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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

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021. The interim results have been reviewed by the Audit Committee of the Board.

#### FINANCIAL HIGHLIGHTS

	Unaudited		Change
	Six months ended 30 June 2021	2020	
	HK\$'000	HK\$'000 (Restated)	
<b>CONTINUING OPERATIONS</b>			
Turnover			
Retail	<b>9,775,832</b>	5,650,848	+73%
Other businesses	<b>1,049,487</b>	752,160	+40%
	<b>10,825,319</b>	6,403,008	+69%
Profit/(loss) for the period attributable to owners of the Company			
- Continuing operations	<b>537,023</b>	206,296	+160%
- Discontinued operation	<b>(921)</b>	5,083	-118%
	<b>536,102</b>	211,379	+154%
Earnings per share for profit for the period			
- Basic and diluted	<b>79.1 cents</b>	31.2 cents	+154%
Interim dividend per share	<b>14.0 cents</b>	5.0 cents	
Dividend payout ratio	<b>18%</b>	16%	
Equity attributable to owners of the Company	<b>12,603,969</b>	12,019,114 <sup>^</sup>	+5%
Equity per share	<b>\$18.6</b>	\$17.7 <sup>^</sup>	+5%

<sup>^</sup> Audited as at 31 December 2020

\* For identification purpose only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
	Note	2021	2020
		HK\$'000	HK\$'000
			(Restated)
<b>CONTINUING OPERATIONS</b>			
<b>Turnover</b>	3		
Retail		9,775,832	5,650,848
Other businesses		1,049,487	752,160
		<u>10,825,319</u>	<u>6,403,008</u>
Cost of sales		<u>(8,415,371)</u>	<u>(4,647,156)</u>
Gross profit		2,409,948	1,755,852
Other income, net		47,985	24,225
Selling and distribution costs		(1,447,011)	(1,139,045)
Administrative expenses		(370,234)	(305,665)
Other gains, net		116,620	6,565
Finance costs		<u>(30,088)</u>	<u>(40,538)</u>
<b>Profit before tax from continuing operations</b>	5	727,220	301,394
Income tax	6	<u>(190,337)</u>	<u>(95,098)</u>
<b>Profit for the period from continuing operations</b>		<u>536,883</u>	<u>206,296</u>
<b>DISCONTINUED OPERATION</b>			
Profit/(loss) for the period from the discontinued operation	7	<u>(921)</u>	<u>5,083</u>
<b>Profit for the period</b>		<u>535,962</u>	<u>211,379</u>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		536,102	211,379
Non-controlling interests		<u>(140)</u>	<u>-</u>
		<u>535,962</u>	<u>211,379</u>
<b>Profit/(loss) for the period attributable to owners of the Company:</b>			
Continuing operations		537,023	206,296
Discontinued operation		<u>(921)</u>	<u>5,083</u>
		<u>536,102</u>	<u>211,379</u>

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	HK\$'000	HK\$'000 (Restated)
<b>Earnings per share attributable to owners of the Company</b>			
	9		
Basic and diluted			
- For profit for the period		<u>79.1 cents</u>	<u>31.2 cents</u>
- For profit from continuing operations		<u>79.3 cents</u>	<u>30.5 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
		(Restated)
<b>PROFIT FOR THE PERIOD</b>	<b>535,962</b>	<b>211,379</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation	93,929	(123,620)
<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	130,089	272,705
Revaluation upon transferring leasehold land and buildings to investment properties	106,686	-
Other comprehensive income that will not be reclassified subsequently to profit or loss	236,775	272,705
<b>Other comprehensive income for the period</b>	<b>330,704</b>	<b>149,085</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>866,666</b>	<b>360,464</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
Owners of the Company	866,812	360,464
Non-controlling interests	(146)	-
	<b>866,666</b>	<b>360,464</b>
<b>Total comprehensive income/(loss) for the period attributable to owners of the Company:</b>		
Continuing operations	867,733	355,381
Discontinued operation	(921)	5,083
	<b>866,812</b>	<b>360,464</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2021

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2021</b>	2020
	Note	<b>HK\$'000</b>	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>980,056</b>	1,019,130
Investment properties		<b>446,949</b>	332,649
Right-of-use assets		<b>726,143</b>	793,676
Intangible assets		-	271
Other assets		<b>221,741</b>	209,359
Financial assets designated at fair value through other comprehensive income		<b>1,576,172</b>	1,446,083
Deferred tax assets		<b>72,645</b>	92,201
Total non-current assets		<b><u>4,023,706</u></b>	<u>3,893,369</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>9,842,815</b>	8,774,591
Accounts receivable	10	<b>861,682</b>	834,649
Receivables arising from securities and futures broking	11	<b>252,068</b>	658,673
Prepayments, other receivables and other assets		<b>633,758</b>	507,699
Financial assets at fair value through profit or loss		<b>11,707</b>	9,634
Derivative financial instruments		<b>25,131</b>	-
Tax recoverable		<b>9,323</b>	8,796
Cash held on behalf of clients		<b>4,123</b>	485,289
Cash and cash equivalents		<b>1,221,324</b>	1,653,767
Total current assets		<b><u>12,861,931</u></b>	<u>12,933,098</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	12	<b>199,167</b>	129,803
Payables arising from securities and futures broking	12	<b>4,121</b>	575,052
Other payables and accruals		<b>486,160</b>	520,799
Derivative financial instruments		-	7,054
Interest-bearing bank borrowings		<b>623,947</b>	519,022
Interest-bearing bank borrowings arising from securities and futures broking		-	180,000
Bullion loans		<b>1,386,102</b>	1,002,135
Lease liabilities		<b>499,484</b>	554,400
Tax payable		<b>114,212</b>	168,756
Total current liabilities		<b><u>3,313,193</u></b>	<u>3,657,021</u>
<b>NET CURRENT ASSETS</b>		<b><u>9,548,738</u></b>	<u>9,276,077</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>13,572,444</u></b>	<u>13,169,446</u>

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<b>Unaudited 30 June 2021 HK\$'000</b>	Audited 31 December 2020 HK\$'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	252,455	380,907
Lease liabilities	357,656	446,762
Deferred tax liabilities	360,835	322,663
Total non-current liabilities	<u>970,946</u>	<u>1,150,332</u>
<b>Net assets</b>	<u><b>12,601,498</b></u>	<u><b>12,019,114</b></u>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Issued capital	169,359	169,359
Reserves	12,434,610	11,849,755
	<u>12,603,969</u>	<u>12,019,114</u>
Non-controlling interests	<u>(2,471)</u>	<u>-</u>
<b>Total equity</b>	<u><b>12,601,498</b></u>	<u><b>12,019,114</b></u>

## NOTES:

### 1. Basis of preparation

These unaudited condensed consolidated interim financial statements have 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”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report 2020.

The accounting policies and basis of preparation used in these condensed consolidated interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 31 December 2020, except for the adoption of revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) for the first time for the current period’s consolidated interim financial statements as disclosed in note 2 below.

In the current interim period, the Group has ceased the operation of the securities and futures broking business. Its result for the period is presented separately as one-line item below profit from continuing operations as the “discontinued operation” in the consolidated statement of profit or loss. The comparative figures in the consolidated statement of profit or loss and the consolidated statement of comprehensive income have been restated to present its operation as the “discontinued operation”. The comparative figures in consolidated statement of financial position and condensed consolidated statement of cash flows were not restated. Further details of financial information of the discontinued operation are set out in note 7.

### 2. Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current period’s consolidated interim financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendment to HKFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021 (early adopted)

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

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and New Taiwan dollars based on the Hong Kong Interbank Offered Rate and various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$7,957,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

### 3. Turnover

Revenue from the following activities has been included in turnover from continuing operations:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
<i>Revenue from contracts with customers</i>	<b>10,819,575</b>	6,397,193
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	<u>5,744</u>	<u>5,815</u>
	<b><u>10,825,319</u></b>	<b><u>6,403,008</u></b>

### 4. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and the Group's reportable operating segments are as follows:

#### *Continuing operations*

- the retail of jewellery and watches segment produces and sells jewellery products and distributes watches for the Group's retail business and operates retail stores mainly in Mainland China, Hong Kong, Macau and Taiwan
- the wholesale of precious metals segment trades precious metals to wholesale customers
- the other businesses segment comprises, principally, the investment in properties for their rental income and capital appreciation potential, e-commerce platform, and other jewellery related businesses

#### *Discontinued operation*

- the securities and futures broking segment provides brokering and dealing services for securities and futures

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 from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that certain dividend income 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)

	Continuing operations			Discontinued operation		
	Retail of jewellery and watches HK\$'000	Wholesale of precious metals HK\$'000	Other businesses HK\$'000	Total for continuing operations HK\$'000	Securities and futures broking HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2021</b>						
<b>Segment revenue</b>						
Sales to external customers	9,775,832	1,030,944	12,799	10,819,575	13,194	10,832,769
Intersegment sales	-	277,977	788	278,765	-	278,765
Other revenue	-	-	5,744	5,744	-	5,744
	<u>9,775,832</u>	<u>1,308,921</u>	<u>19,331</u>	<u>11,104,084</u>	<u>13,194</u>	<u>11,117,278</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales				(278,765)		(278,765)
				<u>10,825,319</u>		<u>10,838,513</u>
<b>Segment results</b>	<b>709,047</b>	<b>10,524</b>	<b>(7,378)</b>	<b>712,193</b>	<b>(371)</b>	<b>711,822</b>
<i>Reconciliation:</i>						
Dividend income				15,027		15,027
Profit before tax				<u>727,220</u>		<u>726,849</u>
<b>Six months ended 30 June 2020</b>						
<b>Segment revenue</b>						
Sales to external customers	5,650,848	743,608	2,737	6,397,193	14,969	6,412,162
Intersegment sales	-	135,296	1,266	136,562	-	136,562
Other revenue	-	-	5,815	5,815	-	5,815
	<u>5,650,848</u>	<u>878,904</u>	<u>9,818</u>	<u>6,539,570</u>	<u>14,969</u>	<u>6,554,539</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales				(136,562)		(136,562)
				<u>6,403,008</u>		<u>6,417,977</u>
<b>Segment results</b>	<b>284,618</b>	<b>4,646</b>	<b>1,256</b>	<b>290,520</b>	<b>5,371</b>	<b>295,891</b>
<i>Reconciliation:</i>						
Dividend income				10,874		10,874
Profit before tax				<u>301,394</u>		<u>306,765</u>

## 5. Profit before tax from continuing operations

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b> (Restated)
Write-down of inventories to net realisable value <sup>^</sup>	<b>992</b>	11,400
Depreciation of property, plant and equipment	<b>151,488</b>	134,765
Depreciation of right-of-use assets	<b>250,489</b>	300,309
Rental expenses for short-term leases	<b>32,125</b>	12,385
Variable lease payments not based on index rate	<b>34,357</b>	9,964
Covid-19-related rent concessions from lessors	<b>(7,957)</b>	(49,914)
Impairment of accounts receivable <sup>#</sup>	<b>12,148</b>	18,652
Net fair value gain on bullion loans designated as at fair value through profit or loss <sup>#</sup>	<b>(77,130)</b>	(2,097)
Net fair value gain on derivative financial instruments - transactions not qualifying as hedges <sup>#</sup>	<b>(32,135)</b>	(3,454)
Net loss on bullion loans designated as at fair value through profit or loss <sup>*</sup>	<b>3,232</b>	150,212
Net loss on disposal of derivative financial instruments <sup>*</sup>	<b>8,591</b>	21,778
Net loss on disposal of items of property, plant and equipment	<b>3,398</b>	2,159
Interest income	<b>(9,076)</b>	(13,556)
Dividend income	<b>(15,351)</b>	(11,272)
Government grants <sup>#</sup> <sup>△</sup>	<b>(17,846)</b>	(17,021)

<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 gains, net" on the face of the consolidated statement of profit or loss.

<sup>\*</sup> The net loss on bullion loans designated as at fair value through profit or loss of HK\$3,232,000 (2020: HK\$150,212,000) and the net loss on disposal of derivative financial instruments included a net loss on bullion contracts of HK\$5,425,000 (2020: HK\$21,778,000), which 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.

<sup>△</sup> Government grants mainly represent subsidies received from municipal governments in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

## 6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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% (2020: 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	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
Current - Hong Kong		
Charge for the period	6,362	8,133
Underprovision/(overprovision) in prior periods	(947)	2,011
Current - Mainland China and elsewhere		
Charge for the period	127,145	99,893
Underprovision in prior periods	88	207
Deferred	57,689	(15,146)
Total tax charge for the period from continuing operations	190,337	95,098
Total tax charge for the period from the discontinued operation	550	288
	<u>190,887</u>	<u>95,386</u>

## 7. Discontinued operation

On 29 January 2021, the Board of Directors came to the decision to wind down the operation of the securities and futures broking business. The operation of the securities and futures broking business, which had ceased in May 2021, was classified as a discontinued operation.

The results of the discontinued operation for the periods are presented below:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Turnover	13,194	14,969
Cost of sales	-	-
Gross profit	13,194	14,969
Other income, net	12,441	20,156
Selling and distribution costs	(10,184)	(8,920)
Administrative expenses	(14,842)	(12,563)
Other gains/(losses), net	2,073	(2,729)
Finance costs	(3,053)	(5,542)
Profit/(loss) before tax from the discontinued operation	(371)	5,371
Income tax	(550)	(288)
Profit/(loss) for the period from the discontinued operation	<u>(921)</u>	<u>5,083</u>

## 7. Discontinued operation (continued)

The major classes of assets and liabilities associated with the discontinued operation as at 30 June 2021 are as follows:

	<b>30 June 2021 HK\$'000</b>
<i>Assets</i>	
Receivables arising from securities and futures broking (note 11)	252,068
Prepayments, other receivables and other assets	4,223
Tax recoverable	6,190
Cash held on behalf of clients	4,123
Cash and cash equivalents	<u>13,507</u>
Assets associated with the discontinued operation	<u>280,111</u>
<i>Liabilities</i>	
Payables arising from securities and futures broking (note 12)	4,121
Other payables and accruals	3,010
Deferred tax liabilities	<u>610</u>
Liabilities associated with the discontinued operation	<u>7,741</u>
Net assets directly associated with the discontinued operation	<u><u>272,370</u></u>

The net cash flows incurred by the discontinued operation are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating activities	150,608	(77,266)
Financing activities	<u>(181,759)</u>	<u>13,856</u>
Net cash outflow	<u><u>(31,151)</u></u>	<u><u>(63,410)</u></u>
Earnings/(loss) per share:		
Basic and diluted, from the discontinued operation	<u><u>(0.2) cent</u></u>	<u><u>0.7 cent</u></u>

The calculation of the basic earnings per share amounts from the discontinued operation is based on the loss for the period attributable to owners of the Company from the discontinued operation of HK\$921,000 (2020: profit for the period attributable to owners of the Company from the discontinued operation of HK\$5,083,000) and the weighted average number of ordinary shares of 677,434,000 (2020: 677,434,000) in issue during the period.

There was no potentially dilutive ordinary shares in issue during the period ended 30 June 2021. No adjustment had been made to the basic earnings per share amount from the discontinued operation presented for the period ended 30 June 2020 in respect of dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount from the discontinued operation presented.

## 8. Dividends

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Dividends recognised as distribution during the period:</b>		
Final dividend for 2020: HK26.0 cents (2019: HK25.0 cents) per ordinary share	176,133	169,359
Special final dividend for 2020: HK16.0 cents (2019: Nil) per ordinary share	<u>108,389</u>	<u>-</u>
	<u>284,522</u>	<u>169,359</u>
<b>Dividends declared after the end of the reporting period:</b>		
Interim dividend declared for 2021: HK14.0 cents (2020: HK5.0 cents) per ordinary share	<u>94,841</u>	<u>33,872</u>

The interim dividend is not recognised as a liability as at 30 June 2021 because it has been declared after the end of the reporting period.

## 9. Earnings per share attributable to owners of the Company

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 677,434,000 (2020: 677,434,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2021. No adjustment had been made to the basic earnings per share amount presented for the period ended 30 June 2020 in respect of dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
<b>Earnings:</b>		
Profit/(loss) attributable to owners of the Company, used in the basic and diluted earnings per share calculation		
From continuing operations	537,023	206,296
From the discontinued operation	<u>(921)</u>	<u>5,083</u>
	<u>536,102</u>	<u>211,379</u>

## 10. Accounts receivable

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Trade and credit card receivables	<b>924,285</b>	884,455
Impairment	<b>(62,603)</b>	(49,806)
Accounts receivable	<b><u>861,682</u></b>	<u>834,649</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.

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:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Within 1 month	<b>718,842</b>	749,061
1 to 2 months	<b>56,648</b>	71,626
2 to 3 months	<b>34,422</b>	13,149
Over 3 months	<b>51,770</b>	813
	<b><u>861,682</u></b>	<u>834,649</u>

## 11. Receivables arising from securities and futures broking

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	<b>1</b>	101,752
Clearing houses, brokers and dealers	<b>-</b>	134,777
Clients for subscription of initial public offering ("IPO") shares	<b>-</b>	38,526
Loans to margin clients	<b>741,811</b>	873,362
	<b>741,812</b>	1,148,417
Impairment	<b>(489,744)</b>	(489,744)
Receivables arising from securities and futures broking	<b><u>252,068</u></b>	<u>658,673</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 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.

## 11. 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 provisions, is as follows:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Not yet due	-	211,348
Within 1 month past due	-	20,165
1 to 2 months past due	-	99
2 to 3 months past due	-	150
Over 3 months past due	<u>1</u>	<u>4,767</u>
	<b>1</b>	236,529
Clients for subscription of IPO shares*	-	38,526
Loans to margin clients <sup>#</sup>	<u>252,067</u>	<u>383,618</u>
	<u><b>252,068</b></u>	<u>658,673</u>

\* As at 31 December 2020, receivables from clients for subscription of IPO shares of HK\$38,526,000 were due when the corresponding allotment result of the related IPO shares had been publicly announced and bore interest at commercial rates.

<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 30 June 2021, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$318,484,000 (31 December 2020: HK\$833,346,000).

## 12. 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:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Within 1 month	<b>132,874</b>	63,311
1 to 2 months	<b>65,696</b>	66,314
Over 2 months	<u>597</u>	<u>178</u>
Accounts payable	<b>199,167</b>	129,803
Payables arising from securities and futures broking*	<u>4,121</u>	<u>575,052</u>
	<u><b>203,288</b></u>	<u>704,855</u>

The accounts payable are non-interest bearing.

\* 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.

### 13. Comparative figures

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in note 7. The comparative figures in the consolidated statement of profit or loss and consolidated statement of comprehensive income have been restated as if the operation discontinued during the current period had been discontinued at the beginning of the prior period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

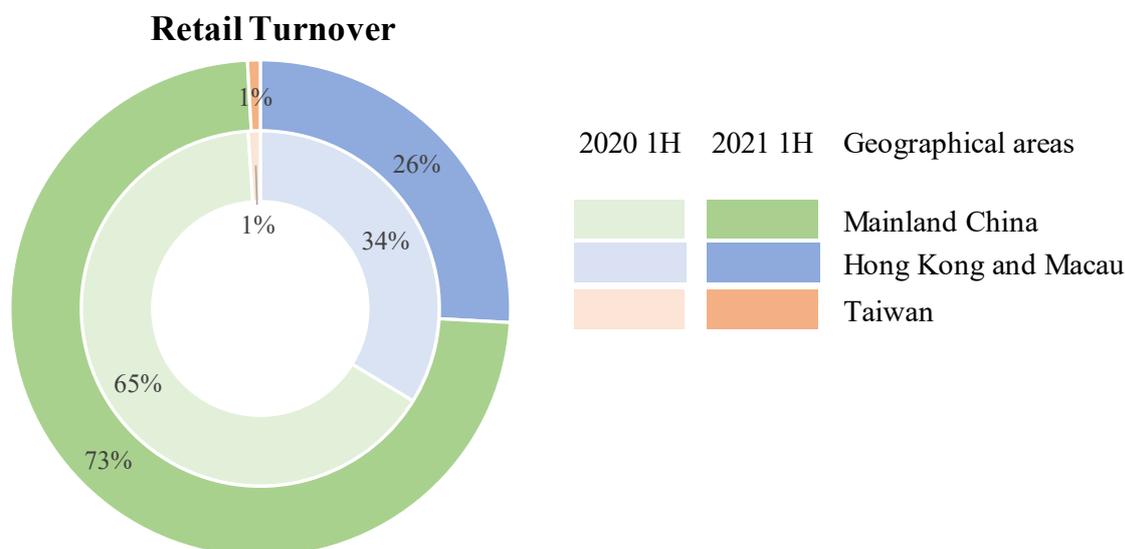
During the six months ended 30 June 2021, jewellery and watch sales in all markets in which our Group was operating exhibited remarkable recovery. Mainland jewellery retail market showed a rapid return to the pre-covid growth trend. Cutting down on overseas travel certainly benefited domestic consumption. Overall Mainland China Same Store Sales Growth (“SSSG”) during the first half of 2021 grew 69%, completely reversing the decline in 2020. Relying mostly on local consumption, Hong Kong and Macau demonstrated relatively modest overall growth as compared with the same period last year.

On the product front, gold jewellery remained the Chinese favourite for both wedding and daily wear purposes. Personalised Jewellery Service continued to be well-received by customers and related sales boosted gem-set jewellery sales. Persistent consumer demand for Rolex and Tudor watches drove spectacular growth of our watch sales in the first half of the year.

The Group’s consolidated turnover from continuing operations for the first half of 2021 increased by 69% to HK\$10,825 million. Profit attributable to owners of the Company increased by 154% to HK\$536 million.

### Retail of Jewellery and Watches

#### Analysis by Geographical Area



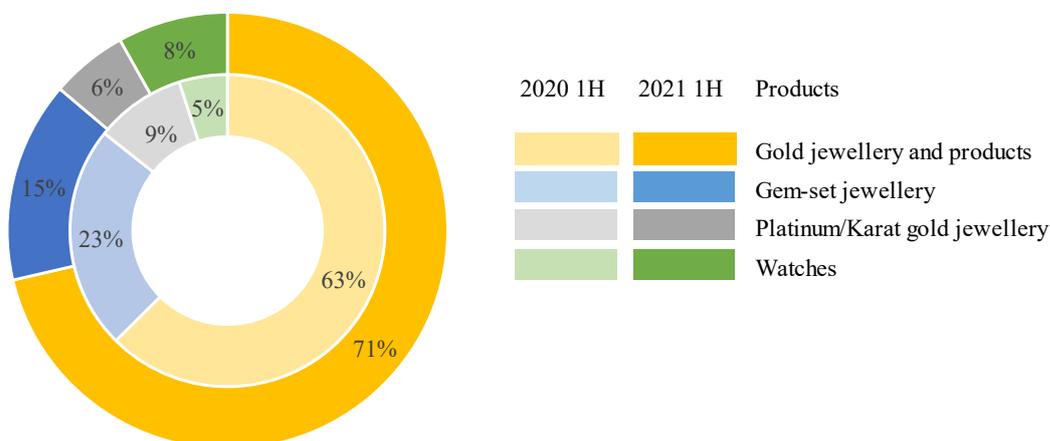
	Segment revenue			Segment results		
	Six months ended 30 June			Six months ended 30 June		
	2021	2020	+/-	2021	2020	+/-
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Mainland China	<b>7,163,814</b>	3,683,295	+94%	<b>556,840</b>	437,289	+27%
Hong Kong and Macau	<b>2,533,049</b>	1,906,543	+33%	<b>147,692</b>	(153,741)	+196%
Taiwan	<b>78,969</b>	61,010	+29%	<b>4,515</b>	1,070	+322%
<b>Total</b>	<b>9,775,832</b>	<b>5,650,848</b>	<b>+73%</b>	<b>709,047</b>	<b>284,618</b>	<b>+149%</b>

### Mainland China

Revenue surged 94% year-on-year in the first half of the year, thanks to the easing of covid-19 restrictions, as well as our new store openings. The Chinese New Year (“CNY”) holidays registered a healthy rebound from the exceptional low base of 2020 when the coronavirus outbreak first hit.

Segment results were up 27%, benefiting from booming gold jewellery product and watch sales.

**Mainland China Sales Mix**



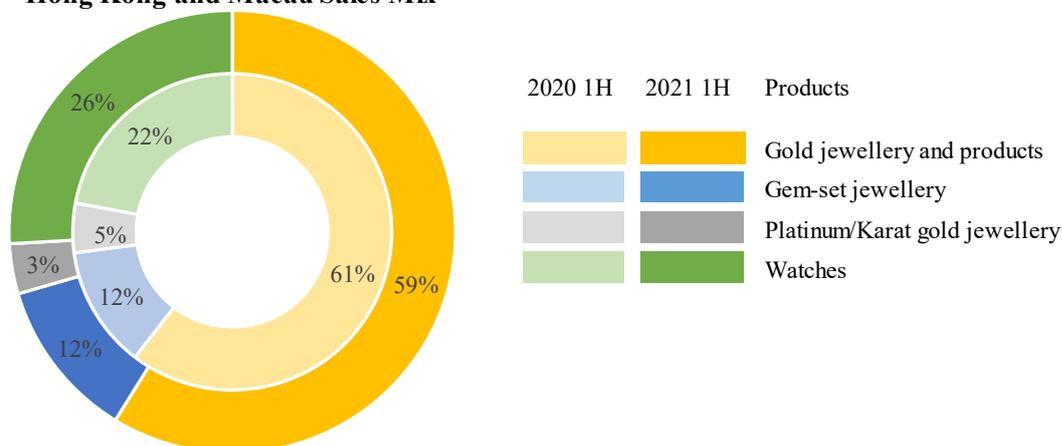
	2020 1H vs 2019 1H	2020 2H vs 2019 2H	2021 1H vs 2020 1H
Gold jewellery and products	-38%	-5%	<b>+93%</b>
Gem-set jewellery	-21%	-2%	<b>+6%</b>
Watches	+27%	+159%	<b>+193%</b>
Overall	-32%	+1%	<b>+69%</b>

- Gold jewellery registered substantial growth. Gold price eased ahead of CNY, rendering gold products more affordable and stimulating demand.
- Personalised Jewellery Service business maintained its growth momentum. However, market competition was fierce for entry-level diamond jewellery.
- Driven by strong demand, sales of Rolex and Tudor reached new highs.

### Hong Kong and Macau

Buoyed by improved market sentiment, revenue in the first half of 2021 was up 33% year-on-year. Watch sales remained strong throughout, unaffected by the pandemic. Hong Kong and Macau operations have resumed its profitability during the first half of 2021. Nevertheless, overall sales are expected not to regain its 2019 level until Mainland tourists return.

**Hong Kong and Macau Sales Mix**



	2020 1H vs 2019 1H	2020 2H vs 2019 2H	2021 1H vs 2020 1H
SSSG			
Gold jewellery and products	-48%	-25%	+27%
Gem-set jewellery	-70%	-44%	+21%
Watches	-5%	+35%	+55%
Overall	-47%	-19%	+31%

- The SSSG upticks in both gold and gem-set categories were supported by a slight rebound in local demand for wedding gifts and daily wear jewellery.
- Gem-set jewellery sales rebounded from a low base. Sales from Personalised Jewellery Service surged 696%.

### Taiwan

Taiwan had exhibited a steady growth since 2020 and fared in relatively good shape prior to mid-May 2021. However, growth was reversed by the recent wave of covid-19. Overall 2021 half year sales were up 29% year-on-year.

## Store Network

Region		As at 31.12.2020	Opening	Closure	Net change	As at 30.6.2021
Mainland China	Chow Sang Sang	591	+20	-17	+3	594
	生生·活字 (Oasis by Chow Sang Sang)	10	+19	0	+19	29
	Rolex/Tudor	12	0	0	0	12
	MINTYGREEN	25	+1	-1	0	25
	EMPHASIS	12	+4	0	+4	16
	PROMESSA	2	+6	0	+6	8
	MARCO BICEGO	1	0	0	0	1
Sub-total:		653	+50	-18	+32	685
Hong Kong	Chow Sang Sang	48	+1	-3	-2	46
	Rolex/Tudor	12	0	-1	-1	11
	EMPHASIS	4	0	0	0	4
	PROMESSA	1	0	0	0	1
Sub-total:		65	+1	-4	-3	62
Macau	點睛品	4	0	0	0	4
Sub-total:		4	0	0	0	4
Taiwan	點睛品	25	+1	-1	0	25
	PROMESSA	1	+1	0	+1	2
Sub-total:		26	+2	-1	+1	27
<b>Total:</b>		<b>748</b>	<b>+53</b>	<b>-23</b>	<b>+30</b>	<b>778</b>

- Our “生生·活字” (Oasis by Chow Sang Sang) line of shops, launched in September 2020, is set to be in a relaxed, “corner-store” style. This line has become the main engine in our store expansion program in Mainland China. A total of 19 new stores, which carried different themes and sales foci, were added. The majority were located in residential neighbourhoods in first-tier to third-tier cities.
- PROMESSA stores are devoted to offer Personalised Jewellery Service with our signature collections of engagement rings, wedding bands and bridal accessories. 7 new stores were opened.
- EMPHASIS is for today’s sophisticated woman, bold but with an eye for elegance. It aims at serving daily fine jewellery market with its contemporary aesthetics. We added 4 more stores in Mainland China to increase its brand presence.
- In Hong Kong, we continued to re-align our store network to better serve neighbourhood districts. 1 new store, themed with community heritage, was added in Wong Tai Sin. We closed 3 stores in Kowloon Station, Tung Chung and Yuen Long.

## Chow Sang Sang Omni-channel Retailing

### *On-line Sales*

On-line Sales by Market	2021 1H HK\$'M	2020 1H HK\$'M	+%
Mainland China	1,123	781	+44%
Hong Kong, Taiwan and Others	57	27	+111%

- Mainland China online sales were steady in spite of covid-19 and accounted for about 16% of our Mainland China sales during the period (2020 1H: 20%).
- We launched PROMESSA and MINTYGREEN WeChat mini-program e-commerce stores in January and April 2021 respectively. Viral marketing, on-line shopping and In-App payment can be done within the closed-loop instant-message ecosystem.
- For Hong Kong, Taiwan and other markets, we saw significant growth in sales to Hong Kong domestic market and North America.

### *Omni-Remote Sales*

- We believe the future of retailing lies in the integration of e-shop and physical stores into one ecosystem, and the lifeline connecting them is our Omni-Remote Sales framework. Product resources including our central stock are shared. Transactions are modularised: ordering, payment, product preparation and delivery can be effected each in a number of ways to suit the needs of the customer. The customer journey can be physical, digital or a mixture of both.
- Omni-Remote Sales include sales generated from e-commerce platforms, Star Concierge Service and other remote sales concluded out of in-person branch environment or with remote inventory. Its scope and capability are being expanded. It accounted for 32% of total sales in Mainland China in the first half (2020 1H: 31%).

### Product and Marketing

- Our Cultural Blessings collection of gold ornaments combines modern artistry with traditional Chinese cultural elements. It has delivered encouraging sales growth during the period. One of our best-selling collections, Charme, has been enriched with new “mini-Charme”, further widening its receptivity.
- We continue to enhance our Personalised Jewellery Service by launching new designs and distinctive services. When selecting diamonds for their pieces, customers can virtually examine the stones through interactive high resolution videos. Personalised diamond sales increased to HK\$447 million, or 34% of corresponding sales (2020 1H: 13%).
- To reach out to young couples, we participated in 14 wedding expos across major cities. The amounts transacted in the expos were very pleasing.
- We organised 25 point-of-purchase events with different themes to showcase our jewellery collections in Mainland China during the period.
- Livestreaming has become an important way for brands to introduce new products and gain awareness in China. We broadcasted a total of over 2,700 hours of live streaming shows on various e-commerce platforms during the six months ended 30 June 2021. Our Chow Sang Sang Tmall Flagship Store won the 2020 Outstanding Live Broadcast Merchant Award (2020 年度直播卓越商家獎) organised by Taobao in April 2021.

## **Wholesale of Precious Metals**

Gold and platinum wholesale business contracted while trading of other precious metals continued to be active and became a significant part of our trading portfolio. Turnover grew 39% to HK\$1,031 million and segment operating profit increased to HK\$11 million.

## **Securities and Futures Broking - the discontinued operation**

At the beginning of the year, the Board decided to exit the broking business. Subsequent to the cessation of the broking business at the beginning of May, we have been processing assets left unclaimed by clients. A complete shutdown can only occur when the assets are all returned or put into court custody.

The legal proceedings initiated by the Group on 1 February 2021 against some margin loan customers, their respective guarantors and the introducer who referred those customers to the Group are in progress. The related outstanding receivables, net of provisions, stood at HK\$221 million as at 30 June 2021, unchanged from previously reported level.

## **Investments**

### *Investment Properties*

The Group holds various properties with a total carrying value of HK\$447 million for rental purpose. Rental income from investment properties amounted to HK\$6 million.

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

The Group’s investment in 3,326,800 shares or 0.26% of HKEC is of strategic nature and is the remaining part of the distribution received from the reorganisation of the then exchanges in the year 2000. Such investment was carried at fair value of HK\$1,540 million, representing 9.1% of the Group’s total assets as at 30 June 2021. During the period, the Group received dividends in the amount of HK\$15 million and recorded a gain of HK\$126 million recognised in other comprehensive income in respect of fair value change of the Group’s financial assets designated at fair value through other comprehensive income.

## **Capital Expenditure**

The Group incurred capital expenditure of HK\$113 million. HK\$85 million of which was spent on new openings and refitting of stores.

## Finance

### *Financial Position and Liquidity*

The Group generates strong recurring cashflow from its retailing business and continues to enjoy a solid cash position. As at 30 June 2021, the Group had cash and cash equivalents of HK\$1,221 million (31 December 2020: HK\$1,654 million). Cash is mostly held in Renminbi or Hong Kong dollar and deposited in leading banks with maturity dates falling within one year.

The Group was well supported by over HK\$5,866 million in banking facilities including bank borrowings and bullion loans, out of which HK\$592 million are committed facilities. As at 30 June 2021, the total unutilised banking facilities amounted to HK\$3,460 million (31 December 2020: HK\$4,083 million).

As at 30 June 2021, total bank borrowings and bullion loans amounted to HK\$876 million and HK\$1,386 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 17.9%, based on total bank borrowings and bullion loans of HK\$2,262 million as a percentage of equity attributable to owners of the Company of HK\$12,604 million. The current ratio of the Group was 3.9.

The Group manages risk of credit cost and availability by several means: cultivating relationship with a large number of lending banks; diversifying the funding sources by engaging a number of local and overseas banks; putting some loans on a term basis; and fixing interest costs on loans as appropriate. The Group had 39% of its bank loans at fixed rates as at 30 June 2021, increased from 27% as at 31 December 2020.

As at 30 June 2021, 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 30 June 2021, the borrowing denominated in New Taiwan dollar amounted to NT\$135 million.

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

As at 30 June 2021, there was no asset (31 December 2020: listed equity investments of HK\$850 million) pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2021, the Group had lease liabilities of HK\$857 million (31 December 2020: HK\$1,001 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.

On 11 June 2020, the shareholders of the Company approved and adopted a new share option scheme and terminated the share option scheme adopted on 7 December 2010. The new share option scheme is to provide incentives or rewards to eligible participants for their contribution to the Group and enabling the Group to attract and retain valuable employees.

As at 30 June 2021, the total number of employees of the Group was 10,246, of whom 8,684 in Mainland China, 1,370 in Hong Kong and Macau, and 192 in Taiwan. During the six months ended 30 June 2021, total staff costs amounted to HK\$823 million.

## **Outlook**

While consumer sentiments have been on the rise since the beginning of the year, uncertainties abound. Any hope of Hong Kong's border opening up soon was dashed by the recent rampage of the Delta variant of covid-19 on the Mainland and elsewhere. Geopolitical tensions, war of words and sanctions continue unabated. Policy clampdown by the central government on commercial matters are roiling the markets. The list continues.

In the interest of enhancing recognition of our brands, on the Mainland we continue to expand our network, albeit more selectively and cautiously. Once we have identified a prospective locale, we will pick from our stable of store brands one that suits the locale and its client segment. Other sales and promotion channels, such as wedding expos and online platforms besides the most well-known ones will be assiduously explored and exploited.

In Hong Kong and Macau, the short to medium term goal is to bank on domestic consumption to weather out the dearth of Mainland tourists.

For the year 2021, we expect the number of net store additions to be around 100.

## **DIVIDEND**

The Board has declared an interim dividend of HK14.0 cents (2020: HK5.0 cents) per ordinary share for the six months ended 30 June 2021 payable to shareholders whose names appear on the register of members of the Company on Tuesday, 14 September 2021. The dividend will be paid on Thursday, 23 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 10 September 2021 to Tuesday, 14 September 2021, both dates inclusive, during such period no transfer of shares will be registered. To establish the entitlement to the interim 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 9 September 2021.

## **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 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 interim results announcement is published on the websites of the Company at [www.chowsangsang.com](http://www.chowsangsang.com) and HKEX at [www.hkexnews.hk](http://www.hkexnews.hk). The 2021 interim report of the Company will be published on the above websites and despatched to the shareholders of the Company 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 August 2021