

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2024

The Board of the Company announces the unaudited interim results of the Group for the six months ended 30 June 2024. The interim results have been reviewed by the Audit Committee of the Board.

FINANCIAL HIGHLIGHTS

	Unaudited		Change
	Six months ended 30 June		
	2024	2023	
	HK\$'000	HK\$'000	
CONTINUING OPERATIONS			
Turnover			
Retail	11,049,022	12,671,833	-13%
Other businesses	263,722	327,945	-20%
	11,312,744	12,999,778	-13%
Profit/(loss) for the period attributable to owners of the Company			
Continuing operations	501,810	828,969	-39%
Discontinued operation	24,180	(1,760)	+1474%
	525,990	827,209	-36%
Earnings per share - Basic and diluted			
For profit for the period	77.6 cents	122.1 cents	-36%
For profit from continuing operations	74.1 cents	122.4 cents	-39%
Interim dividend per share	15.0 cents	20.0 cents	
Dividend payout ratio	19%	16%	
Equity attributable to owners of the Company	12,207,595	12,204,072 [^]	+0%
Equity per share	\$18.02	\$18.02 [^]	+0%

[^] Audited as at 31 December 2023

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
	Note	2024	2023
		HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Turnover	3		
Retail		11,049,022	12,671,833
Other businesses		263,722	327,945
		<u>11,312,744</u>	<u>12,999,778</u>
Cost of sales		<u>(8,114,675)</u>	<u>(9,362,790)</u>
Gross profit		3,198,069	3,636,988
Other gains/(losses), net	5	(4,542)	162,519
Selling and distribution costs		(2,044,137)	(2,175,528)
Administrative expenses		(445,932)	(457,642)
Foreign exchange differences, net		(22,816)	(49,484)
Finance income		15,151	9,508
Finance costs		<u>(70,267)</u>	<u>(62,932)</u>
Profit before tax from continuing operations	6	625,526	1,063,429
Income tax	7	<u>(129,928)</u>	<u>(241,425)</u>
Profit for the period from continuing operations		495,598	822,004
DISCONTINUED OPERATION			
Profit/(loss) for the period from discontinued operation	8	<u>24,180</u>	<u>(1,760)</u>
Profit for the period		<u>519,778</u>	<u>820,244</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		525,990	827,209
Non-controlling interests		<u>(6,212)</u>	<u>(6,965)</u>
		<u>519,778</u>	<u>820,244</u>
Profit/(loss) for the period attributable to owners of the Company:			
Continuing operations		501,810	828,969
Discontinued operation		<u>24,180</u>	<u>(1,760)</u>
		<u>525,990</u>	<u>827,209</u>

continued/...

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
	Note	2024	2023
		HK\$'000	HK\$'000
Earnings per share attributable to owners of the Company	10		
Basic and diluted			
- For profit for the period		<u>77.6 cents</u>	<u>122.1 cents</u>
- For profit from continuing operations		<u>74.1 cents</u>	<u>122.4 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>519,778</u>	<u>820,244</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>(194,719)</u>	<u>(369,401)</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	<u>(59,218)</u>	<u>(139,742)</u>
Revaluation upon transfer of a building to an investment property	<u>2,368</u>	<u>-</u>
Other comprehensive loss that will not be reclassified subsequently to profit or loss	<u>(56,850)</u>	<u>(139,742)</u>
Other comprehensive loss for the period	<u>(251,569)</u>	<u>(509,143)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>268,209</u>	<u>311,101</u>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	<u>274,497</u>	<u>318,174</u>
Non-controlling interests	<u>(6,288)</u>	<u>(7,073)</u>
	<u>268,209</u>	<u>311,101</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company:		
Continuing operations	<u>250,317</u>	<u>319,934</u>
Discontinued operation	<u>24,180</u>	<u>(1,760)</u>
	<u>274,497</u>	<u>318,174</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		Unaudited	Audited
		30 June	31 December
		2024	2023
	Note	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,109,547	1,202,495
Investment properties		430,610	428,210
Right-of-use assets		1,068,420	1,052,169
Other assets		219,166	220,340
Financial assets designated at fair value through other comprehensive income		861,302	920,520
Deferred tax assets		58,221	59,179
Total non-current assets		<u>3,747,266</u>	<u>3,882,913</u>
CURRENT ASSETS			
Inventories		12,052,883	12,256,832
Accounts receivable	11	691,887	969,359
Receivables arising from securities and futures broking	12	97,604	78,144
Prepayments, other receivables and other assets		896,052	848,763
Financial assets at fair value through profit or loss		11,587	12,417
Derivative financial instruments		606	528
Tax recoverable		570	10,575
Cash held on behalf of clients		400	479
Cash and cash equivalents		1,398,876	1,096,146
Total current assets		<u>15,150,465</u>	<u>15,273,243</u>
CURRENT LIABILITIES			
Accounts payable	13	106,337	134,917
Payables arising from securities and futures broking	13	400	479
Other payables and accruals		463,646	674,688
Derivative financial instruments		12,019	4,842
Interest-bearing bank borrowings		1,320,864	1,088,888
Bullion loans		2,715,055	3,047,732
Lease liabilities		525,669	517,216
Tax payable		247,018	166,189
Total current liabilities		<u>5,391,008</u>	<u>5,634,951</u>
NET CURRENT ASSETS		<u>9,759,457</u>	<u>9,638,292</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,506,723</u>	<u>13,521,205</u>

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	402,469	429,030
Lease liabilities	555,281	541,922
Deferred tax liabilities	381,544	380,059
Total non-current liabilities	<u>1,339,294</u>	<u>1,351,011</u>
Net assets	<u>12,167,429</u>	<u>12,170,194</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	169,359	169,359
Reserves	12,038,236	12,034,713
	12,207,595	12,204,072
Non-controlling interests	<u>(40,166)</u>	<u>(33,878)</u>
Total equity	<u>12,167,429</u>	<u>12,170,194</u>

NOTES:

1. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and Appendix D2 of the Listing Rules.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report 2023.

The accounting policies and basis of preparation used in these condensed consolidated interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 31 December 2023, 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 condensed consolidated interim financial statements 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 condensed consolidated interim financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”)
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

2. Changes in accounting policies and disclosures (continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the condensed consolidated interim financial statements.

3. Turnover

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>	11,307,639	12,994,530
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	<u>5,105</u>	<u>5,248</u>
	<u>11,312,744</u>	<u>12,999,778</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 trading of laboratory-grown diamond and gemstones ("LGD") segment trades jewellery set with LGD. During the year ended 31 December 2023, the Directors had decided to rename this segment from "e-commerce platform" to reflect its current business activities.
- 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 for reportable operating segments from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that dividend income, fair value gain or loss on investment properties, fair value gain or loss on bullion loans designated as at fair value through profit or loss, fair value gain or loss on derivative financial instruments - transactions not qualifying as hedges, fair value gain or loss on financial assets at fair value through profit or loss, finance income, finance costs and foreign exchange differences, net are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating segment information (continued)

	Continuing operations				Discontinued operation		Total HK\$'000
	Retail of jewellery and watches HK\$'000	Wholesale of precious metals HK\$'000	Trading of LGD HK\$'000	Other businesses HK\$'000	Total for continuing operations HK\$'000	Securities and futures broking HK\$'000	
Six months ended 30 June 2024							
Segment revenue (note 3)							
Sales to external customers	11,049,022	247,897	4,269	6,451	11,307,639	-	11,307,639
Intersegment sales	-	-	-	264	264	-	264
Other revenue	-	-	-	5,105	5,105	-	5,105
	<u>11,049,022</u>	<u>247,897</u>	<u>4,269</u>	<u>11,820</u>	<u>11,313,008</u>	<u>-</u>	<u>11,313,008</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales					(264)		(264)
					<u>11,312,744</u>		<u>11,312,744</u>
Segment results	762,119	1,793	(31,244)	582	733,250	24,158	757,408
<i>Reconciliation:</i>							
Dividend income					13,671	-	13,671
Net fair value loss on:							
Bullion loans designated as at fair value through profit or loss					(35,627)	-	(35,627)
Derivative financial instruments - transactions not qualifying as hedges					(7,106)	-	(7,106)
Financial assets at fair value through profit or loss					(730)	-	(730)
Finance income					15,151	22	15,173
Finance costs					(70,267)	-	(70,267)
Foreign exchange differences, net					(22,816)	-	(22,816)
Profit before tax					<u>625,526</u>	<u>24,180</u>	<u>649,706</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	Trading of LGD HK\$'000	Other businesses HK\$'000	Total for continuing operations HK\$'000	Securities and futures broking HK\$'000	
Six months ended 30 June 2023							
Segment revenue (note 3)							
Sales to external customers	12,671,833	314,796	2,678	5,223	12,994,530	-	12,994,530
Intersegment sales	-	320,910	-	264	321,174	-	321,174
Other revenue	-	-	-	5,248	5,248	-	5,248
	<u>12,671,833</u>	<u>635,706</u>	<u>2,678</u>	<u>10,735</u>	<u>13,320,952</u>	<u>-</u>	<u>13,320,952</u>
<i>Reconciliation:</i>							
Elimination of intersegment sales					(321,174)		(321,174)
					<u>12,999,778</u>		<u>12,999,778</u>
Segment results	1,094,347	(1,145)	(35,031)	(32)	1,058,139	(1,774)	1,056,365
<i>Reconciliation:</i>							
Dividend income					12,960	-	12,960
Net fair value gain/(loss) on:							
Bullion loans designated as at fair value through profit or loss					90,316	-	90,316
Derivative financial instruments - transactions not qualifying as hedges					6,482	-	6,482
Financial assets at fair value through profit or loss					(1,560)	-	(1,560)
Finance income					9,508	14	9,522
Finance costs					(62,932)	-	(62,932)
Foreign exchange differences, net					(49,484)	-	(49,484)
Profit before tax					<u>1,063,429</u>	<u>(1,760)</u>	<u>1,061,669</u>

5. Other gains/(losses), net

An analysis of other gains/(losses), net from continuing operations is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Dividend income from listed investments	13,356	12,680
Dividend income from unlisted investments	315	280
Government grants*	3,282	5,618
Reversal of impairment of accounts receivable, net	2,212	5,759
Net fair value gain/(loss) on:		
Bullion loans designated as at fair value through profit or loss	(35,627)	90,316
Derivative financial instruments		
- transactions not qualifying as hedges	(7,106)	6,482
Financial assets at fair value through profit or loss	(730)	(1,560)
Net gain on disposal of derivative financial instruments:		
Foreign currency forward contracts	5,044	20,480
Cross currency swaps	-	6,331
Others	14,712	16,133
	<u>(4,542)</u>	<u>162,519</u>

* Government grants mainly represent subsidies received from municipal governments in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. Profit before tax from continuing operations

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Write-down of inventories to net realisable value ¹	2,182	907
Depreciation of property, plant and equipment	170,559	175,554
Depreciation of right-of-use assets	318,452	292,161
Lease payments not included in the measurement of lease liabilities	408,392	461,697
Net loss on bullion loans designated as at fair value through profit or loss ²	429,469	337,022
Net loss on disposal of derivative financial instruments ²	24,827	1,833
Net loss on disposal of items of property, plant and equipment	3,463	2,153

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

² The net loss on bullion loans designated as at fair value through profit or loss of HK\$429,469,000 (2023: HK\$337,022,000) and the net loss on disposal of derivative financial instruments included a net loss on bullion contracts of HK\$29,871,000 (2023: HK\$28,644,000), which are included in "Cost of sales" on the face of the consolidated statement of profit or loss. The purpose of the above bullion transactions entered into by the Group is to manage the Group's bullion price risk. Such loans and contracts did not meet the criteria for hedge accounting. The net loss on disposal of derivative financial instruments also included a net gain on foreign currency forward contracts of HK\$5,044,000 (2023: net gain on foreign currency forward contracts and cross currency swaps of HK\$26,811,000) (note 5).

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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% (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
Current - Hong Kong		
Charge for the period	45,883	50,115
Current - Mainland China and elsewhere		
Charge for the period	81,937	169,284
Underprovision in prior periods	636	538
Deferred	1,472	21,488
Total tax charge for the period from continuing operations	129,928	241,425
Total tax charge for the period from the discontinued operation	-	-
	<u>129,928</u>	<u>241,425</u>

8. Discontinued operation

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

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Other gains, net	13	8
Administrative expenses	(199)	(1,782)
Reversal of impairment of receivables arising from securities and futures broking	24,344	-
Finance income	22	14
Profit/(loss) for the period from the discontinued operation	<u>24,180</u>	<u>(1,760)</u>

8. Discontinued operation (continued)

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

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
<i>Assets</i>		
Receivables arising from securities and futures broking (note 12)	97,604	78,144
Prepayments, other receivables and other assets	409	409
Cash held on behalf of clients	400	479
Cash and cash equivalents	<u>6,088</u>	<u>4,791</u>
Assets associated with the discontinued operation	<u>104,501</u>	<u>83,823</u>
<i>Liabilities</i>		
Payables arising from securities and futures broking (note 13)	400	479
Other payables and accruals	<u>79</u>	<u>166</u>
Liabilities associated with the discontinued operation	<u>479</u>	<u>645</u>
Net assets directly associated with the discontinued operation	<u>104,022</u>	<u>83,178</u>

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

	Six months ended 30 June 2024 HK\$'000	2023 HK\$'000
Net cash inflow/(outflow) from operating activities	<u>1,297</u>	<u>(486)</u>
Earnings/(loss) per share:		
Basic and diluted, from the discontinued operation	<u>3.5 cents</u>	<u>(0.3) cent</u>

The calculation of the basic earnings/(loss) per share amounts from the discontinued operation is based on the profit for the period attributable to owners of the Company from the discontinued operation of HK\$24,180,000 (2023: loss of HK\$1,760,000) and the weighted average number of ordinary shares of 677,434,000 (2023: 677,434,000) in issue during the period.

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

9. Dividends

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend for 2023: HK40.0 cents (2022: HK15.0 cents) per ordinary share	<u>270,974</u>	<u>101,615</u>
Dividends declared after the end of the reporting period:		
Interim dividend declared for 2024: HK15.0 cents (2023: HK20.0 cents) per ordinary share	<u>101,615</u>	<u>135,487</u>

The interim dividend has not been recognised as a liability as at 30 June 2024 because it was declared after the end of the reporting period.

10. Earnings per share attributable to owners of the Company

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to owners of the Company and the weighted average number of ordinary shares of 677,434,000 (2023: 677,434,000) in issue during the period.

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

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Earnings:		
Profit/(loss) for the period attributable to owners of the Company, used in the basic and diluted earnings per share calculation		
From continuing operations	501,810	828,969
From the discontinued operation	<u>24,180</u>	<u>(1,760)</u>
	<u>525,990</u>	<u>827,209</u>

11. Accounts receivable

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Trade and credit card receivables	716,300	996,557
Impairment	(24,413)	(27,198)
Accounts receivable	<u>691,887</u>	<u>969,359</u>

The Group's trading terms with its retail and LGD trading 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 2024 HK\$'000	31 December 2023 HK\$'000
Within 1 month	579,807	906,424
1 to 2 months	44,736	46,138
2 to 3 months	27,057	16,294
Over 3 months	40,287	503
	<u>691,887</u>	<u>969,359</u>

12. Receivables arising from securities and futures broking

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Receivables arising from securities and futures broking conducted in the ordinary course of business:		
Loans to margin clients [#]	732,033	736,917
Impairment	(634,429)	(658,773)
Receivables arising from securities and futures broking	<u>97,604</u>	<u>78,144</u>

[#] The loans to margin clients were secured by the underlying pledged securities, repayable on demand and bore interest at commercial rates. No ageing analysis was disclosed as, in the opinion of the Directors, an ageing analysis was not relevant in view of the nature of the business of securities margin financing. As at 30 June 2024, the total market value of securities pledged as collateral and securities held by guarantors in respect of the loans to margin clients was HK\$97,604,000 (31 December 2023: HK\$78,144,000).

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

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

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

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Within 1 month	105,068	130,152
1 to 2 months	1,024	1,074
Over 2 months	245	3,691
Accounts payable	106,337	134,917
Payables arising from securities and futures broking*	400	479
	<u>106,737</u>	<u>135,396</u>

The accounts payable are non-interest-bearing and are normally due for settlement on 30 days.

* 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

In the first quarter of 2024, turnover of jewellery in Hong Kong and Macau experienced some growth, with positive SSSG of 4%; but in Mainland China SSSG dropped 9% compared to the high base of last year. By March and April, the price of gold shot up amid strong economic headwinds. By the end of the second quarter, SSSG in Hong Kong and Macau, and that in Mainland China both recorded the same decrease of 24%.

Although sales in all markets were dominated by gold jewellery and related products, we managed to increase our gross profit margin from 28.0% to 28.3% by fine-tuning our product assortment.

In the first half of 2024, we opened 25 stores and closed 47 stores, mainly in Mainland China.

The Group's consolidated turnover from continuing operations for the first half of 2024 decreased by 13% to HK\$11,313 million. Profit attributable to owners of the Company decreased by 36% to HK\$526 million. Profit attributable to owners of the Company from continuing operations decreased by 39% to HK\$502 million.

Retail of Jewellery and Watches

By Geographical Key Markets

	Segment revenue			Segment results		
	Six months ended 30 June			Six months ended 30 June		
	2024	2023	Change	2024	2023	Change
HK\$'000	HK\$'000	HK\$'000		HK\$'000		
Mainland China	7,394,790	8,714,780	-15%	429,319	715,114	-40%
Hong Kong and Macau	3,498,428	3,824,528	-9%	313,458	365,610	-14%
Taiwan	155,804	132,525	+18%	19,342	13,623	+42%
Total	11,049,022	12,671,833	-13%	762,119	1,094,347	-30%

- The Group's total jewellery and watch sales in the first half of 2024 decreased by 13% year-on-year, caused by weak jewellery sales in Mainland China, as well as Hong Kong and Macau markets. However, our operation in Taiwan continued its upward trend, achieving 18% year-on-year growth. The Group's retail of jewellery and watches segment results decreased by 30% year-on-year.

By Products

SSSG	Mainland China			Hong Kong and Macau		
	2023 1H	2023 2H	2024 1H	2023 1H	2023 2H	2024 1H
Gold jewellery and products	+26%	+15%	-12%	+78%	+28%	-8%
Gem-set jewellery	-18%	-30%	-42%	+34%	+11%	-21%
Watches	+37%	-11%	-6%	+16%	+2%	-10%
Overall	+19%	+6%	-15%	+56%	+21%	-10%

Sales Mix	2023 1H	2024 1H	2023 1H	2024 1H
Gold jewellery and products	78%	80%	70%	73%
Gem-set jewellery	10%	7%	12%	11%
Watches	9%	11%	14%	13%
Platinum/Karat gold jewellery	3%	2%	4%	3%

- In the first quarter of 2024, SSSG in Mainland China for gold jewellery and products was -3%, and +11% in Hong Kong and Macau. Gold price shot up in the second quarter, driving SSSG in Mainland China -24% and -25% in Hong Kong and Macau.
- Diamond jewellery sales in Mainland China, as well as Hong Kong and Macau followed the global downtrend, resulting in -42% and -21% SSSG respectively for gem-set jewellery.
- Watch sales slowed down in the first half of 2024 in Mainland China and Hong Kong with SSSG -6% and -10% respectively.

Store Network

Region		As at 31.12.2023	Opening	Closure	Net change	As at 30.6.2024
Mainland China	Chow Sang Sang	815	+16	-31	-15	800
	Rolex/Tudor	15	+1	-4	-3	12
	MINTYGREEN	56	+4	-2	+2	58
	EMPHASIS	16	0	-2	-2	14
	PROMESSA	23	0	-5	-5	18
	MARCO BICEGO	1	+1	0	+1	2
Sub-total:		926	+22	-44	-22	904
Hong Kong	Chow Sang Sang	48	+1	0	+1	49
	Rolex/Tudor	9	0	0	0	9
	EMPHASIS	3	0	0	0	3
	PROMESSA	3	0	-1	-1	2
Sub-total:		63	+1	-1	0	63
Macau	點睛品	8	0	0	0	8
Sub-total:		8	0	0	0	8
Taiwan	點睛品	30	+1	0	+1	31
	PROMESSA	5	+1	-2	-1	4
Sub-total:		35	+2	-2	0	35
Total:		1,032	+25	-47	-22	1,010

- During the period, the Group opened 22 stores and closed 44 stores in Mainland China.
- In Hong Kong, we added one Chow Sang Sang store in Wong Chuk Hang and closed one PROMESSA store in Tsim Sha Tsui. The number of 點睛品 stores in Macau remained at 8.
- We added one new 點睛品 store and had a net decrease of one PROMESSA store in Taiwan.

Chow Sang Sang Omni-Channel Retailing

The Group's Omni-Remote Sales strategy encompasses online sales, Star Concierge Service and remote sales concluded outside-of-store with remote inventory. Omni-channel retailing brought in 28% (2023 1H: 30%) of the total sales in Mainland China.

Online Sales

<u>Online Sales by Market</u>	<u>2024 1H HK\$'M</u>	<u>2023 1H HK\$'M</u>	<u>Change</u>
Mainland China	1,485	1,594	-7%
Hong Kong, Taiwan and Others	156	139	+12%

- Our online sales in Mainland China slowed in 2024 1H, accounting for approximately 20% (2023 1H: 18%) of total Mainland China sales. We have continued to invest in live-streaming using home-grown and external talents in over 11,100 (2023 1H: 11,200) hours of shows.
- Online sales in Hong Kong, Taiwan and other regions maintained steady growth in the first half of 2024.

Product and Marketing

- On the product front, demand for gold jewellery and products was still dominant. Sales for “Cultural Blessings” collection of gold ornaments continued to grow in proportion.
- Though gem-set jewellery sales remained sluggish, brands under “EMPHASIS”, and “MARCO BICEGO” have continued to grow.
- Personalised Jewellery Service in 2024 1H was down 53% year-on-year as a result of slow down on high unit price gem-set jewellery. Total diamond jewellery sales from this service accounted for 15% (2023 1H: 22%) of the Group's corresponding sales during the period.

Wholesale of Precious Metals

Turnover decreased by 21% to HK\$248 million while segment results recorded a profit of HK\$2 million (2023 1H: loss of HK\$1 million) during the six months ended 30 June 2024.

Trading of Laboratory-grown Diamond and Gemstones

Our subsidiary, The Future Rocks Company Limited, was set up to specialise in the trading of laboratory-grown diamond and gemstones (“LGD”).

It currently operates an e-commerce platform, with the business name “The Future Rocks”, for the sale of LGD-set jewellery designed in-house as well as those curated from around the world. Since 2022, it has also maintained online stores on the portals of Tmall International, Xiaohongshu and WeChat Mini Program in Mainland China. “The Future Rocks” launched its first pop-up store in Hong Kong in 2024, complementing with a series of online and offline promotion campaigns and marketing activities.

In 2024, “The Future Rocks” has expanded its in-house collection by exploring the combination of laboratory-grown diamond and sapphire.

Securities and Futures Broking - the Discontinued Operation

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

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

Total loans due from the customers in default, net of total credit loss allowance, amounted to HK\$98 million as at 30 June 2024.

Investments

Investment Properties

The Group holds various properties with a total carrying value of HK\$431 million for rental purpose as at 30 June 2024. During the period, rental income from investment properties amounted to HK\$5 million.

Shares of 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\$832 million as at 30 June 2024, representing 4% of the Group’s total assets. During the period, the Group received dividends in the amount of HK\$13 million and recorded a loss of HK\$59 million recognised in other comprehensive income in respect of fair value change of the shares.

Capital Expenditure

The Group incurred capital expenditure of HK\$100 million, of which HK\$79 million was spent mainly on new openings and refitting of stores.

Finance

Financial Position and Liquidity

The Group generates strong recurring cashflow from its retailing business and continues to enjoy a solid cash position. As at 30 June 2024, the Group had cash and cash equivalents of HK\$1,399 million (31 December 2023: HK\$1,096 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\$11,440 million in banking facilities including bank borrowings and bullion loans, out of which HK\$973 million are committed facilities. As at 30 June 2024, the total unutilised banking facilities amounted to HK\$6,798 million (31 December 2023: HK\$6,111 million).

As at 30 June 2024, total bank borrowings and bullion loans amounted to HK\$1,723 million and HK\$2,715 million respectively, which were unsecured in accordance with the Group's policy. The weighted average tenure of bank borrowings is around three years. The gearing ratio was 36.4%, based on total bank borrowings and bullion loans of HK\$4,438 million as a percentage of equity attributable to owners of the Company of HK\$12,208 million. The current ratio of the Group was 2.8.

The Group manages risk of credit cost and availability by several means: cultivating relationship with a 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 borrowings at fixed rates as at 30 June 2024, decreased from 35% as at 31 December 2023.

As at 30 June 2024, outstanding derivatives on the books were mainly bullion contracts for hedging the bullion price exposure. Management monitors the hedging policy closely and the hedging level of the Group is approximately 40% of the total gold inventories.

Foreign Exchange Risk Management

The Group's assets and liabilities, revenue and expenses are mostly denominated in Hong Kong dollar, Renminbi and US dollar. As such, the risk is easily manageable and slight. Simultaneously, the Group maintains an appropriate level of foreign currency borrowings for natural hedge, foreign currency forward contracts and cross currency swaps, to mitigate foreign exchange exposure. As at 30 June 2024, the bank borrowings denominated in US dollar, Renminbi and New Taiwan dollar amounted to US\$4 million, RMB142 million and NT\$140 million respectively.

Charge on Assets, Lease Liabilities and Contingent Liabilities

As at 30 June 2024 and 31 December 2023, there was no asset pledged to secure banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2024, the Group had lease liabilities of HK\$1,081 million (31 December 2023: HK\$1,059 million) and had no material contingent liabilities.

Human Resources

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

A share option scheme is in place to provide incentives or rewards to eligible participants for their contribution to the Group and enabling the Group to attract and retain valuable employees. So far no share option has been granted.

As at 30 June 2024, the total number of employees of the Group was 11,784, of whom 9,971 are in Mainland China, 1,559 in Hong Kong and Macau, and 254 in Taiwan. During the six months ended 30 June 2024, total staff costs amounted to HK\$1,086 million.

Outlook

Nearly two months into the second half of 2024, it has become clear that we need to be prepared for a prolonged struggle against strong and biting economic headwinds battering our markets.

Our strengths lie in our self-run store business model, our reputation for attention to product design and workmanship and our quest for efficiency through innovation.

We will continue to optimise our store networks and exercise selectivity in new store openings. We have undertaken major refits for a number of existing retail stores to refresh and reinforce our brand image.

Through product innovation, we will expand product offerings through our existing brands as well as launching new collections tailor to customer needs.

We have been cutting back on our need for inventory by cultivating omni-channel sales. Our stores, all owned and operated by ourselves, are all working in the same direction.

We are confident that we can weather the storm.

DIVIDEND

The Board has declared an interim dividend of HK15.0 cents (2023: HK20.0 cents) per ordinary share for the six months ended 30 June 2024 payable to shareholders whose names appear on the register of members of the Company on Friday, 13 September 2024. The dividend will be paid on Monday, 30 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 September 2024 to Friday, 13 September 2024, both dates inclusive, during such period no transfer of shares will be registered. To establish the entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 10 September 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has complied throughout the period under review with the applicable code provisions as set out in Part 2 of the Code, except for the deviation from code provision C.2.1 of the Code which is explained below.

The code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Vincent CHOW Wing Shing holds both positions of the Chairman and the Group General Manager of the Company. The Board is of the opinion that the present board structure provides the Group with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The composition of the Board, with a strong complement of Independent Non-executive Directors and Non-executive Directors, already ensures checks and balances in decision-making.

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 2024 interim report of the Company will be 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, Mr. Stephen LAU Man Lung and Mr. HSU Rockson.

By order of the Board
Vincent CHOW Wing Shing
Chairman

Hong Kong, 27 August 2024

DEFINITIONS

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

Board	the board of Directors
Code	Corporate Governance Code contained in Appendix C1 to the Listing Rules
Company	Chow Sang Sang Holdings International Limited
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
HKEC	Hong Kong Exchanges and Clearing Limited
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau	the Macao Special Administrative Region of the PRC
Mainland China	PRC excluding, for the purpose of this announcement (unless otherwise indicated), Hong Kong, Macau and Taiwan
PRC	the People's Republic of China
SSSG	same store sales growth
Taiwan	Taiwan region of the PRC
1H	the first half of a year, six months ended 30 June
2H	the second half of a year, six months ended 31 December
%	percent