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CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 116

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the “Board”) of Chow Sang Sang Holdings International Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021.

FINANCIAL HIGHLIGHTS			
	2021 HK\$'000	2020 HK\$'000 (Restated)	Change
CONTINUING OPERATIONS			
Turnover			
Retail	19,921,938	13,097,720	+52%
Other businesses	2,065,621	1,899,821	+9%
	21,987,559	14,997,541	+47%
Profit/(loss) for the year attributable to owners of the Company			
Continuing operations	743,868	639,138	+16%
Discontinued operation	(100,611)	(94,674)	+6%
	643,257	544,464	+18%
Earnings per share - Basic and diluted			
For profit for the year	95.0 cents	80.4 cents	+18%
For profit from continuing operations	109.8 cents	94.3 cents	+16%
Dividend per share			
- Interim	14.0 cents	5.0 cents	
- Final	28.0 cents	26.0 cents	
- Special final	-	16.0 cents	
Total dividend per share for the year	42.0 cents	47.0 cents	
Dividend payout ratio [^]	44%	39%	
Equity attributable to owners of the Company	12,753,120	12,019,114	+6%
Equity per share	\$18.8	\$17.7	+6%

[^] Special final dividend excluded

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	3		
Retail		19,921,938	13,097,720
Other businesses		<u>2,065,621</u>	<u>1,899,821</u>
		21,987,559	14,997,541
Cost of sales		<u>(16,431,474)</u>	<u>(10,877,614)</u>
Gross profit		5,556,085	4,119,927
Other income, net		106,323	121,426
Selling and distribution costs		(3,754,696)	(2,480,003)
Administrative expenses		(816,432)	(656,774)
Other losses, net		(25,083)	(84,690)
Finance costs		<u>(60,486)</u>	<u>(76,137)</u>
Profit before tax from continuing operations	5	1,005,711	943,749
Income tax	6	<u>(265,331)</u>	<u>(304,611)</u>
Profit for the year from continuing operations		740,380	639,138
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	8	<u>(100,611)</u>	<u>(94,674)</u>
Profit for the year		<u>639,769</u>	<u>544,464</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		643,257	544,464
Non-controlling interests		<u>(3,488)</u>	<u>-</u>
		<u>639,769</u>	<u>544,464</u>
Profit/(loss) for the year attributable to owners of the Company:			
Continuing operations		743,868	639,138
Discontinued operation		<u>(100,611)</u>	<u>(94,674)</u>
		<u>643,257</u>	<u>544,464</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
Earnings per share attributable to owners of the Company	9		
Basic and diluted			
- For profit for the year		<u>95.0 cents</u>	<u>80.4 cents</u>
- For profit from continuing operations		<u>109.8 cents</u>	<u>94.3 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000 (Restated)
PROFIT FOR THE YEAR	<u>639,769</u>	<u>544,464</u>
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>250,127</u>	<u>434,356</u>
Items 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	105,366	611,140
Revaluation upon transfer of buildings to investment properties	<u>107,968</u>	<u>-</u>
Other comprehensive income that will not be reclassified subsequently to profit or loss	<u>213,334</u>	<u>611,140</u>
Other comprehensive income for the year	<u>463,461</u>	<u>1,045,496</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,103,230</u>	<u>1,589,960</u>
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	1,106,724	1,589,960
Non-controlling interests	<u>(3,494)</u>	<u>-</u>
	<u>1,103,230</u>	<u>1,589,960</u>
Total comprehensive income/(loss) for the year attributable to owners of the Company:		
Continuing operations	1,207,335	1,684,634
Discontinued operation	<u>(100,611)</u>	<u>(94,674)</u>
	<u>1,106,724</u>	<u>1,589,960</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,117,179	1,019,130
Investment properties		472,897	332,649
Right-of-use assets		831,916	793,676
Intangible assets		-	271
Other assets		225,234	209,359
Financial assets designated at fair value through other comprehensive income		1,551,449	1,446,083
Deferred tax assets		71,209	92,201
Total non-current assets		<u>4,269,884</u>	<u>3,893,369</u>
CURRENT ASSETS			
Inventories		11,343,277	8,774,591
Accounts receivable	10	804,334	834,649
Receivables arising from securities and futures broking	11	154,922	658,673
Prepayments, other receivables and other assets		822,905	507,699
Financial assets at fair value through profit or loss		10,204	9,634
Tax recoverable		7,799	8,796
Cash held on behalf of clients		3,885	485,289
Cash and cash equivalents		671,548	1,653,767
Total current assets		<u>13,818,874</u>	<u>12,933,098</u>
CURRENT LIABILITIES			
Accounts payable	12	181,304	129,803
Payables arising from securities and futures broking	12	3,885	575,052
Other payables and accruals		591,375	520,799
Derivative financial instruments		12,117	7,054
Interest-bearing bank borrowings		813,689	519,022
Interest-bearing bank borrowings arising from securities and futures broking		-	180,000
Bullion loans		2,029,588	1,002,135
Lease liabilities		483,735	554,400
Tax payable		66,366	168,756
Total current liabilities		<u>4,182,059</u>	<u>3,657,021</u>
NET CURRENT ASSETS		<u>9,636,815</u>	<u>9,276,077</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,906,699</u>	<u>13,169,446</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	372,019	380,907
Lease liabilities	423,485	446,762
Deferred tax liabilities	367,734	322,663
Total non-current liabilities	<u>1,163,238</u>	<u>1,150,332</u>
Net assets	<u>12,743,461</u>	<u>12,019,114</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	169,359	169,359
Reserves	<u>12,583,761</u>	<u>11,849,755</u>
	12,753,120	12,019,114
Non-controlling interests	<u>(9,659)</u>	<u>-</u>
Total equity	<u>12,743,461</u>	<u>12,019,114</u>

NOTES:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, customer gold deposits, bullion loans, derivative financial instruments and certain financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year’s consolidated financial statements.

Amendments to HKFRS 9, Interest Rate Benchmark Reform – Phase 2
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

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 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.

2. Changes in accounting policies and disclosures (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (continued)

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 (“HIBOR”) and various Interbank Offered Rates as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the borrowings based on other various Interbank Offered Rates, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments 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 the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

Amendment to HKFRS 16

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 year ended 31 December 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\$14,901,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

3. Turnover

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
<i>Revenue from contracts with customers</i>	21,975,277	14,986,066
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	<u>12,282</u>	<u>11,475</u>
	<u>21,987,559</u>	<u>14,997,541</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
- 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. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that dividend income is 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.

Following the commencement of operation of e-commerce platform during the current year, a change on the reporting structure of operating segments was made for facilitating management to make decisions about operating matters, resources allocation and performance assessment. Accordingly, an additional reportable operating segment of "E-commerce platform" was separately disclosed.

4. Operating segment information (continued)

	Continuing operations					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	Total for continuing operations HK\$'000	Securities and futures broking HK\$'000	
Year ended 31 December 2021							
Segment revenue (note 3)							
Sales to external customers	19,921,938	2,033,068	62	20,209	21,975,277	13,197	21,988,474
Intersegment sales	-	548,901	-	1,066	549,967	-	549,967
Other revenue	-	-	-	12,282	12,282	-	12,282
	<u>19,921,938</u>	<u>2,581,969</u>	<u>62</u>	<u>33,557</u>	<u>22,537,526</u>	<u>13,197</u>	<u>22,550,723</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales					(549,967)		(549,967)
					<u>21,987,559</u>		<u>22,000,756</u>
Segment results	981,155	18,002	(35,534)	10,311	973,934	(100,309)	873,625
<i>Reconciliation:</i>							
Dividend income					31,777		31,777
Profit before tax					<u>1,005,711</u>		<u>905,402</u>
Other segment information							
Interest income	(13,600)	(2)	(1)	(3)	(13,606)	(11,217)	(24,823)
Net fair value gain on investment properties	-	-	-	(1,364)	(1,364)	-	(1,364)
Net fair value gain on bullion loans designated as at fair value through profit or loss	(16,025)	-	-	-	(16,025)	-	(16,025)
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges	5,846	(899)	-	-	4,947	-	4,947
Net fair value gain on financial assets at fair value through profit or loss	-	-	-	(570)	(570)	-	(570)
Net gain on bullion loans designated as at fair value through profit or loss	(17,276)	-	-	-	(17,276)	-	(17,276)
Net loss/(gain) on disposal of derivative financial instruments	(21,124)	717	-	-	(20,407)	-	(20,407)
Net loss on disposal of items of property, plant and equipment	4,744	-	-	-	4,744	281	5,025
Depreciation of property, plant and equipment	310,166	-	351	-	310,517	131	310,648
Depreciation of right-of-use assets	502,469	-	1,093	-	503,562	1,926	505,488
Impairment of accounts receivable	60,726	-	-	-	60,726	-	60,726
Impairment of receivables arising from securities and futures broking	-	-	-	-	-	92,907	92,907
Write-down of inventories to net realisable value	10,661	-	-	-	10,661	-	10,661
Finance costs	60,426	-	60	-	60,486	3,064	63,550
Capital expenditure	<u>396,514</u>	<u>-</u>	<u>306</u>	<u>21,286</u>	<u>418,106</u>	<u>-</u>	<u>418,106</u>

4. Operating segment information (continued)

	Continuing operations			Discontinued operation		Total HK\$'000
	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	
Year ended 31 December 2020						
Segment revenue (note 3)						
Sales to external customers	13,097,720	1,885,388	2,958	14,986,066	34,879	15,020,945
Intersegment sales	-	450,778	2,532	453,310	-	453,310
Other revenue	-	-	11,475	11,475	-	11,475
	<u>13,097,720</u>	<u>2,336,166</u>	<u>16,965</u>	<u>15,450,851</u>	<u>34,879</u>	<u>15,485,730</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales				(453,310)		(453,310)
				<u>14,997,541</u>		<u>15,032,420</u>
Segment results	914,506	11,484	(7,619)	918,371	(22,829)	895,542
<i>Reconciliation:</i>						
Dividend income				25,378		25,378
Profit before tax				<u>943,749</u>		<u>920,920</u>
Other segment information						
Interest income	(27,028)	(5)	(5)	(27,038)	(35,892)	(62,930)
Net fair value loss on investment properties	-	-	1,811	1,811	-	1,811
Net fair value gain on bullion loans designated as at fair value through profit or loss	(10,247)	-	-	(10,247)	-	(10,247)
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges	(2,111)	150	-	(1,961)	-	(1,961)
Net fair value loss on financial assets at fair value through profit or loss	-	-	3,760	3,760	-	3,760
Net loss on bullion loans designated as at fair value through profit or loss	209,464	-	-	209,464	-	209,464
Net loss on disposal of derivative financial instruments	19,855	1,591	-	21,446	-	21,446
Net loss on disposal of items of property, plant and equipment	4,880	-	-	4,880	-	4,880
Depreciation of property, plant and equipment	276,438	-	253	276,691	1,203	277,894
Depreciation of right-of-use assets	649,823	-	609	650,432	3,877	654,309
Impairment of property, plant and equipment	4,063	-	-	4,063	-	4,063
Impairment of right-of-use assets	169,572	-	-	169,572	-	169,572
Impairment of accounts receivable	20,982	-	-	20,982	-	20,982
Impairment of receivables arising from securities and futures broking	-	-	-	-	44,076	44,076
Write-down of inventories to net realisable value	29,198	-	-	29,198	-	29,198
Finance costs	76,100	-	37	76,137	11,727	87,864
Capital expenditure	<u>243,260</u>	<u>-</u>	<u>902</u>	<u>244,162</u>	<u>250</u>	<u>244,412</u>

4. Operating segment information (continued)

(a) Geographical information

Revenue from external customers - continuing operations

	2021 HK\$'000	2020 HK\$'000 (Restated)
Mainland China	14,316,314	8,686,658
Hong Kong and Macau	7,481,254	6,159,755
Taiwan	189,929	151,128
Other regions	<u>62</u>	<u>-</u>
	<u>21,987,559</u>	<u>14,997,541</u>

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

Non-current assets

	2021 HK\$'000	2020 HK\$'000
Mainland China	1,465,415	1,243,670
Hong Kong and Macau	1,142,136	1,079,809
Taiwan	<u>39,675</u>	<u>31,606</u>
	<u>2,647,226</u>	<u>2,355,085</u>

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

(b) Information about major customers

The turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover for the current and prior years.

5. Profit before tax from continuing operations

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Cost of inventories sold	16,458,496	10,617,506
Write-down of inventories to net realisable value [^]	10,661	29,198
Depreciation of property, plant and equipment	310,517	276,691
Depreciation of right-of-use assets	503,562	650,432
Lease payments not included in the measurement of lease liabilities	912,045	654,327
Covid-19-related rent concessions from lessors	(14,901)	(73,270)
Impairment of property, plant and equipment [#]	-	4,063
Impairment of right-of-use assets [#]	-	169,572
Impairment of accounts receivable [#]	60,726	20,982
Net fair value loss/(gain) on investment properties [#]	(1,364)	1,811
Net fair value gain on bullion loans designated as at fair value through profit or loss [#]	(16,025)	(10,247)
Net fair value loss/(gain) on derivative financial instruments - transactions not qualifying as hedges [#]	4,947	(1,961)
Net fair value loss/(gain) on financial assets at fair value through profit or loss [#]	(570)	3,760
Net loss/(gain) on bullion loans designated as at fair value through profit or loss ^{^^}	(17,276)	209,464
Net loss/(gain) on disposal of derivative financial instruments ^{^^}	(20,407)	21,446
Net loss on disposal of items of property, plant and equipment	4,744	4,880
Interest income [*]	(13,606)	(27,038)
Dividend income from listed investments [*]	(30,889)	(24,360)
Dividend income from unlisted investments [*]	(888)	(1,018)
Government grants ^{# Δ}	(21,937)	(100,573)

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

[#] These balances are included in "Other losses, net" on the face of the consolidated statement of profit or loss.

^{^^} The net gain on bullion loans designated as at fair value through profit or loss of HK\$17,276,000 (2020: net loss of HK\$209,464,000) and the net gain on disposal of derivative financial instruments included a net gain on bullion contracts of HK\$23,573,000 (2020: net loss of HK\$21,446,000), 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 gain on disposal of derivative financial instruments also included a net loss on cross currency swaps of HK\$3,166,000 (2020: Nil), which is included in "Other income, net" on the face of the consolidation statement of profit or loss.

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

^{*} These balances are included in "Other income, net" on the face of the consolidated statement of profit or loss.

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 year, 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are 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.

	2021 HK\$'000	2020 HK\$'000 (Restated)
Current - Hong Kong		
Charge for the year	11,851	12,911
Underprovision/(overprovision) in prior years	(1,014)	1,771
Current - Mainland China and elsewhere		
Charge for the year	187,115	300,171
Underprovision/(overprovision) in prior years	372	(804)
Deferred	<u>67,007</u>	<u>(9,438)</u>
Total tax charge for the year from continuing operations	265,331	304,611
Total tax charge for the year from the discontinued operation	<u>302</u>	<u>71,845</u>
	<u><u>265,633</u></u>	<u><u>376,456</u></u>

7. Dividends

	2021 HK\$'000	2020 HK\$'000
Dividends recognised as distribution during the year:		
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	108,389	-
Interim dividend for 2021: HK14.0 cents (2020: HK5.0 cents) per ordinary share	<u>94,841</u>	<u>33,872</u>
	<u><u>379,363</u></u>	<u><u>203,231</u></u>
Dividends proposed after the end of the reporting period:		
Final dividend for 2021: HK28.0 cents (2020: HK26.0 cents) per ordinary share	189,682	176,133
Special final dividend for 2021: Nil (2020: HK16.0 cents) per ordinary share	<u>-</u>	<u>108,389</u>
	<u><u>189,682</u></u>	<u><u>284,522</u></u>

The proposed final dividend for 2021 was recommended after the end of the reporting period and has not been recognised as a liability at the end of the reporting period, and it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. 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 year are presented below:

	2021 HK\$'000	2020 HK\$'000
Turnover	13,197	34,879
Cost of sales	<u>-</u>	<u>-</u>
Gross profit	13,197	34,879
Other income, net	13,271	41,629
Selling and distribution costs	(10,373)	(19,045)
Administrative expenses	(20,433)	(28,625)
Impairment of receivables arising from securities and futures broking	(92,907)	(44,076)
Other gain, net	-	4,136
Finance costs	<u>(3,064)</u>	<u>(11,727)</u>
Loss before tax from the discontinued operation	(100,309)	(22,829)
Income tax	<u>(302)</u>	<u>(71,845)</u>
Loss for the year from the discontinued operation	<u><u>(100,611)</u></u>	<u><u>(94,674)</u></u>

The major classes of assets and liabilities associated with the discontinued operation as at 31 December 2021 are as follows:

	2021 HK\$'000
<i>Assets</i>	
Receivables arising from securities and futures broking (note 11)	154,922
Prepayments, other receivables and other assets	943
Tax recoverable	6,190
Cash held on behalf of clients	3,885
Cash and cash equivalents	<u>3,317</u>
Assets associated with the discontinued operation	<u>169,257</u>
<i>Liabilities</i>	
Payables arising from securities and futures broking (note 12)	3,885
Other payables and accruals	<u>1,312</u>
Liabilities associated with the discontinued operation	<u>5,197</u>
Net assets directly associated with the discontinued operation	<u><u>164,060</u></u>

8. Discontinued operation (continued)

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

	2021 HK\$'000	2020 HK\$'000
Operating activities	124,692	(79,487)
Investing activities	-	(250)
Financing activities	<u>(181,759)</u>	<u>(103,643)</u>
Net cash outflow	<u>(57,067)</u>	<u>(183,380)</u>
Loss per share:		
Basic and diluted, from the discontinued operation	<u>(14.8) cents</u>	<u>(13.9) cents</u>

The calculation of the basic loss per share amounts from the discontinued operation is based on the loss for the year attributable to owners of the Company from the discontinued operation of HK\$100,611,000 (2020: HK\$94,674,000) and the weighted average number of ordinary shares of 677,434,000 (2020: 677,434,000) in issue during the year.

There was no potentially dilutive ordinary shares in issue during the year ended 31 December 2021. No adjustment had been made to the basic loss per share amount from the discontinued operation presented for the year ended 31 December 2020 in respect of dilution as the impact of the share options outstanding had no dilutive effect on the basic loss per share amount from the discontinued operation presented.

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 year 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 year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021. No adjustment had been made to the basic earnings per share amount presented for the year ended 31 December 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:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Earnings:		
Profit/(loss) for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculation		
From continuing operations	743,868	639,138
From the discontinued operation	<u>(100,611)</u>	<u>(94,674)</u>
	<u>643,257</u>	<u>544,464</u>

10. Accounts receivable

	2021 HK\$'000	2020 HK\$'000
Trade and credit card receivables	916,523	884,455
Impairment	<u>(112,189)</u>	<u>(49,806)</u>
Accounts receivable	<u>804,334</u>	<u>834,649</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:

	2021 HK\$'000	2020 HK\$'000
Within 1 month	737,480	749,061
1 to 2 months	47,906	71,626
2 to 3 months	16,538	13,149
Over 3 months	<u>2,410</u>	<u>813</u>
	<u>804,334</u>	<u>834,649</u>

11. Receivables arising from securities and futures broking

	2021 HK\$'000	2020 HK\$'000
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	-	101,752
Clearing houses, brokers and dealers	-	134,777
Clients for subscription of initial public offering (“IPO”) shares	-	38,526
Loans to margin clients	<u>737,573</u>	<u>873,362</u>
	<u>737,573</u>	1,148,417
Impairment	<u>(582,651)</u>	<u>(489,744)</u>
Receivables arising from securities and futures broking	<u><u>154,922</u></u>	<u><u>658,673</u></u>

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

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

	2021 HK\$'000	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>-</u>	<u>4,767</u>
	-	236,529
Loans to margin clients [#]	<u>154,922</u>	383,618
Clients for subscription of IPO shares [*]	<u>-</u>	<u>38,526</u>
	<u><u>154,922</u></u>	<u><u>658,673</u></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 31 December 2021, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$143,522,000 (2020: HK\$833,346,000).

^{*} 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.

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:

	2021 HK\$'000	2020 HK\$'000
Within 1 month	94,199	63,311
1 to 2 months	87,105	66,314
Over 2 months	-	178
Accounts payable	<u>181,304</u>	129,803
Payables arising from securities and futures broking*	<u>3,885</u>	<u>575,052</u>
	<u><u>185,189</u></u>	<u><u>704,855</u></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 8. The comparative figures in the consolidated statement of profit or loss have been restated as if the operation discontinued during the current year had been discontinued at the beginning of the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Although the covid-19 outbreak has been impacting the Group's retail business since early 2020, by the first half of 2021, sales of jewellery and watches in Mainland China have rebounded significantly, while growth in Hong Kong and Macau has been relatively modest. The growth of jewellery and watch sales in Mainland China narrowed in the second half of 2021, due to a higher base in 2020 and a slower fourth quarter, achieving 65% year-on-year. Relying mostly on local consumption and benefitting from the Hong Kong government vouchers, the Hong Kong and Macau markets achieved 27% year-on-year sales growth in 2021.

In terms of products, gold jewellery and watches continued to be the engines of sales growth. In Mainland China, sales of gold jewellery rose 90% year-on-year, watches rose 98%, and gem-set jewellery only 13%. In Hong Kong and Macau, sales of gold jewellery, gem-set jewellery and watches grew by 30%, 31% and 22% respectively. In 2021, the price of gold generally fluctuated within a narrow band, after rising strongly in 2020. As a result, the Group was not able to enjoy the same degree of margin enhancement from gold jewellery sales as it did in 2020.

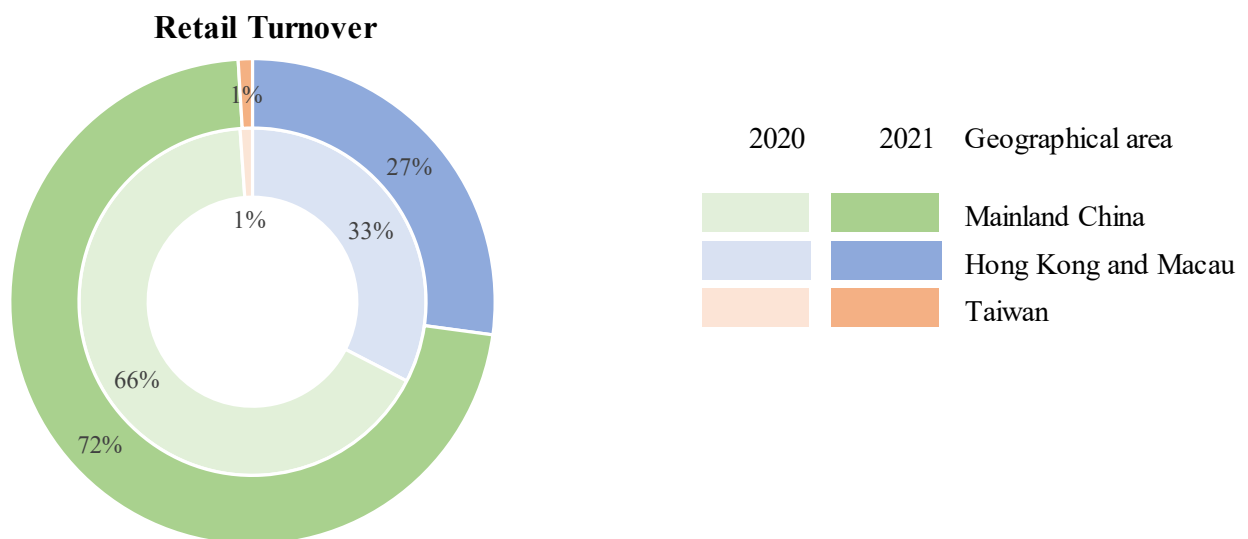
Overall gross profit margin from continuing operations decreased by 2.2 percentage points to 25.3% in 2021, mainly due to increase in percentage of gold jewellery sales and the lack of margin gain from a surging gold price.

The Group recorded an impairment loss of HK\$93 million on margin loans in 2021 from its now-discontinued Securities and Futures Broking business.

The Group's consolidated turnover from continuing operations increased by 47% to HK\$21,988 million in 2021. Profit attributable to owners of the Company increased by 18% to HK\$643 million. Profit attributable to owners of the Company from continuing operations increased by 16% to HK\$744 million.

Retail of Jewellery and Watches

Analysis by Geographical Area

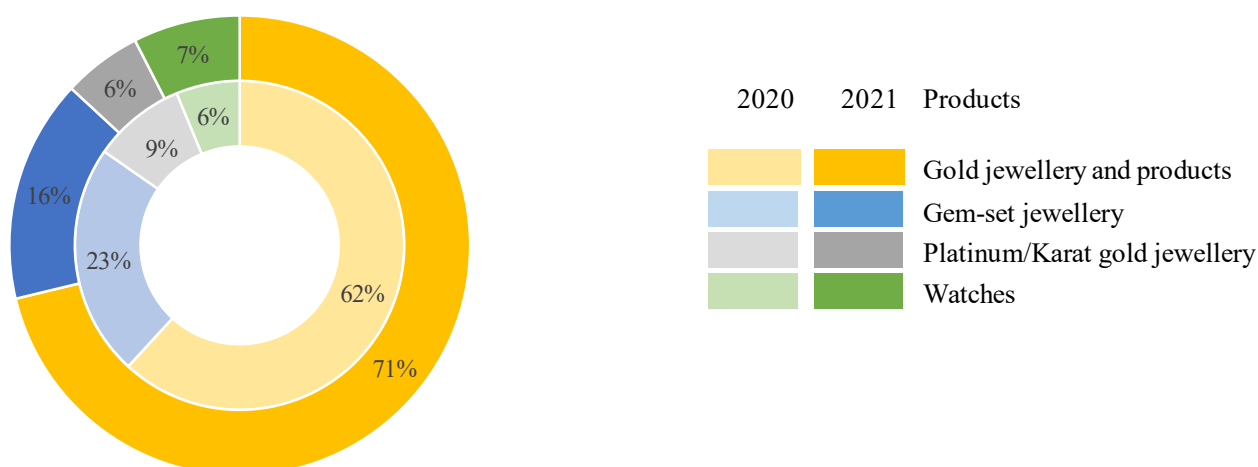


	Segment revenue			Segment results		
	2021	2020	Change	2021	2020	Change
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Mainland China	14,315,010	8,685,590	+65%	733,211	1,212,775	-40%
Hong Kong and Macau	5,416,999	4,261,002	+27%	236,889	(310,854)	+176%
Taiwan	189,929	151,128	+26%	11,055	12,585	-12%
Total	19,921,938	13,097,720	+52%	981,155	914,506	+7%

Mainland China

Compared to the pandemic-impacted low base of the first half of 2020, revenue for the first half of 2021 increased strongly by 94%. New store openings also contributed to sales growth. With a moderate increase of 43% in the second half, full-year segment revenue grew 65%. Segment results for 2021 declined 40% because overall gross margin decreased as a result of the increase in percentage of gold jewellery sales and the additional margin generated in 2020 by the surging gold price had disappeared.

Mainland China Sales Mix



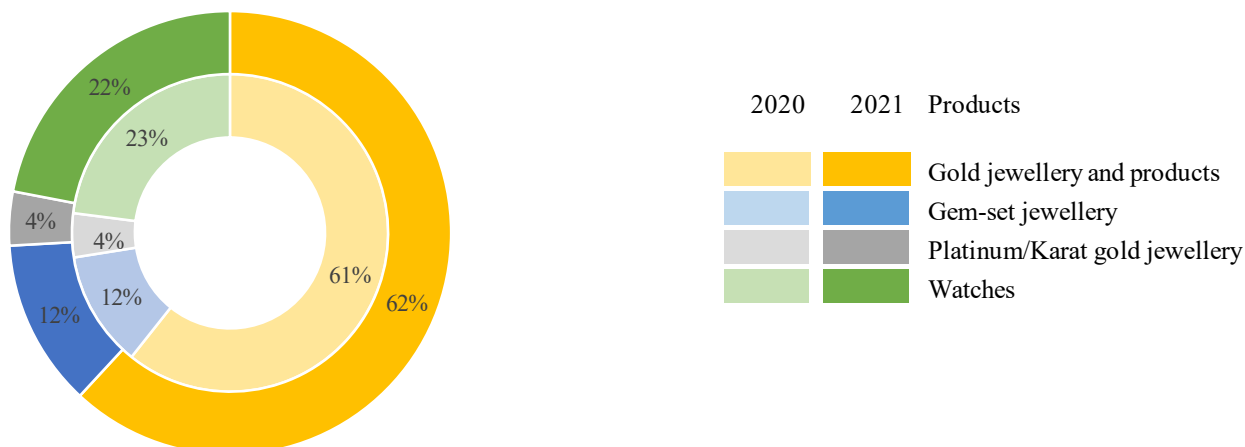
	2021 1H vs 2020 1H	2021 2H vs 2020 2H	2021 FY vs 2020 FY
Same Store Sales Growth (“SSSG”)			
Gold jewellery and products	+93%	+44%	+66%
Gem-set jewellery	+6%	-12%	-3%
Watches	+193%	+10%	+74%
Overall	+69%	+23%	+44%

- Overall SSSG narrowed from 102% in the first quarter to 40% in the second quarter. SSSG declined to 23% in the second half as the low-base factor disappeared.
- The decline in gold price in early 2021 and the traditional peak season for gold sales during the first quarter, coupled with the reduction in overseas travel, boosted domestic consumption. All such led to significant SSSG for gold jewellery and products in the first half of the year. As the low-base effect receded, SSSG stabilised in the second half of the year.
- Although Personalised Jewellery Service business remained strong and accounted for 42% of diamond jewellery sales, demand for gem-set jewellery was relatively weak.
- Local consumption for Rolex and Tudor remained strong. Our watch sales continued to be firm, but SSSG became steady in the second half of the year due to higher base.

Hong Kong and Macau

Revenue in 2021 increased by 27% year-on-year. Under strict border control measures, Hong Kong and Macau business relied mainly on local customers. The easing of the pandemic in the second and third quarters, and the release of consumption vouchers in August and October, benefited domestic spending. Given that 2020 segment results included HK\$170 million impairment losses on right-of-use assets, the recovery in segment revenue in 2021 effectively improved operational efficiency and segment results returned to a profitable position.

Hong Kong and Macau Sales Mix



	2021 1H vs 2020 1H	2021 2H vs 2020 2H	2021 FY vs 2020 FY
SSSG			
Gold jewellery and products	+27%	+38%	+33%
Gem-set jewellery	+21%	+47%	+34%
Watches	+55%	-2%	+23%
Overall	+31%	+29%	+30%

- Sales in the first half of 2020 were hit hard by the pandemic, resulting in a lower base, while SSSG in the second half of 2021 was driven by positive market conditions.
- With stabilising local pandemic situation and improving consumer sentiment in the second half, SSSG of gem-set jewellery rebounded as a result of revival of wedding and gifting activities.
- Personalised Jewellery Service business also gave additional impetus to the rebound in gem-set jewellery sales.
- Demand for luxury watches remained exuberant but sales level stabilised in the second half due to a high base.

Taiwan

Sales in Taiwan grew at a healthy pace in spite of the pandemic. Revenue grew 26% year-over-year. We saw encouraging results from the opening of PROMESSA stores in Taiwan. Excluding the factors of gold price and currency fluctuations, segment results grew 122% year-on-year in 2021.

Store Network

Region		As at 31.12.2020	Opening	Closure	Net change	As at 31.12.2021
Mainland China	Chow Sang Sang	591	+78	-34	+44	635
	周生生 生生•活字 (Oasis by Chow Sang Sang)	10	+45	0	+45	55
	Rolex/Tudor	12	+1	0	+1	13
	MINTYGREEN	25	+13	-4	+9	34
	EMPHASIS	12	+8	-1	+7	19
	PROMESSA	2	+16	0	+16	18
	MARCO BICEGO	1	0	0	0	1
Sub-total:		653	+161	-39	+122	775
Hong Kong	Chow Sang Sang	48	+1	-5	-4	44
	Rolex/Tudor	12	0	-1	-1	11
	EMPHASIS	4	+1	0	+1	5
	PROMESSA	1	0	0	0	1
Sub-total:		65	+2	-6	-4	61
Macau	點睛品	4	+1	0	+1	5
Sub-total:		4	+1	0	+1	5
Taiwan	點睛品	25	+3	-1	+2	27
	PROMESSA	1	+3	0	+3	4
Sub-total:		26	+6	-1	+5	31
Total:		748	+170	-46	+124	872

Chow Sang Sang / 點睛品

- During the year, 78 new Chow Sang Sang stores were opened in Mainland China and a total of 34 stores were closed. Sixty-four of the new stores were located in shopping malls.
- Since the opening of the first store in September 2020, 生生•活字 (Oasis by Chow Sang Sang) has been a key driver in expanding our store network and enhancing our community coverage in Mainland China. The total number of stores has been increased by more than five-fold to 55 by the end of 2021.
- In Hong Kong, we continue to rebalance our store network in tourist and local areas. Five Chow Sang Sang stores in Tung Chung, Yuen Long and Yau Tsim Mong were closed in 2021, and a new store with a community culture theme was opened in Wong Tai Sin.
- During the year, we moved into our administrative headquarters in Macau and added one 點睛品 store.
- We added a net of 2 點睛品 stores in Taiwan.

PROMESSA

- PROMESSA is the name of our flagship collection of engagement rings and wedding bands. The first PROMESSA stand-alone store was opened in May 2020 to give the brand its own boutique and to create a venue suited for making a proposal of marriage.
- To strengthen the brand coverage and awareness of PROMESSA, the Group opened 16 new PROMESSA stores in Mainland China in 2021 while 3 new ones were also added in Taiwan owing to the special favour of custom-built jewellery among Taiwan customers.

EMPHASIS

- EMPHASIS aims to give a new definition to daily-wear jewellery and offers a wide range of jewellery options to customers who love originality and creativity.
- EMPHASIS focuses on its development in first-tier cities of Mainland China with store number increased from 12 to 19 in 2021. One more store was added in Hong Kong.

MARCO BICEGO

- MARCO BICEGO is an Italian jewellery brand featuring artisanal craftsmanship and contemporary design concepts.
- We have a MARCO BICEGO speciality store in Beijing.

MINTYGREEN

- MINTYGREEN is an affordable daily wear brand that makes items suitable for the younger generation.
- All MINTYGREEN stores are located in Mainland China, with the focus on creating young fashionable community stores. Store number increased from 25 to 34 in 2021.

Chow Sang Sang Omni-Channel Retailing

On-line Sales

<u>On-line Sales by Market</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
	<u>HK\$'M</u>	<u>HK\$'M</u>	
Mainland China	2,194	1,546	+42%
Hong Kong, Taiwan and Others	130	68	+91%

- The online sales in Mainland China maintained its growth momentum and exceeded HK\$2 billion in 2021. Sales accounted for approximately 15% (2020: 18%) of overall Mainland China sales.
- In Mainland China, we operate flagship stores on the main platforms such as Tmall, JD and VIP, as well as others operated by banks and other entities. We launched PROMESSA and MINTYGREEN WeChat mini-program e-commerce stores in January and April 2021 respectively. The Group also opened its Chow Sang Sang and MINTYGREEN flagship stores in Douyin live-streaming e-commerce platform in October 2021, achieving encouraging results.
- Online sales in Hong Kong, Taiwan and other regions continued to grow at a fast pace in 2021. We have been actively exploring overseas markets and expanding sales in other third-party e-commerce platforms.

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. Its percentage to total sales in Mainland China edged up to 33% (2020: 32%).
- In-store sales, sales conducted through various e-commerce platforms, Personalised Jewellery Service and remote inventory sales have integrated online and offline environments to create a seamless customer experience.
- In recognition of the Group's digital transformation, omni-channel strategy and the pursuit of enhancing customer experience through technology, Chow Sang Sang has been awarded "the Enterprise of the Year" in the Dingge – Digital Transformation Awards 2021 organised by Harvard Business Review and SAP.

Product and Marketing

- On the product front, gold ornaments designed with Chinese themes are still the favourite choice of customers. Sales of our "Cultural Blessings" collection delivered prominent growth. The new "mini-Charme" products were also well received by customers, driving the overall sales of our signature "Charme" collection.
- We kept on enhancing our Personalised Jewellery Service by launching new designs, new product categories and distinctive services. Customers can virtually examine diamond choices through interactive high resolution videos when creating their own gem-set jewellery. Total sales conducted through Personalised Jewellery Service grew by 71% to approximately HK\$1,183 million. Sales in Mainland China, Hong Kong and Macau, and Taiwan in their local currency grew by 51%, 150% and 82% year-on-year respectively. Total diamond jewellery sales from this service accounted for 37% (2020: 23%) of the Group's corresponding sales.
- The demand for Rolex watches remained strong and showed no sign of easing.
- Aiming at attracting young couple clientele, the Group participated in a total of 27 (2020: 10) wedding expos in Mainland China, Hong Kong and Taiwan in 2021.
- Live streaming has become a new trend in omni-channel marketing. We hosted over 7,900 hours (2020: 4,600 hours) of live shows across multiple e-commerce platforms in 2021.

Wholesale of Precious Metals

Percentage of other precious metals wholesale versus that of gold and platinum increased further in 2021 and gave rise to higher gross margin. Turnover increased by 8% to HK\$2,033 million and segment operating profit increased by 57% to HK\$18 million.

E-commerce Platform for Lab-Grown Diamond Jewellery

We have created an e-commerce platform at www.thefuturerocks.com for the trading of jewellery that are set with laboratory-grown diamond. It connects consumers with select jewellery brands from the USA, the UK, Israel, Japan and other countries. The business is run as an entity separate from the Chow Sang Sang network.

Securities and Futures Broking – the discontinued operation

The Securities and Futures Broking business has since early May 2021 ceased operation, save the processing assets yet-to-be reclaimed by customers. 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 obtained.

Provisions for impairment losses on margin loans totalling HK\$93 million and HK\$44 million were made for the years ended 31 December 2021 and 2020 respectively. As at 31 December 2021, total loans due from the customers in default, net of total credit loss allowance, amounted to HK\$155 million.

Investments

Investment Properties

The Group holds various properties with a total carrying value of HK\$473 million for rental purpose as at 31 December 2021. Rental income for 2021 from investment properties amounted to HK\$12 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\$1,515 million, representing 8.4% of the Group’s total assets as at 31 December 2021. During the year, the Group received dividends in the amount of HK\$30 million and recorded a gain of HK\$101 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\$418 million of which HK\$292 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 31 December 2021, the Group had cash and cash equivalents of HK\$672 million (2020: HK\$1,654 million). The decrease in cash position was primarily due to the need to build up additional inventory in preparation for the earlier Chinese New Year seasonal sales in 2022. Cash is mostly held in Renminbi or Hong Kong dollar and deposited in leading banks with maturity dates falling within one year.

The Group was well supported by over HK\$6,418 million in banking facilities including bank borrowings and bullion loans, out of which HK\$848 million are committed facilities. As at 31 December 2021, the total unutilised banking facilities amounted to HK\$3,038 million (2020: HK\$4,083 million).

As at 31 December 2021, total bank borrowings and bullion loans amounted to HK\$1,186 million and HK\$2,030 million respectively, most of which were unsecured in accordance with the Group's policy. The weighted average tenure of bank borrowings is around three years. The gearing ratio was 25.2%, based on total bank borrowings and bullion loans of HK\$3,216 million as a percentage of equity attributable to owners of the Company of HK\$12,753 million. The current ratio of the Group was 3.3.

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 23% of its bank loans at fixed rates as at 31 December 2021, decreased from 27% as at 31 December 2020.

As at 31 December 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 31 December 2021, the borrowing denominated in New Taiwan dollar amounted to NT\$135 million.

Charge on Assets, Lease Liabilities and Contingent Liabilities

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

As at 31 December 2021, the Group had lease liabilities of HK\$907 million (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 31 December 2021, the total number of employees of the Group was 10,994, of whom 9,382 in Mainland China, 1,401 in Hong Kong and Macau, and 211 in Taiwan. During the year ended 31 December 2021, total staff costs amounted to HK\$1,710 million.

Outlook

Hopes were high as we moved into 2022: our operation in Mainland China was delivering solid recovery.

Yet, around the time of the lunar new year holidays the fifth wave of the pandemic started to ravage Hong Kong and the sales upswing seen around the end of last year was wiped out. Stringent anti-pandemic measures have ground retailing businesses almost to a halt. We have had to suspend and restart operation of many of our stores and to curtail the trading hours of all of them. Sales in Hong Kong and Macau for the months of January and February were down 14%, for the first half of March down approximately 60%, as compared to the same periods of 2021. In Mainland China, where January and February sales were up 12% year-on-year, in the first half of March sales turned into a decrease of approximately 30%.

Geopolitical tension has been ratcheting up and indeed made a quantum jump as the conflict in Eastern Europe intensified. Inevitably there will be ramifications on the price of gold, as well as international supply chains.

The Group's policy on managing store operations is to put the health of our customers and employees first and foremost. To mitigate the impact of lost trading hours and the lack of customer traffic, we have been negotiating assiduously with Hong Kong landlords for rental relief. We have made suitable arrangements to ensure that our supply-chain operation, as well as our funding, are adequate to maintain our business continuity.

In the past two years, we have systematically launched different store brands and product types to cater to different customer segments, and at the same time, we have been enhancing related services and store ambiance for better customer experience. We are expanding our store network, selectively and cautiously. In Mainland China, more and more of our stores are being decked out with contemporary interpretations of traditional Chinese motifs. We have introduced many products with heritage and cultural themes. In the same vein, we have joined hands with Victoria & Albert Museum in London to create the world's first V&A Chow Sang Sang jewellery concept stores: one in Hong Kong and one in Macau. We expect the number of net store additions for the Group will be around 100 in 2022.

We believe the economy in China is getting back on track for growth, despite the flaring up of covid-19, and with our omni-channel retail strategy we stand ready to take part in the rebound. In Hong Kong and Macau, however, substantive recovery will have to wait till the borders are reopened. In the meantime, we are making progress with the expansion of our Hong Kong-based e-commerce platform, reaching out to customers in countries such as the USA, Canada, Australia and Malaysia.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK28.0 cents (2020: final dividend of HK26.0 cents and special final dividend of HK16.0 cents) per ordinary share for the year ended 31 December 2021. Together with the interim dividend of HK14.0 cents (2020: HK5.0 cents) per ordinary share paid by the Company, the total dividend per ordinary share for the year will be HK42.0 cents (2020: HK47.0 cents). Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "2022 Annual General Meeting"), the final dividend will be paid on Thursday, 16 June 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 7 June 2022.

CLOSURE OF REGISTER OF MEMBERS

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

- (i) from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2022 Annual General Meeting. In order to be entitled to attend and vote at the 2022 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 23 May 2022; and
- (ii) from Thursday, 2 June 2022 to Tuesday, 7 June 2022, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Tengis Limited, at the address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Wednesday, 1 June 2022.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which was in effect before 1 January 2022, except for the deviation from code provision A.2.1 of the Code and which is explained below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Vincent CHOW Wing Shing holds both positions of the Chairman and the Group General Manager of the Company. The Board is of the opinion that the present board structure provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

SCOPE OF WORK OF AUDITOR ON THIS PRELIMINARY ANNOUNCEMENT OF THE ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2021 in conjunction with Ernst & Young.

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting will be held on Friday, 27 May 2022 at 10:30 a.m. The notice of the 2022 Annual General Meeting will be published and issued in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company at www.chowsangsang.com and HKEC at www.hkexnews.hk. The 2021 annual report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing, 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 and Mr. Stephen LAU Man Lung.

By order of the Board
Vincent CHOW Wing Shing
Chairman

Hong Kong, 22 March 2022