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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 2020

The Board of Directors (the “Board”) of Chow Sang Sang Holdings International Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020. The interim results have been reviewed by the Audit Committee of the Board.

FINANCIAL HIGHLIGHTS

	Unaudited		Change
	Six months ended 30 June 2020	2019	
	HK\$'000	HK\$'000	
Turnover			
Jewellery retail	5,650,848	8,772,575	-36%
Other businesses	767,129	767,899	-0.1%
	6,417,977	9,540,474	-33%
Profit attributable to equity holders of the Company	211,379	614,982	-66%
Earnings per share			
- Basic	31.2 cents	90.8 cents	-66%
- Diluted	31.2 cents	90.8 cents	-66%
Interim dividend per share	5.0 cents	14.0 cents	
Dividend payout ratio	16%	15%	
Equity attributable to equity holders of the Company	10,823,490	10,632,385 [^]	+2%
Equity per share	\$16.0	\$15.7 [^]	+2%

[^] Audited as at 31 December 2019

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
	Note	2020	2019
		HK\$'000	HK\$'000
TURNOVER	3		
Jewellery retail		5,650,848	8,772,575
Other businesses		767,129	767,899
		<u>6,417,977</u>	<u>9,540,474</u>
Cost of sales		<u>(4,647,156)</u>	<u>(6,966,214)</u>
Gross profit		1,770,821	2,574,260
Other income, net		44,381	72,750
Selling and distribution costs		(1,147,965)	(1,398,903)
Administrative expenses		(318,228)	(339,345)
Other gains/(losses), net		3,836	(71,191)
Finance costs		<u>(46,080)</u>	<u>(39,358)</u>
PROFIT BEFORE TAX	5	306,765	798,213
Income tax	6	<u>(95,386)</u>	<u>(183,231)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>211,379</u>	<u>614,982</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>31.2 cents</u>	<u>90.8 cents</u>
Diluted		<u>31.2 cents</u>	<u>90.8 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>211,379</u>	<u>614,982</u>
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>(123,620)</u>	<u>(10,545)</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>272,705</u>	<u>173,680</u>
Other comprehensive income for the period	<u>149,085</u>	<u>163,135</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>360,464</u>	<u>778,117</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited	Audited
		30 June	31 December
		2020	2019
	Note	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		955,376	1,014,404
Investment properties		333,026	333,026
Right-of-use assets		1,095,992	1,270,893
Intangible assets		271	271
Other assets		209,732	217,087
Financial assets designated at fair value through other comprehensive income		1,208,304	935,599
Deferred tax assets		134,283	112,021
Total non-current assets		<u>3,936,984</u>	<u>3,883,301</u>
CURRENT ASSETS			
Inventories		7,587,028	8,932,514
Accounts receivable	9	622,561	915,804
Receivables arising from securities and futures broking	10	673,099	585,230
Prepayments, other receivables and other assets		393,820	433,861
Financial assets at fair value through profit or loss		9,850	13,394
Derivative financial instruments		-	145
Tax recoverable		7,140	66
Cash held on behalf of clients		494,007	443,797
Cash and cash equivalents		1,864,486	1,028,326
Total current assets		<u>11,651,991</u>	<u>12,353,137</u>
CURRENT LIABILITIES			
Accounts payable	11	90,588	116,156
Payables arising from securities and futures broking	11	563,825	503,271
Other payables and accruals		374,759	542,920
Derivative financial instruments		5,424	9,158
Interest-bearing bank borrowings		608,788	496,594
Interest-bearing bank borrowings arising from securities and futures broking		294,761	280,000
Bullion loans		686,684	1,473,773
Lease liabilities		584,876	572,891
Tax payable		113,635	160,435
Total current liabilities		<u>3,323,340</u>	<u>4,155,198</u>
NET CURRENT ASSETS		<u>8,328,651</u>	<u>8,197,939</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,265,635</u>	<u>12,081,240</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	582,747	440,330
Lease liabilities	569,959	727,010
Deferred tax liabilities	289,439	281,515
Total non-current liabilities	<u>1,442,145</u>	<u>1,448,855</u>
Net assets	<u>10,823,490</u>	<u>10,632,385</u>
EQUITY		
Issued capital	169,359	169,359
Reserves	10,654,131	10,463,026
Total equity	<u>10,823,490</u>	<u>10,632,385</u>

NOTES:

1. Basis of preparation

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

This interim financial report should be read in conjunction with the Annual Report 2019.

The accounting policies and basis of preparation used in this interim financial report are the same as those used in the Group’s audited financial statements for the year ended 31 December 2019, except for the adoption of revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) for the first time for the current period’s consolidated interim financial report as disclosed in note 2 below.

2. Changes in accounting policies and disclosures

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)
Amendments to HKAS 1 and HKAS 8	Definition of Material

Except for the impacts of the early adoption of Amendment to HKFRS 16 as further explained below, the adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group’s retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$49,914,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

3. Turnover

Revenue from the following activities has been included in turnover:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>	6,412,162	9,534,432
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	<u>5,815</u>	<u>6,042</u>
	<u>6,417,977</u>	<u>9,540,474</u>

4. Operating segment information

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

- (a) the manufacture and retail of jewellery segment produces jewellery products for the Group's retail business and operates retail stores mainly in Hong Kong, Macau, Mainland China and Taiwan;
- (b) the wholesale of precious metals segment trades precious metals to wholesale customers;
- (c) the securities and futures broking segment provides brokering and dealing services for securities and futures; and
- (d) the other businesses segment comprises, principally, the investment in properties for their rental income and capital appreciation potential, and other jewellery related businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain dividend income 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.

4. Operating segment information (continued)

	Manufacture and retail of jewellery HK\$'000	Wholesale of precious metals HK\$'000	Securities and futures broking HK\$'000	Other businesses HK\$'000	Total HK\$'000
Six months ended 30 June 2020					
Segment revenue					
Sales to external customers	5,650,848	743,608	14,969	2,737	6,412,162
Intersegment sales	-	135,296	-	1,266	136,562
Other revenue	-	-	-	5,815	5,815
	<u>5,650,848</u>	<u>878,904</u>	<u>14,969</u>	<u>9,818</u>	<u>6,554,539</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(136,562)</u>
					<u>6,417,977</u>
Segment results	284,618	4,646	5,371	1,256	295,891
<i>Reconciliation:</i>					
Dividend income					<u>10,874</u>
Profit before tax					<u>306,765</u>
	Manufacture and retail of jewellery HK\$'000	Wholesale of precious metals HK\$'000	Securities and futures broking HK\$'000	Other businesses HK\$'000	Total HK\$'000
Six months ended 30 June 2019					
Segment revenue					
Sales to external customers	8,772,575	746,428	12,257	3,172	9,534,432
Intersegment sales	161	433,069	-	1,470	434,700
Other revenue	-	-	-	6,042	6,042
	<u>8,772,736</u>	<u>1,179,497</u>	<u>12,257</u>	<u>10,684</u>	<u>9,975,174</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(434,700)</u>
					<u>9,540,474</u>
Segment results	760,556	3,096	20,195	3,128	786,975
<i>Reconciliation:</i>					
Dividend income					<u>11,238</u>
Profit before tax					<u>798,213</u>

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the Mainland China subsidiaries is 25% (2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Current - Hong Kong		
Charge for the period	8,133	36,200
Underprovision in prior periods	2,011	-
Current - Mainland China and elsewhere		
Charge for the period	99,893	133,601
Underprovision in prior periods	207	-
Deferred	(14,858)	13,430
Total tax charge for the period	<u>95,386</u>	<u>183,231</u>

7. Dividends

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend for 2019: HK25.0 cents (2018: HK44.0 cents) per ordinary share	<u>169,359</u>	<u>298,071</u>
Dividends declared after the end of the reporting period:		
Interim dividend declared for 2020: HK5.0 cents (2019: HK14.0 cents) per ordinary share	<u>33,872</u>	<u>94,841</u>

The interim dividend is not recognised as a liability as at 30 June 2020 because it has been declared after the end of the reporting period.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to equity holders of the Company of HK\$211,379,000 (2019: HK\$614,982,000), and the weighted average number of ordinary shares of 677,434,000 (2019: 677,434,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2020 and 30 June 2019 in respect of dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

9. Accounts receivable

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade and credit card receivables	667,101	942,312
Impairment	(44,540)	(26,508)
Accounts receivable	<u>622,561</u>	<u>915,804</u>

The Group's trading terms with its retail customers are mainly on cash and credit card settlement while trading terms with corporate clients and wholesale customers are on credit with credit period generally up to 60 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 1 month	554,477	719,355
1 to 2 months	46,705	107,788
2 to 3 months	5,806	30,415
Over 3 months	15,573	58,246
	<u>622,561</u>	<u>915,804</u>

10. Receivables arising from securities and futures broking

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Cash clients	80,149	54,769
Clearing houses, brokers and dealers	10,174	36,371
Clients for subscription of initial public offering ("IPO") shares	185,113	-
Loans to margin clients	843,331	939,758
	<u>1,118,767</u>	<u>1,030,898</u>
Impairment	(445,668)	(445,668)
Receivables arising from securities and futures broking	<u>673,099</u>	<u>585,230</u>

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

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

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Not yet due	68,214	64,200
Within 1 month past due	16,433	20,413
1 to 2 months past due	426	2,314
2 to 3 months past due	209	385
Over 3 months past due	<u>5,041</u>	<u>3,828</u>
	90,323	91,140
Clients for subscription of IPO shares*	185,113	-
Loans to margin clients [#]	<u>397,663</u>	<u>494,090</u>
	<u>673,099</u>	<u>585,230</u>

* Clients for subscription of IPO shares of HK\$185,113,000 (31 December 2019: Nil) are due when the corresponding allotment result of the related IPO shares has been announced and bear interest at commercial rates.

[#] The loans to margin clients were secured by the underlying pledged securities, repayable on demand and bore interest at commercial rates. No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not relevant in view of the nature of the business of securities margin financing. As at 30 June 2020, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$619,203,000 (31 December 2019: HK\$710,484,000).

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

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within 1 month	89,960	115,651
1 to 2 months	387	431
Over 2 months	<u>241</u>	<u>74</u>
	90,588	116,156
Accounts payable	90,588	116,156
Payables arising from securities and futures broking*	<u>563,825</u>	<u>503,271</u>
	<u>654,413</u>	<u>619,427</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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

At the start of 2020, strong seasonal sales in Mainland China and the gradual recovery from social unrest in Hong Kong were abruptly stopped in their tracks by the outbreak of the pandemic COVID-19 in the last week of January.

In February and March, the Group's stores in the Mainland were mostly shuttered as measures to control the pandemic took hold. In Hong Kong, most stores stayed open but with curtailed business hours. Hong Kong's visitor arrival has plunged more than 96% year-on-year since February. As wedding banquets were cancelled or delayed, and with the price of gold continuing on a strong uptrend, demand for gold jewellery has been suffering.

Our Mainland stores started to resume operations from late March, and by June their sales recovered to approximately 95% of that of the same time in 2019. The same cannot be said for Hong Kong and Macau, as Mainland visitors, who accounted for some 50% of sales in the past, have not reappeared.

The overall quarterly revenue decline narrowed from 45% in the first quarter to 14% in the second quarter year-on-year. The Group's turnover for the first half of 2020 decreased by 33% to HK\$6,418 million, while the profit attributable to equity holders fell by 66% to HK\$211 million. The net margin declined primarily due to operating deleverage on lower sales volume, partially offset by cost containment actions.

Jewellery Retail

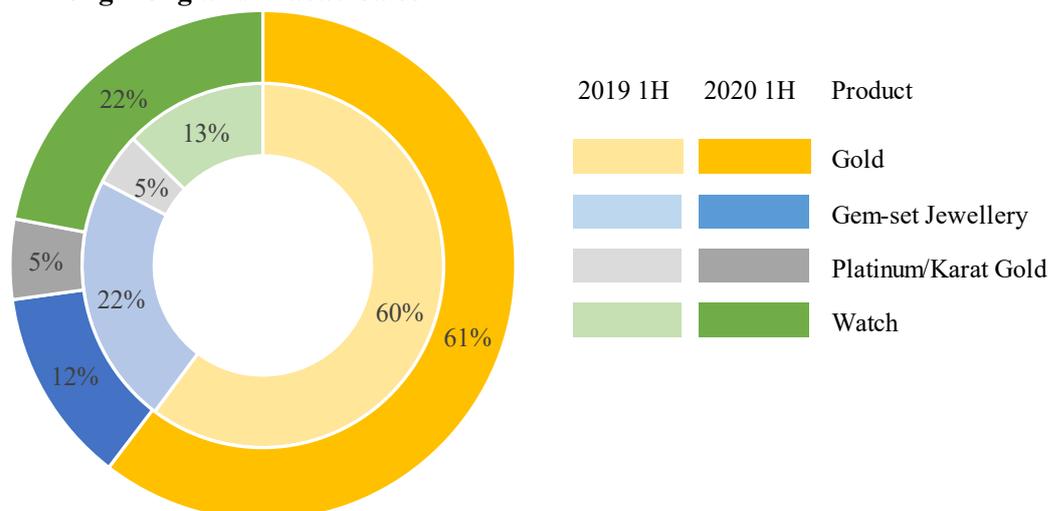
Jewellery retail accounted for 88% of the Group's turnover. Percentage of sales generated from Mainland increased further to 65%.

	Segment revenue			Segment results		
	Six months ended 30 June		+/-	Six months ended 30 June		+/-
	2020	2019		2020	2019	
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Hong Kong and Macau	1,906,543	3,556,804	-46%	(153,741)	148,292	-204%
Mainland China	3,683,295	5,156,637	-29%	437,289	612,073	-29%
Taiwan	61,010	59,134	+3%	1,070	191	+460%
Total	<u>5,650,848</u>	<u>8,772,575</u>	-36%	<u>284,618</u>	<u>760,556</u>	-63%

Hong Kong and Macau

Sales shrank by 46% year-on-year to HK\$1,907 million in the first half of 2020.

Hong Kong and Macau Sales Mix



	2019 1H vs 2018 1H	2019 2H vs 2018 2H	2020 1H vs 2019 1H
Same Store Sales Growth (“SSSG”)			
Gold	-4%	-27%	-48%
Gem-set Jewellery	-2%	-40%	-70%
Overall	+2%	-25%	-47%

Notable SSSG decreases were recorded across most product types except that watch delivered a modest SSSG decline of 5%. The soaring gold prices deterred buying.

Store Brand	Number of Stores		
	As at 31 Dec 2019	As at 30 Jun 2020	Net Change
Chow Sang Sang	61	60	-1
EMPHASIS	4	4	-
點睛品	5	3	-2
	70	67	-3

In the first half of 2020, one Chow Sang Sang store, located in Tsuen Wan, was closed, and two 點睛品 stores in Macau ceased operations.

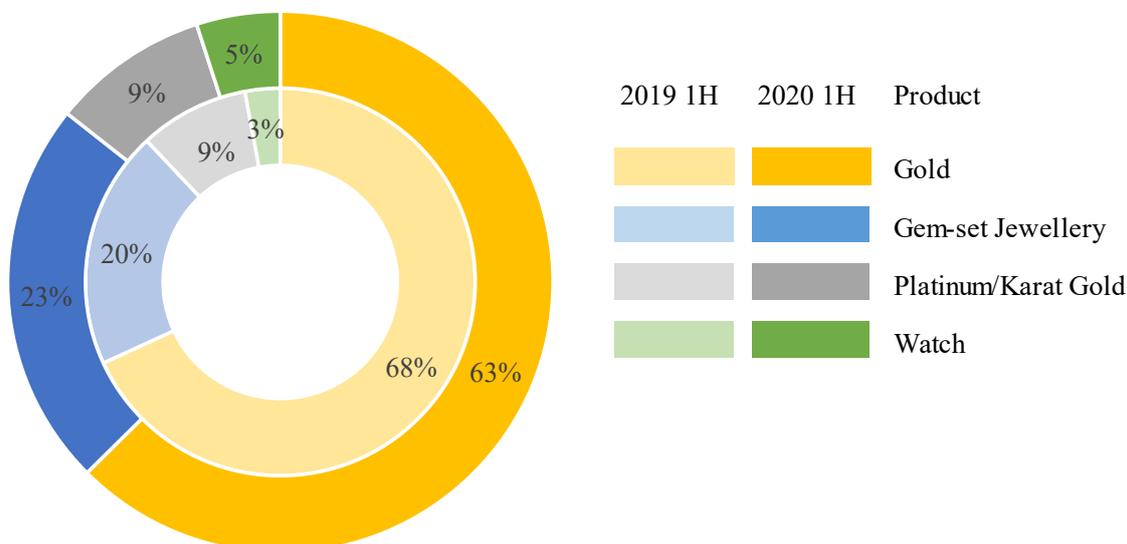
Total rental relief of approximately HK\$40 million was received from landlords during the period. Reporting on HKFRS 16 basis, related depreciation of right-of-use assets, finance costs and other rentals decreased by HK\$71 million.

Capital expenditure amounted to HK\$11 million which was mainly spent for refitting of stores and back office.

Mainland China

Turnover for the first half registered a decline of 29% year-on-year to HK\$3,683 million. In Renminbi terms, turnover decreased by 25%. COVID-19 caused significant business disruptions, including temporary stores shut down and reduced operating hours, in most of the time during the first quarter. Sales started to pick up following gradual easing of the lockdown restrictions by the end of the first quarter.

Mainland China Sales Mix



	2019 1H vs 2018 1H	2019 2H vs 2018 2H	2020 1H vs 2019 1H
SSSG			
Gold	+8%	-3%	-38%
Gem-set Jewellery	-12%	-5%	-21%
Overall	+1%	-4%	-32%

Overall SSSG narrowed from -45% in the first quarter to -13% in the second quarter. Rising gold prices dampened gold sales. Our Personalised Jewellery Service business continued to grow and helped gem-set jewellery sales. Watch delivered solid performance with +27% SSSG in the first half.

Online sales were steady and accounted for about 20% of our Mainland China sales.

Store Brand	Number of Stores		
	As at 31 Dec 2019	As at 30 Jun 2020	Net Change
Chow Sang Sang	574	581	+7
MINTYGREEN	25	24	-1
EMPHASIS	7	9	+2
PROMESSA	-	1	+1
MARCO BICEGO	-	1	+1
	606	616	+10

During the period, there were 24 new stores and 14 closures. Out of which, 16 new stores were opened in shopping malls. New PROMESSA and MARCO BICEGO specialty stores were launched in May 2020.

Total capital expenditure of HK\$78 million was incurred mainly on new openings and the refitting of 12 stores.

Taiwan

Taiwan business was steady. Total number of stores grew by 1 to 25 stores. Total revenue amounted to HK\$61 million, representing approximate 1% of the Group's jewellery retail turnover.

Wholesale of Precious Metals

Turnover edged down 0.4% to HK\$744 million. Operating profit increased by 50% to HK\$5 million.

Securities and Futures Broking

In the first half of 2020, the average daily turnover for Hong Kong securities market increased to over HK\$117 billion, representing an increase of 20% over same period last year. Due to the social impact of the pandemic, retail investors reverted to more on-line trading. Our average turnover and corresponding commission income increased over 22%. Nevertheless, operating profit decreased by 73% to HK\$5 million due to decline in margin loans interest income.

Investments

Investment properties

The Group holds various properties with a total carrying value of HK\$333 million for rental purpose. Rental income from investment properties amounted to HK\$6 million.

Shares in Hong Kong Exchanges and Clearing Limited ("HKEC")

The Group's investment in 3,561,800 shares or 0.28% 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\$1,175 million, representing 7.5% of the Group's total assets as at 30 June 2020. During the period, the Group received dividends in the amount of HK\$11 million and recorded a gain of HK\$274 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.

Finance

Financial Position and Liquidity

The Group generates strong recurring cashflow from its jewellery retail business and continues to enjoy a solid cash position. As at 30 June 2020, the Group had cash and cash equivalents of HK\$1,864 million (31 December 2019: HK\$1,028 million). Cash is mostly held in Renminbi or Hong Kong dollar and deposited in leading banks with maturity dates falling within one year.

The Group was well supported by over HK\$6,244 million in banking facilities including bank borrowings and bullion loans, out of which HK\$1,105 million are committed facilities. As at 30 June 2020, the total unutilised banking facilities amounted to HK\$4,024 million (31 December 2019: HK\$3,992 million).

As at 30 June 2020, total bank borrowings and bullion loans amounted to HK\$1,486 million and HK\$687 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 20.1%, based on total bank borrowings and bullion loans of HK\$2,173 million as a percentage of total equity of HK\$10,823 million. The current ratio of the Group was 3.5.

The Group manages risk of credit cost and availability by several means: cultivating relationship with a large number of lending banks; diversifying the funding sources by engaging a number of local and overseas banks; putting some loans on a term basis; and fixing interest costs on loans as appropriate. The Group had 39% of its bank loans at fixed rates as at 30 June 2020, increased from 32% as at 31 December 2019.

As at 30 June 2020, outstanding derivatives on the books were mainly bullion contracts for hedging the bullion price exposure. Management monitors the hedging policy closely and the hedging level of the Group is approximately 40% of the total gold inventories.

Foreign Exchange Risk Management

The Group's assets and liabilities, revenue and expenses are mostly denominated in Hong Kong dollar, Renminbi and US dollar. As such, the risk is easily manageable and slight. Simultaneously, the Group maintains an appropriate level of foreign currency borrowings for natural hedge and cross currency swaps, to mitigate foreign exchange exposure. As at 30 June 2020, the borrowing denominated in New Taiwan dollar amounted to NT\$100 million.

Charge on Assets, Lease Liabilities and Contingent Liabilities

As at 30 June 2020, listed equity investments of HK\$660 million (31 December 2019: HK\$784 million) were pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2020, the Group had lease liabilities of HK\$1,155 million (31 December 2019: HK\$1,300 million) and had no material contingent liabilities.

Human Resources

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

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

As at 30 June 2020, the total number of employees of the Group was 10,106, of whom 1,535 were in Hong Kong and Macau and 8,395 in Mainland China. For the six months ended 30 June 2020, total staff costs amounted to HK\$676 million.

Outlook

Despite all the uncertainties brought on by the pandemic and geopolitical strife, we are optimistic about the China market with its huge middle-class. Hong Kong is in a situation that is more difficult, as visitors stay away and domestic consumer sentiments are tempered by local issues on top of global ones.

Gold, widely seen as a safe haven in times of turmoil, has seen its price reaching levels that, somewhat ironically, make potential buyers hesitant. As part of our on-going efforts in nurturing gem-set jewellery, our Personalised Jewellery Service is therefore timely and fruitful. That service provides for a high degree of customisation in order to appeal to customers looking for individuality and differentiation. Of our diamond sales, 15% is now made to order.

In May 2020, we launched two specialty stores under the names PROMESSA and MARCO BICEGO. PROMESSA is the name of our signature collection of engagement rings and wedding bands, which we now promote on its own in a store designed to evoke an atmosphere suited for making a proposal of marriage. MARCO BICEGO, an Italian jewellery brand featuring artisanal craftsmanship and contemporary design concepts, has been a staple in our stores since 2000. The MARCO BICEGO store was opened in Beijing, the PROMESSA was in Chongqing. We plan to open more stores of both brands in other cities.

These new store brands, together with MINTYGREEN, will serve to focus our product offering to specific segments of the clientele. They are integral parts of the implementation of our “omni-channel” strategy.

By means of this strategy, we aim to serve our customers seamlessly across all sales channels. Implementation started a few years ago and at this stage we are close to the full digital tying up of the components comprising our physical stores, RFID-based mechanised warehousing and dispatch, customer relationship management, sales-to-customer communication and of course, our e-commerce platforms.

Having been online for over 20 years, our e-commerce platforms in Mainland China now account for some 20% of our jewellery sales there. Based on this experience, our strategy continues to rank online and offline sales as equally important and to drive both synergistically. To this end, we will continue to build our store network in Mainland China. We expect that, by the end of this year, we will have set up over 40 new stores. In Hong Kong, however, because of the precipitous change in the customer base from a visitor-dominant mode to one of local consumption, we plan to close some weak-performing stores, the number of which will depend on the results of rental negotiation.

DIVIDEND

The Board has declared an interim dividend of HK5.0 cents (2019: HK14.0 cents) per ordinary share for the six months ended 30 June 2020 payable to shareholders whose names appear on the register of members of the Company on Thursday, 17 September 2020. The dividend will be paid on Thursday, 24 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 September 2020 to Thursday, 17 September 2020, both days inclusive, during such period no transfer of shares will be registered. To establish the entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 14 September 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.chowsangsang.com and HKEX at www.hkexnews.hk. The 2020 interim report of the Company will be published on the above websites and despatched to shareholders of the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors of the Company are Mr. Vincent CHOW Wing Shing, Dr. Gerald CHOW King Sing and Mr. Winston CHOW Wun Sing; the Non-executive Directors are Mr. Stephen TING Leung Huel and Mr. CHUNG Pui Lam; and the Independent Non-executive Directors are Dr. CHAN Bing Fun, Mr. LEE Ka Lun, Dr. LO King Man and Mr. Stephen LAU Man Lung.

By order of the Board
Vincent CHOW Wing Shing
Chairman

Hong Kong, 27 August 2020