
|   | 2019                    | 2018               |
| <b>Shares</b>   |                         |                    |
| Weighted average number of ordinary shares in issue<br>during the year used in the basic earnings per share calculation | 677,434,000             | 677,402,822        |
| Weighted average number of ordinary shares for effect of<br>share options dilution                                      | <u>-</u>                | <u>5,563</u>       |
|   | <u>677,434,000</u>      | <u>677,408,385</u> |

## 9. Accounts receivable

|                                   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|-----------------------------------|------------------|------------------|
| Trade and credit card receivables | 942,312          | 1,009,157        |
| Impairment                        | <u>( 26,508)</u> | <u>( 8,116)</u>  |
| Accounts receivable               | <u>915,804</u>   | <u>1,001,041</u> |

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.

## 9. Accounts receivable (continued)

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

|                | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 1 month | 719,355          | 798,652          |
| 1 to 2 months  | 107,788          | 73,704           |
| 2 to 3 months  | 30,415           | 70,764           |
| Over 3 months  | <u>58,246</u>    | <u>57,921</u>    |
|                | <u>915,804</u>   | <u>1,001,041</u> |

## 10. Receivables arising from securities and futures broking

|   | 2019<br>HK\$'000  | 2018<br>HK\$'000 |
|---|-------------------|------------------|
| Receivables arising from securities and futures broking conducted in the ordinary course of business: |                   |                  |
| Cash clients  | 54,769            | 41,665           |
| Clearing houses, brokers and dealers  | 36,371            | 20,806           |
| Loans to margin clients   | <u>939,758</u>    | <u>955,870</u>   |
|   | 1,030,898         | 1,018,341        |
| Impairment  | <u>( 445,668)</u> | <u>-</u>         |
| Receivables arising from securities and futures broking   | <u>585,230</u>    | <u>1,018,341</u> |

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.

## 10. Receivables arising from securities and futures broking (continued)

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 loss allowance, is as follows:

|                                      | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Not yet due                          | 64,200           | 27,220           |
| Within 1 month past due              | 20,413           | 23,767           |
| 1 to 2 months past due               | 2,314            | 457              |
| 2 to 3 months past due               | 385              | 2,079            |
| Over 3 months past due               | <u>3,828</u>     | <u>8,948</u>     |
|                                      | 91,140           | 62,471           |
| Loans to margin clients <sup>#</sup> | <u>494,090</u>   | <u>955,870</u>   |
|                                      | <u>585,230</u>   | <u>1,018,341</u> |

<sup>#</sup> The loans to margin clients were secured by the underlying pledged securities, repayable on demand and bore interest at commercial rates. No ageing analysis was disclosed as, in the opinion of the Directors, an ageing analysis was not relevant in view of the nature of the business of securities margin financing. As at 31 December 2019, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$710,484,000 (2018: HK\$1,359,514,000).

## 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:

|   | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|------------------|------------------|
| Within 1 month  | 115,651          | 146,002          |
| 1 to 2 months   | 431              | 14               |
| Over 2 months   | <u>74</u>        | <u>1</u>         |
| Accounts payable  | 116,156          | 146,017          |
| Payables arising from securities and futures broking <sup>*</sup> | <u>503,271</u>   | <u>457,010</u>   |
|   | <u>619,427</u>   | <u>603,027</u>   |

The accounts payable are non-interest bearing.

<sup>\*</sup> 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

After a solid first quarter in which same store sales growth (“SSSG”) for both Mainland China and Hong Kong registered an increase, the second quarter was beset by worsening trade tension between China and the USA. In June Renminbi turned weak while gold rallied. From then on jewellery sales steadily softened in both Mainland China and Hong Kong.

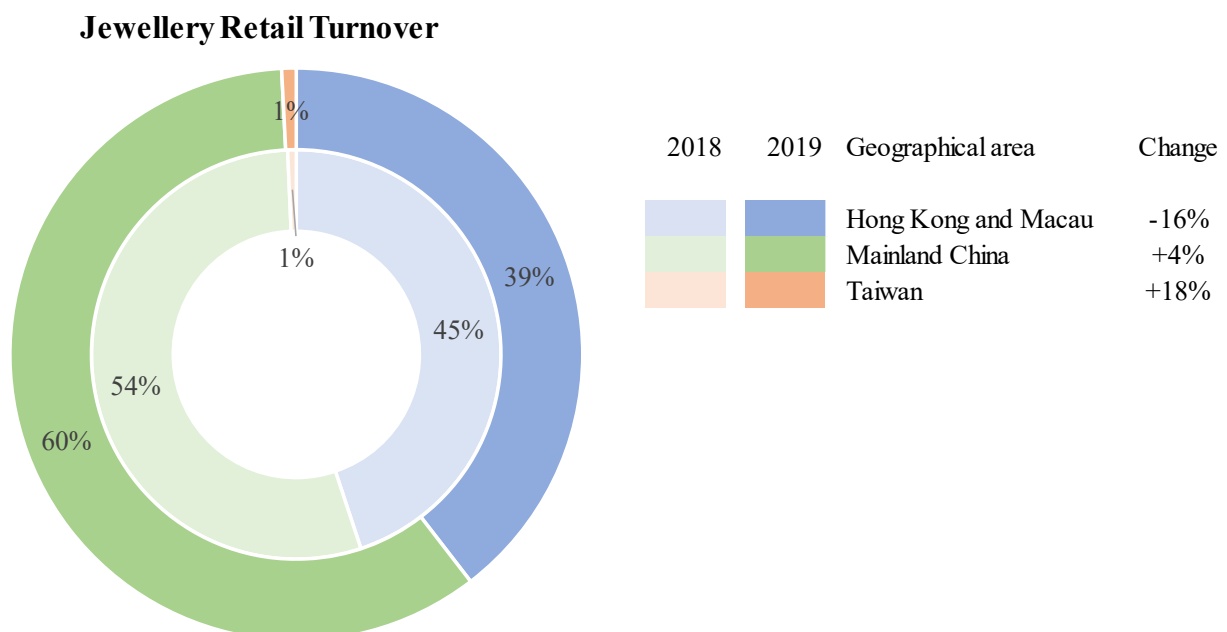
On the Mainland, by quarter four, with the news of a possible trade agreement between China and the USA, consumer sentiment rebounded.

Hong Kong, however, by the second half of 2019 was reeling as the massive demonstration against the Extradition Bill evolved into continuous social unrest; public services were disrupted, and shops had had to suspend trading because of road blockage and protests. Tourist visits dropped significantly. As tourist business accounts for about 50% of our business in Hong Kong, SSSG dropped by 25% for the second half of the year.

The Group’s turnover for 2019 decreased by 6% to HK\$17,736 million. Provisions for impairment losses totalling HK\$372 million (net of tax) were made on loans arising from our securities and futures broking business. Overall profit attributable to equity holders decreased by 36% to HK\$644 million.

### Jewellery Retail

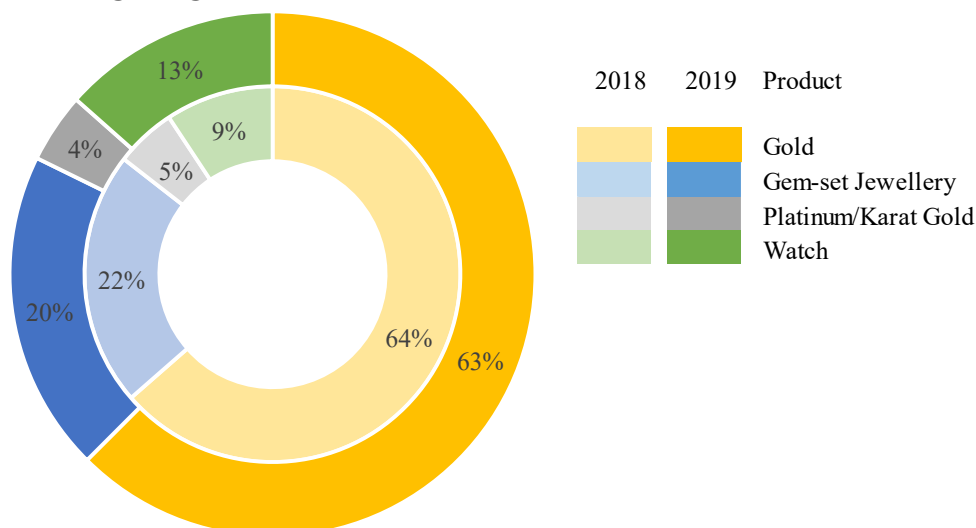
Jewellery retail accounted for 92% of the Group’s turnover. Comparing to 2018, turnover decreased by 5%.



## Hong Kong and Macau

Sales registered a reduction of 16% for the year at HK\$6,436 million. SSSG for the first half was +2%. The second half setback was mainly due to the shrinkage of tourist business and high base comparing to 2018 third quarter (SSSG for 2018 third quarter was +33%).

### Hong Kong and Macau Sales Mix



|                   | 2019 1H<br>vs<br>2018 1H | 2019 2H<br>vs<br>2018 2H | 2019 FY<br>vs<br>2018 FY |
|-------------------|--------------------------|--------------------------|--------------------------|
| SSSG              |                          |                          |                          |
| Gold              | -4%                      | -27%                     | -16%                     |
| Gem-set Jewellery | -2%                      | -40%                     | -21%                     |
| Overall           | +2%                      | -25%                     | -12%                     |

SSSG for gold and gem-set jewellery were -16% and -21% respectively for the year. Watch continued its strong performance and achieved a +53% SSSG. Overall, SSSG was -12% for the year.

| Store Brand    | Number of Stores  |                   |            |
|----------------|-------------------|-------------------|------------|
|                | As at 31 Dec 2018 | As at 31 Dec 2019 | Net Change |
| Chow Sang Sang | 59                | 61                | +2         |
| EMPHASIS       | 3                 | 4                 | +1         |
| 點睛品            | 5                 | 5                 | -          |
|                | 67                | 70                | +3         |

During the year, 3 Chow Sang Sang stores, mainly in tourist districts, were closed. 5 new stores were set up in Whampoa, Sham Shui Po, North Point, Tsuen Wan and Tung Chung to further strengthen our network to serve local customers.

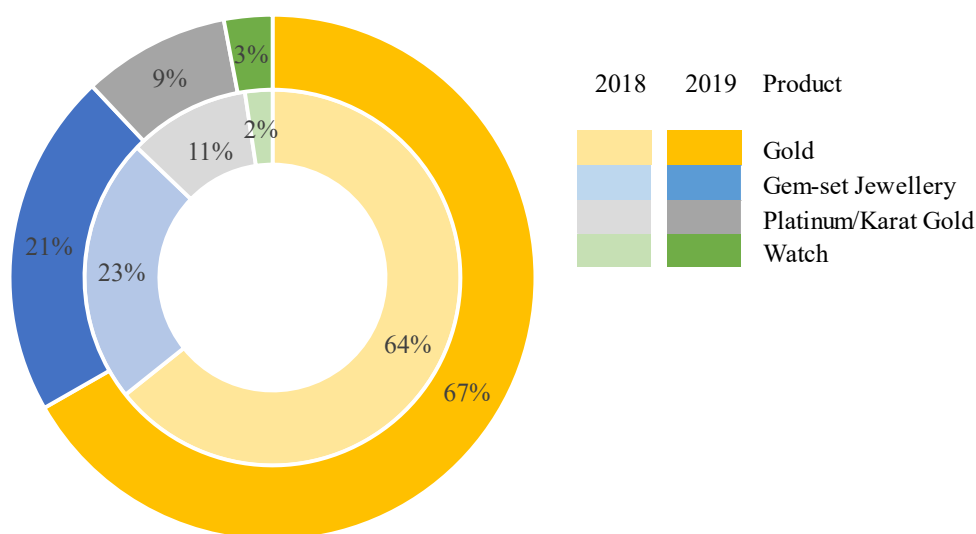
On lease renewals, rental adjustment ranged from -45% to +9%. Reporting on a basis prior to the adoption of HKFRS 16, total shop rental expenditure was HK\$59 million or 9% less than 2018.

Capital expenditure amounted to HK\$70 million, most of which was for new openings and refitting of stores.

## Mainland China

Total turnover rose 4% year-on-year to HK\$9,688 million. In Renminbi terms, total turnover rose by 9%, benefitting mainly from the opening of new stores.

**Mainland China Sales Mix**



|                   | 2019 1H<br>vs<br>2018 1H | 2019 2H<br>vs<br>2018 2H | 2019 FY<br>vs<br>2018 FY |
|-------------------|--------------------------|--------------------------|--------------------------|
| SSSG              |                          |                          |                          |
| Gold              | +8%                      | -3%                      | +3%                      |
| Gem-set Jewellery | -12%                     | -5%                      | -9%                      |
| Overall           | +1%                      | -4%                      | -1%                      |

Gold sales was weaker in the second half with SSSG at -3% comparing to +8% SSSG in the first half. High gold price from June onwards might have deferred consumption. Gem-set jewellery showed improvement with the second half SSSG at -5% while the first half was -12%. For the full year, overall SSSG was -1%.

Online sales continued to grow and accounted for about 16% (2018:15%) of our Mainland China sales. Gold products dominated the sales mix.

| Store Brand    | Number of Stores  |                   |            |
|----------------|-------------------|-------------------|------------|
|                | As at 31 Dec 2018 | As at 31 Dec 2019 | Net Change |
| Chow Sang Sang | 482               | 574               | +92        |
| MINTYGREEN     | 23                | 25                | +2         |
| EMPHASIS       | 1                 | 7                 | +6         |
|                | 506               | 606               | +100       |

At the end of the year, there were a total of 606 stores located in 135 cities for the Group. New stores numbered 120 and there were 20 closings. Of the new stores, 69 were set up in shopping malls.

With new openings and the refitting of 43 stores, together with the on-going construction of the automated warehouse in Shunde, capital expenditure came to RMB300 million.

## *Taiwan*

There was no significant change in the results from the prior year.

## **Wholesale of Precious Metals**

Turnover decreased 10% to HK\$1,436 million. Operating profit dropped by 59% to HK\$6 million.

## **Securities and Futures Broking**

Despite some improvement in the fourth quarter, the market momentum for 2019 was weak with average daily turnover falling below HK\$100 billion. Our turnover also decreased, resulting in a drop of commission income by 30%. The Group made provisions totalling HK\$372 million (net of tax) on loans made to margin clients.

In 2016, we entered into a joint venture (“JV”) 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 to explore the opportunities in China. The JV was subject to government approval and granting of license. Owing to change in regulations, it has been agreed not to proceed with the JV arrangement in March 2020.

## **Investments**

### *Properties*

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

### *Shares in Hong Kong Exchanges and Clearing Limited (“HKEC”)*

As at 31 December 2019, the Group had 3,561,800 shares of HKEC, received as distribution from the reorganisation of the then exchanges in year 2000. The amount remained unchanged throughout the year.

## **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 2019, the Group had cash and cash equivalents of HK\$1,028 million (2018: HK\$1,303 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\$6,774 million in banking facilities including bank borrowings and bullion loans, out of which HK\$881 million are committed facilities. As at 31 December 2019, the total unutilised banking facilities amounted to HK\$3,992 million (2018: HK\$4,080 million).

As at 31 December 2019, total bank borrowings and bullion loans amounted to HK\$1,217 million and HK\$1,474 million respectively, most of which were unsecured in accordance with the Group’s policy. The weighted average tenure of bank borrowings is around three years. The gearing ratio was 25.3%, based on total bank borrowings and bullion loans of HK\$2,691 million as a percentage of total equity of HK\$10,632 million. The current ratio of the Group was 3.0. The decrease in current ratio is due to the recognition of the current lease liabilities of HK\$573 million upon the adoption of HKFRS 16.



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 32% of its bank loans at fixed rates as at 31 December 2019, increased from 21% as at 31 December 2018.

As at 31 December 2019, outstanding derivatives on the books were mainly bullion contracts for hedging the bullion price exposure. 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 and cross currency swaps, to mitigate foreign exchange exposure. As at 31 December 2019, the borrowing denominated in New Taiwan dollar amounted to NT\$100 million.

#### *Charge on Assets, Lease Liabilities and Contingent Liabilities*

As at 31 December 2019, listed equity investments of HK\$784 million (2018: HK\$634 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 31 December 2019, the Group had lease liabilities of HK\$1,300 million and 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 31 December 2019, the total number of employees of the Group was 10,576. There were 1,576 staff in Hong Kong and Macau and 8,823 staff in Mainland China. During the year ended 31 December 2019, total staff costs (excluding Directors' emoluments) amounted to HK\$1,588 million.

## Outlook

The first three weeks into 2020 was promising with strong pre-Chinese New Year sales from Mainland China, and continued improvement against previous months in Hong Kong with social unrest less intense. Unfortunately, the positive trend was quickly derailed by the outbreak of the coronavirus disease 2019 (COVID-19) in the last week of January.

To combat the spreading of COVID-19, local governments locked up cities, restricted travel, and told people to stay home. In Mainland China, due to the closure of department stores and shopping malls, up to 77% of our stores suspended operation in the first two weeks of February. The SSSG in Mainland China and in Hong Kong and Macau for the months of January and February 2020 were -45% and -44% respectively. However, approaching the end of March, over 95% of our stores in Mainland China are operating, albeit with curtailed business hours. In Hong Kong and Macau, the majority of our stores remained open throughout but with shortened hours. We have assiduously negotiated with our landlords for relief in shop rentals and have been granted reductions of February and March rents over a wide range starting from zero.

The impact on our business is alarming. However, our short-term and long-term funding sources are well established to provide liquidity during this difficult period. Our gold inventory, being highly liquid, will provide some back-up cover.

We have taken measures to reduce spending by freezing headcounts, optimising staffing where possible, delaying new store openings and re-prioritising investment spending such as refitting of existing stores.

In Hong Kong, we will selectively refit some of the strategic stores to refresh the image and we will continue to vigorously negotiate with our landlords for rental relief.

COVID-19 has spanned the globe. The economy will eventually recover from this epidemic. How long it takes remains to be seen. Domestic consumption will be a key to restart the economic growth which is important to the stability of the country. Our network of stores, though already fairly extensive, can still be improved by deeper penetration of certain cities, and by siting more in malls rather than department stores. Our effort in market segmentation is spearheaded by brands like EMPHASIS, which specialises in bold designs, and MINTYGREEN, which caters for fans of daily wear jewellery. With the economic climate in mind, we plan to continue opening stores judiciously, and limiting the number to say 30. Our Personalised Jewellery Service, already bringing in around 5% of the diamond sales in 2019, will be one of the most important pieces in our toolkit. Our online business will be further strengthened by closer integration with our offline stores.

## **DIVIDENDS**

The Board has recommended the payment of a final dividend of HK25.0 cents (2018: HK44.0 cents) per ordinary share for the year ended 31 December 2019. Together with the interim dividend of HK14.0 cents (2018: HK15.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK39.0 cents (2018: HK59.0 cents). Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the “2020 Annual General Meeting”), the final dividend will be paid on Friday, 26 June 2020 to shareholders whose names appear on the register of members of the Company on Friday, 19 June 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

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

- (i) from Monday, 8 June 2020 to Thursday, 11 June 2020, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2020 Annual General Meeting. In order to be entitled to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Sunday, 7 June 2020; and
- (ii) from Wednesday, 17 June 2020 to Friday, 19 June 2020, 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, 16 June 2020.

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 2019 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 on The Stock Exchange of Hong Kong Limited, except for the deviation from 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 THIS 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 2019 as set out in this 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 this preliminary announcement.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2019 in conjunction with Ernst & Young.

## **ANNUAL GENERAL MEETING**

The 2020 Annual General Meeting will be held at 4/F, Chow Sang Sang Building, 229 Nathan Road, Kowloon, Hong Kong on Thursday, 11 June 2020 at 10:30 a.m. The notice of the 2020 Annual General Meeting will be published and issued in due course.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the websites of the Company at [www.chowsangsang.com](http://www.chowsangsang.com) and HKEC at [www.hkexnews.hk](http://www.hkexnews.hk). The 2019 annual report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

## **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, 26 March 2020