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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 2023

The Board of the Company announces the unaudited interim results of the Group for the six months ended 30 June 2023. The interim results have been reviewed by the Audit Committee of the Board.

FINANCIAL HIGHLIGHTS			
	Unaudited		Change
	Six months ended 2023	Six months ended 2022	
	HK\$'000	HK\$'000	
CONTINUING OPERATIONS			
Turnover			
Retail	12,671,833	9,668,795	+31%
Other businesses	327,945	423,265	-23%
	<u>12,999,778</u>	<u>10,092,060</u>	+29%
Profit/(loss) for the period attributable to owners of the Company			
Continuing operations	828,969	481,239	+72%
Discontinued operation	(1,760)	(9,475)	-81%
	<u>827,209</u>	<u>471,764</u>	+75%
Earnings per share - Basic and diluted			
For profit for the period	122.1 cents	69.6 cents	+75%
For profit from continuing operations	122.4 cents	71.0 cents	+72%
Interim dividend per share	20.0 cents	15.0 cents	
Dividend payout ratio	16%	22%	
Equity attributable to owners of the Company	12,107,102	11,890,543 [^]	+2%
Equity per share	\$17.9	\$17.6 [^]	+2%

[^] Audited as at 31 December 2022

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Note	HK\$'000	HK\$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	3		
Retail		12,671,833	9,668,795
Other businesses		327,945	423,265
		<u>12,999,778</u>	<u>10,092,060</u>
Cost of sales		<u>(9,362,790)</u>	<u>(7,213,546)</u>
Gross profit		3,636,988	2,878,514
Other income and gains, net	5	162,519	111,515
Selling and distribution costs		(2,175,528)	(1,862,944)
Administrative expenses		(457,642)	(421,556)
Foreign exchange differences, net		(49,484)	(47,479)
Finance income		9,508	7,077
Finance costs		<u>(62,932)</u>	<u>(33,352)</u>
Profit before tax from continuing operations	6	1,063,429	631,775
Income tax	7	<u>(241,425)</u>	<u>(154,840)</u>
Profit for the period from continuing operations		822,004	476,935
DISCONTINUED OPERATION			
Loss for the period from the discontinued operation	8	<u>(1,760)</u>	<u>(9,475)</u>
Profit for the period		820,244	467,460
Profit/(loss) for the period attributable to:			
Owners of the Company		827,209	471,764
Non-controlling interests		<u>(6,965)</u>	<u>(4,304)</u>
		<u>820,244</u>	<u>467,460</u>
Profit/(loss) for the period attributable to owners of the Company:			
Continuing operations		828,969	481,239
Discontinued operation		<u>(1,760)</u>	<u>(9,475)</u>
		<u>827,209</u>	<u>471,764</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Note	HK\$'000	HK\$'000 (Restated)
Earnings per share attributable to owners of the Company			
	10		
Basic and diluted			
- For profit for the period		<u>122.1 cents</u>	<u>69.6 cents</u>
- For profit from continuing operations		<u>122.4 cents</u>	<u>71.0 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	820,244	467,460
OTHER COMPREHENSIVE LOSS		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>(369,401)</u>	<u>(378,470)</u>
Item that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets designated at fair value through other comprehensive income	<u>(139,742)</u>	<u>(230,897)</u>
Other comprehensive loss for the period	<u>(509,143)</u>	<u>(609,367)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>311,101</u>	<u>(141,907)</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	318,174	(137,553)
Non-controlling interests	<u>(7,073)</u>	<u>(4,354)</u>
	<u>311,101</u>	<u>(141,907)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company:		
Continuing operations	319,934	(128,078)
Discontinued operation	<u>(1,760)</u>	<u>(9,475)</u>
	<u>318,174</u>	<u>(137,553)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,192,482	1,085,850
Investment properties		471,935	508,335
Right-of-use assets		1,103,218	964,050
Other assets		216,666	205,021
Financial assets designated at fair value through other comprehensive income		1,019,074	1,158,816
Deferred tax assets		60,649	68,244
Total non-current assets		<u>4,064,024</u>	<u>3,990,316</u>
CURRENT ASSETS			
Inventories		11,850,854	12,112,349
Accounts receivable	11	791,594	818,472
Receivables arising from securities and futures broking	12	123,642	123,642
Prepayments, other receivables and other assets		754,302	815,415
Financial assets at fair value through profit or loss		12,619	14,334
Derivative financial instruments		4,410	10,008
Tax recoverable		-	15,623
Cash held on behalf of clients		2,082	2,070
Cash and cash equivalents		1,257,816	748,628
Total current assets		<u>14,797,319</u>	<u>14,660,541</u>
CURRENT LIABILITIES			
Accounts payable	13	173,948	130,442
Payables arising from securities and futures broking	13	2,082	2,070
Other payables and accruals		518,807	609,147
Derivative financial instruments		312	12,371
Interest-bearing bank borrowings		1,003,321	1,026,163
Bullion loans		2,811,707	3,073,102
Lease liabilities		520,922	466,241
Tax payable		156,663	37,274
Total current liabilities		<u>5,187,762</u>	<u>5,356,810</u>
NET CURRENT ASSETS		<u>9,609,557</u>	<u>9,303,731</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,673,581</u>	<u>13,294,047</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	615,663	540,761
Lease liabilities	595,390	516,744
Deferred tax liabilities	<u>382,814</u>	<u>366,314</u>
Total non-current liabilities	<u>1,593,867</u>	<u>1,423,819</u>
Net assets	<u>12,079,714</u>	<u>11,870,228</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	169,359	169,359
Reserves	<u>11,937,743</u>	<u>11,721,184</u>
	12,107,102	11,890,543
Non-controlling interests	<u>(27,388)</u>	<u>(20,315)</u>
Total equity	<u>12,079,714</u>	<u>11,870,228</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 Listing Rules.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report 2022.

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 2022, except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) for the first time for the current period’s consolidated interim financial statements as disclosed in note 2 below.

2. Changes in accounting policies and disclosures

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

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The nature and impact of revised HKFRSs that are applicable to the Group are described below:

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s condensed consolidated interim financial statements but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

2. Changes in accounting policies and disclosures (continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

3. Turnover

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>	12,994,530	10,085,728
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	<u>5,248</u>	<u>6,332</u>
	<u>12,999,778</u>	<u>10,092,060</u>

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 e-commerce platform segment trades jewellery set with laboratory-grown diamond and gemstones
- the other businesses segment comprises, principally, the investment in properties for their rental income and capital appreciation potential, 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. During the year ended 31 December 2022, the Directors had reassessed the basis of adjusted profit before tax for reportable operating segments from continuing operations and considered that it is more appropriate to be measured consistently with the Group's profit before tax from continuing operations except that dividend income, fair value gain or loss on investment properties, fair value gain or loss on bullion loans designated as at fair value through profit or loss, fair value gain or loss on derivative financial instruments - transactions not qualifying as hedges, fair value gain or loss on financial assets at fair value through profit or loss, finance income, finance costs and foreign exchange differences, net are excluded from such measurement. The Directors believe that the current presentation could provide better understanding to the users of the financial statements to evaluate the Group's operating performance. Accordingly, the comparative figures in segment results have been restated.

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				Total for continuing operations HK\$'000	Discontinued operation	Total HK\$'000
	Retail of jewellery and watches HK\$'000	Wholesale of precious metals HK\$'000	E-commerce platform HK\$'000	Other businesses HK\$'000		Securities and futures broking HK\$'000	
Six months ended 30 June 2023							
Segment revenue (note 3)							
Sales to external customers	12,671,833	314,796	2,678	5,223	12,994,530	-	12,994,530
Intersegment sales	-	320,910	-	264	321,174	-	321,174
Other revenue	-	-	-	5,248	5,248	-	5,248
	<u>12,671,833</u>	<u>635,706</u>	<u>2,678</u>	<u>10,735</u>	<u>13,320,952</u>	<u>-</u>	<u>13,320,952</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales					(321,174)		(321,174)
					<u>12,999,778</u>		<u>12,999,778</u>
Segment results	1,094,347	(1,145)	(35,031)	(32)	1,058,139	(1,774)	1,056,365
<i>Reconciliation:</i>							
Dividend income					12,960	-	12,960
Net fair value gain/(loss) on:							
Bullion loans designated as at fair value through profit or loss					90,316	-	90,316
Derivative financial instruments - transactions not qualifying as hedges					6,482	-	6,482
Financial assets at fair value through profit or loss					(1,560)	-	(1,560)
Finance income					9,508	14	9,522
Finance costs					(62,932)	-	(62,932)
Foreign exchange differences, net					(49,484)	-	(49,484)
Profit before tax					<u>1,063,429</u>	<u>(1,760)</u>	<u>1,061,669</u>

4. Operating segment information (continued)

	Continuing operations					Discontinued operation	Total HK\$'000 (Restated)
	Retail of jewellery and watches HK\$'000 (Restated)	Wholesale of precious metals HK\$'000 (Restated)	E- commerce platform HK\$'000 (Restated)	Other businesses HK\$'000 (Restated)	Total for continuing operations HK\$'000 (Restated)	Securities and futures broking HK\$'000 (Restated)	
Six months ended 30 June 2022							
Segment revenue (note 3)							
Sales to external customers	9,668,795	404,696	64	12,173	10,085,728	-	10,085,728
Intersegment sales	-	100,751	-	264	101,015	-	101,015
Other revenue	-	-	-	6,332	6,332	-	6,332
	<u>9,668,795</u>	<u>505,447</u>	<u>64</u>	<u>18,769</u>	<u>10,193,075</u>	<u>-</u>	<u>10,193,075</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales					(101,015)		(101,015)
					<u>10,092,060</u>		<u>10,092,060</u>
Segment results	658,134	21	(22,662)	6,419	641,912	(9,475)	632,437
<i>Reconciliation:</i>							
Dividend income					14,487	-	14,487
Net fair value gain on:							
Bullion loans designated as at fair value through profit or loss					28,723	-	28,723
Derivative financial instruments - transactions not qualifying as hedges					20,402	-	20,402
Financial assets at fair value through profit or loss					5	-	5
Finance income					7,077	-	7,077
Finance costs					(33,352)	-	(33,352)
Foreign exchange differences, net					(47,479)	-	(47,479)
Profit before tax					<u>631,775</u>	<u>(9,475)</u>	<u>622,300</u>

5. Other income and gains, net

An analysis of other income and gains, net from continuing operations is as follows:

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000 (Restated)
Dividend income from listed investments	12,680	14,281
Dividend income from unlisted investments	280	206
Government grants*	5,618	26,580
Reversal of impairment of accounts receivable, net	5,759	16,245
Net fair value gain/(loss) on:		
Bullion loans designated at fair value through profit or loss	90,316	28,723
Derivative financial instruments		
- transactions not qualifying as hedges	6,482	20,402
Financial assets at fair value through profit or loss	(1,560)	5
Net gain on disposal of derivative financial instruments:		
Foreign currency forward contracts	20,480	-
Cross currency swaps	6,331	-
Others	16,133	5,073
	<u>162,519</u>	<u>111,515</u>

* Government grants for the period mainly represent subsidies received from municipal governments in Mainland China. In the prior period, government grants mainly represented subsidies received in connection with the support from the Anti-epidemic Fund of the Government of Hong Kong Special Administrative Region and subsidies from municipal governments in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. Profit before tax from continuing operations

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Write-down of inventories to net realisable value ¹	907	4,401
Depreciation of property, plant and equipment	175,554	170,693
Depreciation of right-of-use assets	292,161	266,005
Lease payments not included in the measurement of lease liabilities	461,697	381,438
Covid-19-related rent concessions from lessors	-	(10,325)
Net loss on bullion loans designated as at fair value through profit or loss ²	337,022	127,611
Net loss/(gain) on disposal of derivative financial instruments ²	1,833	(7,237)
Net loss on disposal of items of property, plant and equipment	2,153	4,149

¹ This balance is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

² The net loss on bullion loans designated as at fair value through profit or loss of HK\$337,022,000 (2022: HK\$127,611,000) and the net loss on disposal of derivative financial instruments included a net loss on bullion contracts of HK\$28,644,000 (2022: net gain of HK\$7,237,000), 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. The net loss on disposal of derivative financial instruments also included a net gain on foreign currency forward contracts and cross currency swaps of HK\$26,811,000 (2022: Nil), which was included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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% (2022: 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	
	2023	2022
	HK\$'000	HK\$'000
Current - Hong Kong		
Charge for the period	50,115	15,058
Overprovision in prior periods	-	(7)
Current - Mainland China and elsewhere		
Charge for the period	169,284	118,357
Underprovision in prior periods	538	57
Deferred	21,488	21,375
Total tax charge for the period from continuing operations	241,425	154,840
Total tax charge for the period from the discontinued operation	-	-
	<u>241,425</u>	<u>154,840</u>

8. Discontinued operation

On 29 January 2021, the Board 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 period are presented below:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Other income and gains, net	8	10
Administrative expenses	(1,782)	(2,633)
Impairment of receivables arising from securities and futures broking	-	(6,852)
Finance income	14	-
Loss before tax from the discontinued operation	(1,760)	(9,475)
Income tax	-	-
Loss for the period from the discontinued operation	<u>(1,760)</u>	<u>(9,475)</u>

8. Discontinued operation (continued)

The major classes of assets and liabilities associated with the discontinued operation at the end of the reporting period are as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
<i>Assets</i>		
Receivables arising from securities and futures broking (note 12)	123,642	123,642
Prepayments, other receivables and other assets	409	409
Cash held on behalf of clients	2,082	2,070
Cash and cash equivalents	4,852	5,338
	<u>130,985</u>	<u>131,459</u>
<i>Liabilities</i>		
Payables arising from securities and futures broking (note 13)	2,082	2,070
Other payables and accruals	282	546
	<u>2,364</u>	<u>2,616</u>
Net assets directly associated with the discontinued operation	<u>128,621</u>	<u>128,843</u>

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

	Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
Net cash outflow from operating activities	<u>(486)</u>	<u>(1,440)</u>
Loss per share:		
Basic and diluted, from the discontinued operation	<u>(0.3) cent</u>	<u>(1.4) cents</u>

The calculation of the basic loss 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\$1,760,000 (2022: HK\$9,475,000) and the weighted average number of ordinary shares of 677,434,000 (2022: 677,434,000) in issue during the period.

There were no potentially dilutive ordinary shares in issue during the current and prior periods.

9. Dividends

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend for 2022: HK15.0 cents (2021: HK28.0 cents) per ordinary share	<u>101,615</u>	<u>189,682</u>
Dividends declared after the end of the reporting period:		
Interim dividend declared for 2023: HK20.0 cents (2022: HK15.0 cents) per ordinary share	<u>135,487</u>	<u>101,615</u>

The interim dividend is not recognised as a liability as at 30 June 2023 because it has been declared after the end of the reporting period.

10. 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 (2022: 677,434,000) in issue during the period.

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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Earnings:		
Profit/(loss) for the period attributable to owners of the Company, used in the basic and diluted earnings per share calculation		
From continuing operations	828,969	481,239
From the discontinued operation	<u>(1,760)</u>	<u>(9,475)</u>
	<u>827,209</u>	<u>471,764</u>

11. Accounts receivable

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade and credit card receivables	821,826	875,695
Impairment	(30,232)	(57,223)
Accounts receivable	<u>791,594</u>	<u>818,472</u>

The Group's trading terms with its retail and e-commerce platform 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:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within 1 month	717,577	700,198
1 to 2 months	54,530	70,042
2 to 3 months	13,605	25,746
Over 3 months	5,882	22,486
	<u>791,594</u>	<u>818,472</u>

12. Receivables arising from securities and futures broking

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Loans to margin clients [#]	737,182	737,182
Impairment	(613,540)	(613,540)
Receivables arising from securities and futures broking	<u>123,642</u>	<u>123,642</u>

[#] 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 2023, the total market value of securities pledged as collateral and securities held by guarantors in respect of the loans to margin clients was HK\$133,559,000 (31 December 2022: HK\$123,642,000).

Receivables from margin clients arising from the business of dealing in securities and futures broking are repayable on demand subsequent to settlement date.

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

An ageing analysis of the accounts payable and payables arising from securities and futures broking at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within 1 month	157,932	124,911
1 to 2 months	15,153	5,347
Over 2 months	863	184
Accounts payable	173,948	130,442
Payables arising from securities and futures broking*	2,082	2,070
	176,030	132,512

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.

14. Comparative information

Save as disclosed in note 4 to this announcement, certain comparative amounts have been reclassified to conform to the current period's presentation. The Directors consider that such reclassifications allow a more appropriate presentation of the Group's financial performance and/or better reflect the nature of the transactions/balances.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Following the end of epidemic-related restrictions in Mainland China, Hong Kong and Macau, the Group's total jewellery and watch sales in the first half of 2023 increased 31% year-on-year. Turnover for Hong Kong and Macau was up 59%, and turnover in Mainland China grew 22%. Strong demand for gold jewellery was the main driver in both cases.

In the first half of 2023, the Group added a net total of 39 stores to its retail network.

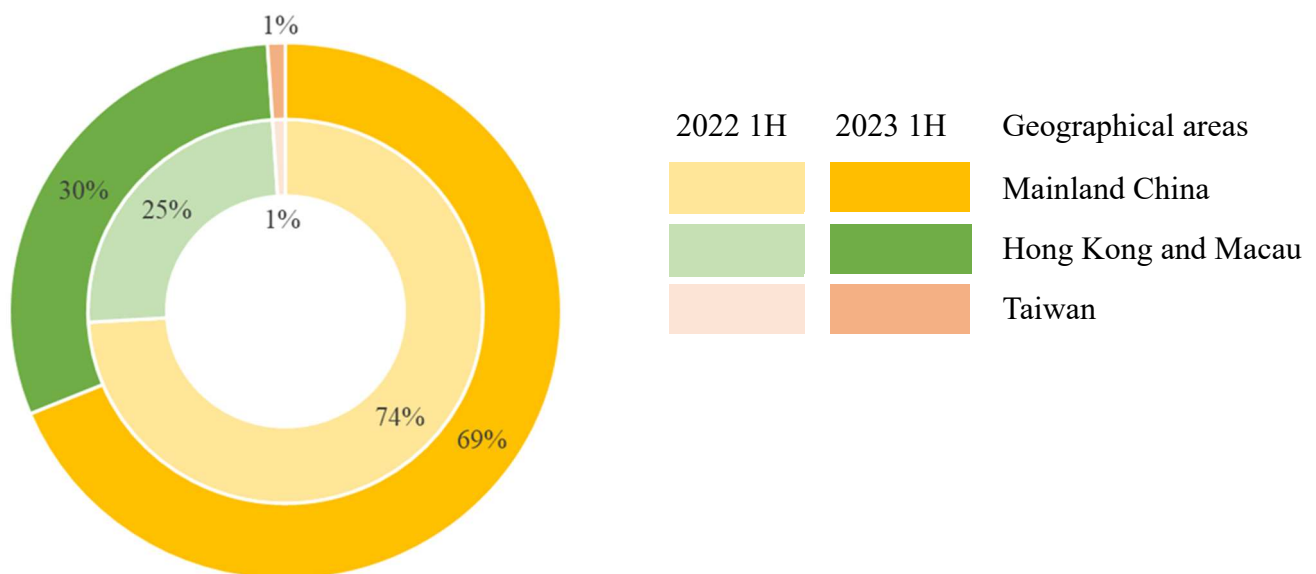
Compared with the first half of 2022, there was a higher concentration of gold products in our sales mix, and the price of gold was generally higher. The combined effect drove our overall gross profit margin down by 0.5 percentage points from 28.5% to 28%.

The Group's consolidated turnover from continuing operations for the first half of 2023 increased by 29% to HK\$13,000 million. Profit attributable to owners of the Company increased by 75% to HK\$827 million. Profit attributable to owners of the Company from continuing operations increased by 72% to HK\$829 million.

Retail of Jewellery and Watches

Analysis by Geographical Area

Retail Turnover

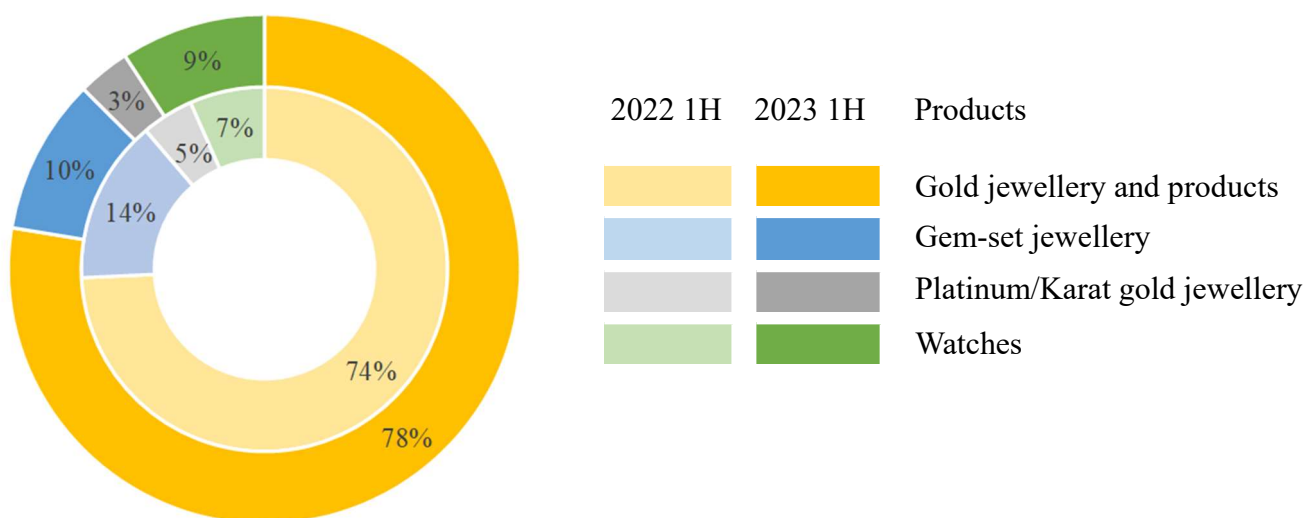


	Segment revenue			Segment results		
	Six months ended 30 June			Six months ended 30 June		
	2023	2022	Change	2023	2022	Change
HK\$'000	HK\$'000	HK\$'000		HK\$'000 (Restated)		
Mainland China	8,714,780	7,164,718	+22%	715,114	508,236	+41%
Hong Kong and Macau	3,824,528	2,403,486	+59%	365,610	142,708	+156%
Taiwan	132,525	100,591	+32%	13,623	7,190	+89%
Total	12,671,833	9,668,795	+31%	1,094,347	658,134	+66%

Mainland China

- Strong rebound of gold jewellery and products with SSSG of +26%.
- Diamond jewellery sales, particularly sales of diamond jewellery at higher price ranges, was on a downward trend.
- Sales of Rolex and Tudor watches recorded SSSG of +37% over the low base in 2022 which was the result of disrupted supplies during the pandemic period.

Mainland China Sales Mix

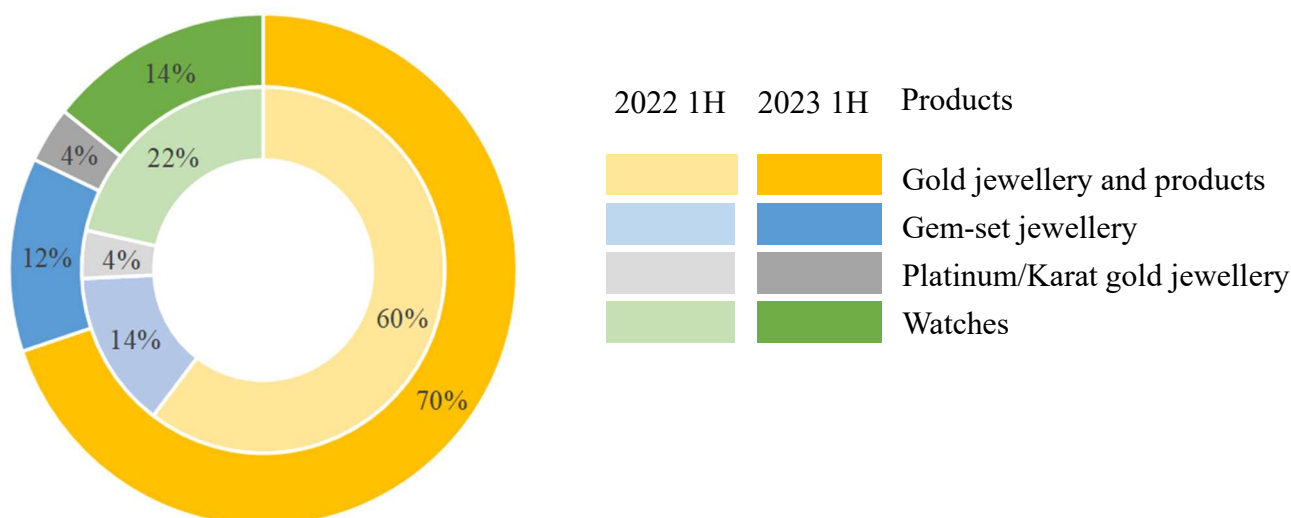


	2022 1H vs 2021 1H	2022 2H vs 2021 2H	2023 1H vs 2022 1H
SSSG			
Gold jewellery and products	-4%	+4%	+26%
Gem-set jewellery	-17%	-26%	-18%
Watches	-24%	+47%	+37%
Overall	-9%	0%	+19%

Hong Kong and Macau

- With all travel restrictions lifted, turnover in Hong Kong and Macau increased 59% year-on-year, and segment results jumped 156%.
- Overall, SSSG was +93% in the first quarter of 2023 as compared to the same period of 2022 which was battered by covid lockdowns, and SSSG of +33% was recorded in the second quarter.
- SSSG of gold jewellery and products rebounded with increase of 78%.
- SSSG of gem-set jewellery recorded increase of 34% with “Infini Love Diamond” collection continued to contribute to SSSG.
- Watch sales recorded steady growth of SSSG of +16% as compared to the first half of 2022.

Hong Kong and Macau Sales Mix



	2022 1H vs 2021 1H	2022 2H vs 2021 2H	2023 1H vs 2022 1H
SSSG			
Gold jewellery and products	-3%	+30%	+78%
Gem-set jewellery	+14%	+2%	+34%
Watches	-21%	+2%	+16%
Overall	-5%	+20%	+56%

Taiwan

Sales in Taiwan maintained steady growth. New strategies in network expansion and merchandising, devised by the local management team, enabled sales to grow 32% year-on-year, and segment results to increase 89%.

Store Network

Region		As at 31.12.2022	Opening	Closure	Net Change	As at 30.6.2023
Mainland China	Chow Sang Sang	697	+47	-17	+30	727
	周生生 生生・活字 (Oasis by Chow Sang Sang)	69	+6	-4	+2	71
	Rolex/Tudor	14	+2	-2	0	14
	MINTYGREEN	50	+2	-1	+1	51
	EMPHASIS	19	0	-2	-2	17
	PROMESSA	24	+7	-1	+6	30
	MARCO BICEGO	1	0	0	0	1
Sub-total:		874	+64	-27	+37	911
Hong Kong	Chow Sang Sang	45	0	0	0	45
	Rolex/Tudor	10	0	0	0	10
	EMPHASIS	4	0	0	0	4
	PROMESSA	2	+1	0	+1	3
Sub-total:		61	+1	0	+1	62
Macau	點睛品	8	+1	-1	0	8
Sub-total:		8	+1	-1	0	8
Taiwan	點睛品	30	+1	0	+1	31
	PROMESSA	4	+1	-1	0	4
Sub-total:		34	+2	-1	+1	35
Total:		977	+68	-29	+39	1,016

- During the period, 53 new Chow Sang Sang stores of which 6 being 生生・活字 (Oasis by Chow Sang Sang) stores were opened in Mainland China and a total of 21 stores were closed. 35 of the new stores were located in shopping malls.
- In Hong Kong and Macau, we added 1 PROMESSA store in Tuen Mun, Hong Kong and 1 點睛品 store in Macau.
- We added 1 點睛品 store and 1 PROMESSA store in Taiwan as part of our steady retail network expansion to capture higher market share.

Chow Sang Sang Omni-channel Retailing

Online Sales

Online Sales by Market	2023 1H HK\$'M	2022 1H HK\$'M	Change
Mainland China	1,594	1,395	14%
Hong Kong, Taiwan and Others	139	98	42%

- The online sales in Mainland China maintained its growth momentum and accounted for approximately 18% of total Mainland China sales during the period (2022 1H: 19%). Growth in sales of gold jewellery and products continue to outpace other product categories. We have continued to invest in live streaming using home-grown and external talents in over 11,200 (2022 1H: 8,200) hours of shows.
- Online sales in Hong Kong, Taiwan and other regions continued to grow at a fast pace in 2023. Continual growth has been achieved by channel expansion and to other overseas markets through third-party e-commerce platforms and joint promotion with local partners.

Omni-Remote Sales

- 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. The percentage of sales in the first half of 2023 to total sales in Mainland China decreased to 30% (2022 1H : 35%) with the lower demand for Personalised Jewellery Service.

Product and Marketing

- Our ever-popular collections of gold ornaments, “Cultural Blessings” and “Charme”, bolstered by the new ones “gin” and “Mirror Gold”, achieved good results.
- Sales of high unit price gem-set jewellery was sluggish. Total sales conducted through Personalised Jewellery Service during the first half of 2023 was down 28% year-on-year. Total diamond jewellery sales from this service accounted for 22% (2022 1H: 31%) of the Group’s corresponding sales during the period.
- We have resumed efforts to engage customers and enhance shopping experience through various Chinoiserie (國潮) pop-up stores, display points, wedding expos and online campaigns.

Wholesale of Precious Metals

Turnover decreased by 22% to HK\$315 million during the period.

E-commerce Platform

The subsidiary “The Future Rocks Company Limited” was set up to explore the market for laboratory-grown diamond and gemstones (“LGD”). It operates an e-commerce platform, with the business name “The Future Rocks”, for the sale of LGD-set jewellery curated from around the world. It has launched online stores in China, on portals Tmall International, Xiaohongshu and WeChat Mini Program in 2022. In 2023 “The Future Rocks” started its own live-streaming in China. In 2023 a series of online and offline promotion campaigns and marketing activities have been in progress.

Securities and Futures Broking – the Discontinued Operation

The Securities and Futures Broking business has since early May 2021 ceased operation. We have been processing unclaimed assets. Complete shutdown will occur when all such assets are returned or placed into court custody.

Since the commencement of legal actions against the customers who defaulted on the repayment of margin loans, the payment of commission fees and margin facility interests, and their respective guarantors in the Court of First Instance of the High Court of Hong Kong in February 2021, the Group has obtained judgments in certain actions and is now in the process of enforcing the judgments and petitioning bankruptcy of certain individuals based on the relevant judgement debts as appropriate.

Total loans due from the customers in default, net of total credit loss allowance, amounted to HK\$124 million as at 30 June 2023.

Investments

Investment Properties

The Group holds various properties with a total carrying value of HK\$472 million for rental purpose as at 30 June 2023. During the period, rental income from investment properties amounted to HK\$5 million.

Shares in 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\$982 million, representing 5% of the Group’s total assets as at 30 June 2023. During the period, the Group received dividends in the amount of HK\$12 million and recorded a loss of HK\$140 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\$296 million of which HK\$151 million 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 2023, the Group had cash and cash equivalents of HK\$1,258 million (31 December 2022: HK\$749 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\$8,914 million in banking facilities including bank borrowings and bullion loans, out of which HK\$1,138 million are committed facilities. As at 30 June 2023, the total unutilised banking facilities amounted to HK\$4,249 million (31 December 2022: HK\$3,879 million).

As at 30 June 2023, total bank borrowings and bullion loans amounted to HK\$1,619 million and HK\$2,812 million respectively, 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 36.6%, based on total bank borrowings and bullion loans of HK\$4,431 million as a percentage of equity attributable to owners of the Company of HK\$12,107 million. The current ratio of the Group was 2.9.

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 33% of its bank loans at fixed rates as at 30 June 2023, increased from 25% as at 31 December 2022.

As at 30 June 2023, 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, foreign currency forward contracts and cross currency swaps, to mitigate foreign exchange exposure. As at 30 June 2023, the bank borrowings denominated in US dollar, Renminbi and New Taiwan dollar amounted to US\$8 million, RMB75 million and NT\$175 million respectively.

Charge on Assets, Lease Liabilities and Contingent Liabilities

As at 30 June 2023 and 31 December 2022, there was no asset pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2023, the Group had lease liabilities of HK\$1,116 million (31 December 2022: HK\$983 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 attract and retain valuable employees. So far no share option has been granted.

As at 30 June 2023, the total number of employees of the Group was 11,977, of whom 10,205 in Mainland China, 1,526 in Hong Kong and Macau, and 246 in Taiwan. During the six months ended 30 June 2023, total staff costs amounted to HK\$1,060 million.

Outlook

Although in the first half of 2023 our performance has been very encouraging, the same could prove to be a tough target to reach in the second half. The weak trend of the Renminbi, credit crunch in many sectors and other economic concerns could slow down the recovery in China. Nevertheless, thanks to the popular notion that gold is a safe haven for value, demand for gold remains buoyant even as consumer spending takes a cautionary turn.

With our store count now past the 1,000 mark, we are becoming more selective and prudent in new store openings. Our priority is on improving operating efficiency rather than expanding geographical coverage.

We continue with our multi-brand strategy. Our e-commerce sales now being a significant contributor to the Group's revenue, we will explore tactics for the tighter coupling of online and physical sales. Such coupling will enhance customer experience and help to make better use of inventory and other resources.

DIVIDEND

The Board has declared an interim dividend of HK20.0 cents (2022: HK15.0 cents) per ordinary share for the six months ended 30 June 2023 payable to shareholders whose names appear on the register of members of the Company on Friday, 15 September 2023. The dividend will be paid on Wednesday, 27 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 September 2023 to Friday, 15 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 12 September 2023.

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 as set out in Part 2 of the Code, except for the deviations from code provisions B.2.4(b) and C.2.1 of the Code which are explained below.

The code provision B.2.4(b) stipulates that where all the INEDs of a listed issuer have served more than 9 years on the board, the listed issuer should appoint a new INED on the board at the forthcoming annual general meeting. In accordance, the Company strived to select a suitable candidate for appointment as a new INED before the 2023 annual general meeting of the Company (“2023 AGM”). Mr. HSU Rockson was appointed as an INED on 1 June 2023, after the 2023 AGM was held.

The code provision C.2.1 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 and HKEC at www.hkexnews.hk. The 2023 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, Mr. Winston CHOW Wun Sing and Ms. Genevieve CHOW Karwing; 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, Mr. Stephen LAU Man Lung and Mr. HSU Rockson.

By order of the Board
Vincent CHOW Wing Shing
Chairman

Hong Kong, 29 August 2023

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Chow Sang Sang Holdings International Limited
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKEC”	Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INED(s)”	the independent non-executive Director(s)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macao Special Administrative Region of the PRC
“Mainland China” or “Mainland”	PRC excluding, for the purpose of this announcement (unless otherwise indicated), Hong Kong, Macau and Taiwan
“PRC” or “China”	the People’s Republic of China
“SSSG”	same store sales growth
“Taiwan”	Taiwan region of the PRC
“1H”	the first half of a year, six months ended 30 June
“2H”	the second half of a year, six months ended 31 December
“%”	percent