

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 TAI FOOK JEWELLERY GROUP LIMITED

周大福珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1929

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

HIGHLIGHTS

- Revenue decreased by 4.1% to HK\$28,123.6 million when compared to HK\$29,319.5 million in the same period last year.
- Overall Same Store Sales⁽¹⁾ recorded a decline of 8.7%, among which jewellery business in Mainland China and Hong Kong & Macau recorded an increase of 0.1% and a decrease of 18.2%, respectively.
- Gross profit decreased by 15.8% to HK\$7,856.8 million when compared to HK\$9,327.9 million in the same period last year.
- Adjusted operating profit⁽²⁾ decreased by 26.6% to HK\$2,236.4 million when compared to HK\$3,045.1 million in the same period last year.
- Profit attributable to shareholders of the Company amounted to HK\$1,557.4 million, representing a decrease of 42.2% compared to HK\$2,692.8 million in the same period last year.
- Basic earnings per share were HK15.6 cents.
- Interim and special dividends declared are HK8.0 and 42.0 cents per share, respectively.
- Retail network expanded to 2,286 POS as at 30 September 2015, with a net addition of 29 POS during the period.

(1) "Same Store Sales" for 1HFY2016 is the revenue from the self-operated POS existing as at 30 September 2015 and which have been opened prior to 1 April 2014. Revenue from wholesale and other channels are excluded

(2) Being non-IFRS measure, eliminates the effect of unrealised hedging loss/(gain) on gold loans, which the Company believes is useful in gaining a more complete understanding of its operational performance and of the underlying trend of its business

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board of directors (the “Board” or “Directors”) of Chow Tai Fook Jewellery Group Limited (the “Company” or “Chow Tai Fook”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015 (“1HFY2016”), together with comparative figures for the six months ended 30 September 2014 (“1HFY2015”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Six months ended 30 September	
	Notes	2015 HK\$ million (unaudited)	2014 HK\$ million (unaudited)
Revenue	2	28,123.6	29,319.5
Cost of goods sold		<u>(20,266.8)</u>	<u>(19,991.6)</u>
Gross profit		7,856.8	9,327.9
Other income		246.8	207.9
Other gains and losses		(160.5)	(17.3)
Selling and distribution costs		(4,594.5)	(4,753.4)
Administrative expenses		(1,207.2)	(1,046.9)
Other expenses		(5.1)	(91.1)
Finance costs		(111.9)	(183.5)
Share of results of a joint venture		<u>-</u>	<u>(2.9)</u>
Profit before taxation	3	2,024.4	3,440.7
Taxation	4	<u>(463.2)</u>	<u>(704.4)</u>
Profit for the period		1,561.2	2,736.3
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(731.3)	17.6
Share of translation reserve of a joint venture and an associate		<u>-</u>	<u>1.5</u>
Other comprehensive (expense) income for the period		<u>(731.3)</u>	<u>19.1</u>
Total comprehensive income for the period		<u>829.9</u>	<u>2,755.4</u>

		Six months ended	
		30 September	
	<i>Note</i>	2015	2014
		HK\$ million	HK\$ million
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Shareholders of the Company		1,557.4	2,692.8
Non-controlling interests		<u>3.8</u>	<u>43.5</u>
		<u>1,561.2</u>	<u>2,736.3</u>
Total comprehensive income for the period attributable to:			
Shareholders of the Company		862.3	2,711.9
Non-controlling interests		<u>(32.4)</u>	<u>43.5</u>
		<u>829.9</u>	<u>2,755.4</u>
Earnings per share — Basic	5	<u>HK15.6 cents</u>	<u>HK26.9 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

		At 30 September 2015 <i>HK\$ million</i> (unaudited)	At 31 March 2015 <i>HK\$ million</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		4,387.0	4,442.5
Land use rights		222.2	237.9
Investment properties		431.7	508.9
Goodwill		257.8	257.8
Other intangible assets		377.6	397.2
Deposits paid for acquisition of property, plant and equipment		311.9	294.1
Interest in a joint venture		–	–
Interest in an associate		13.2	–
Loan receivables		41.0	39.8
Deferred tax assets		594.9	860.1
		6,637.3	7,038.3
Current assets			
Inventories	7	37,417.2	39,797.6
Trade and other receivables		5,294.3	5,785.4
Loan receivables		4.3	4.3
Convertible bonds		16.2	17.9
Pledged bank deposits		–	0.4
Bank balances and cash		10,419.9	8,477.1
		53,151.9	54,082.7
Current liabilities			
Trade and other payables		3,842.3	3,997.9
Amounts due to non-controlling shareholders of subsidiaries		190.1	197.3
Taxation payable		438.5	595.8
Bank borrowings		6,880.0	6,750.6
Gold loans		8,110.8	8,338.3
		19,461.7	19,879.9
Net current assets		33,690.2	34,202.8
Total assets less current liabilities		40,327.5	41,241.1

	At 30 September 2015 HK\$ million (unaudited)	At 31 March 2015 HK\$ million (audited)
Non-current liabilities		
Retirement benefit obligations	239.1	243.3
Deferred tax liabilities	411.4	457.0
	<u>650.5</u>	<u>700.3</u>
Net assets	<u>39,677.0</u>	<u>40,540.8</u>
Share capital	10,000.0	10,000.0
Reserves	<u>28,792.1</u>	<u>29,429.5</u>
Equity attributable to shareholders of the Company	38,792.1	39,429.5
Non-controlling interests	<u>884.9</u>	<u>1,111.3</u>
	<u>39,677.0</u>	<u>40,540.8</u>

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except that certain financial instruments, which are measured at fair values, and in accordance with the International Financial Reporting Standards (“IFRSs”).

Except as described below, the principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs that are mandatorily effective for the current interim period.

Amendments to IAS 19	Defined benefit plans: Employee contributions
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold less returns and net of trade discounts.

Information reported to the chief operating decision maker (the “CODM”) which comprises executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on locations of the operations, namely the “Mainland China” segment and the “Hong Kong, Macau and other markets” segment. In addition, revenue derived from these locations of operations are further analysed into those from retail and wholesale markets when reviewed by the CODM. This is the basis upon which the Group is arranged and organised. In addition, the segment “Mainland China” is further separated into jewellery business (including gem-set jewellery, gold products and platinum/karat gold products) and watch business for better resource allocation and performance assessment. Therefore, the Group’s operating and reportable segments under IFRS 8 are jewellery business and watch business located in Mainland China, and operations (including both jewellery business and watch business) located in Hong Kong, Macau and other markets. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

(a) Analysis of the Group's revenue and results by reportable segment

For the six months ended 30 September (unaudited)

	Mainland China				Hong Kong, Macau and other markets		Total	
	Jewellery business		Watch business		2015	2014	2015	2014
	2015	2014	2015	2014				
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Revenue								
External sales								
— Retail	12,055.3	11,599.4	895.0	1,022.6	11,079.4	12,187.4	24,029.7	24,809.4
— Wholesale [#]	3,709.1	4,389.3	—	—	384.8	120.8	4,093.9	4,510.1
	<u>15,764.4</u>	<u>15,988.7</u>	<u>895.0</u>	<u>1,022.6</u>	<u>11,464.2</u>	<u>12,308.2</u>	<u>28,123.6</u>	<u>29,319.5</u>
Segment/group revenue								
Inter-segment sales*	215.4	267.8	—	—	1,010.6	2,060.3	1,226.0	2,328.1
	<u>15,979.8</u>	<u>16,256.5</u>	<u>895.0</u>	<u>1,022.6</u>	<u>12,474.8</u>	<u>14,368.5</u>	<u>29,349.6</u>	<u>31,647.6</u>
Gross profit	4,470.4	5,282.4	152.0	247.0	3,282.9	4,149.4	7,905.3	9,678.8
Inter-segment eliminations	(23.8)	(29.6)	—	—	(24.7)	(321.3)	(48.5)	(350.9)
	<u>4,446.6</u>	<u>5,252.8</u>	<u>152.0</u>	<u>247.0</u>	<u>3,258.2</u>	<u>3,828.1</u>	<u>7,856.8</u>	<u>9,327.9</u>
Selling and distribution costs and administrative expenses	(3,090.8)	(3,405.7)	(235.4)	(223.7)	(2,475.5)	(2,170.9)	(5,801.7)	(5,800.3)
Others, net ^π	64.4	(0.6)	6.0	3.8	(70.1)	10.1	0.3	13.3
Segment profit (loss)	<u>1,420.2</u>	<u>1,846.5</u>	<u>(77.4)</u>	<u>27.1</u>	<u>712.6</u>	<u>1,667.3</u>	<u>2,055.4</u>	<u>3,540.9</u>
Interest income							80.9	83.3
Finance costs							(111.9)	(183.5)
Profit before taxation							<u>2,024.4</u>	<u>3,440.7</u>

* Inter-segment sales are charged at a price mutually agreed by both parties.

Wholesale mainly represents sales to franchisees.

π Amount represents other income, other gains and losses, other expenses and share of results of a joint venture for each reportable segment without allocation of interest income and finance costs.

Segment profit represents the profit generated from each segment without allocation of interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Analysis of the Group's revenue by product is as follows:

	Six months ended 30 September	
	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Sales of		
— Gem-set jewellery	7,548.3	8,287.3
— Gold products	15,591.4	14,528.1
— Platinum/karat gold products	3,571.0	4,726.1
— Watches	1,412.9	1,778.0
	<u>28,123.6</u>	<u>29,319.5</u>

3. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Staff costs	1,951.1	2,003.2
Allowance for doubtful debt	9.9	—
Amortisation of land use rights	7.6	6.7
Amortisation of other intangible assets	19.6	—
Concessionaire fees	986.3	1,026.6
Depreciation of investment properties	10.9	4.2
Depreciation of property, plant and equipment	422.3	365.1
Fair value gain on gold loans (included in cost of goods sold)	(11.9)	(374.5)
Impairment of inventories (included in cost of goods sold)	63.4	—
Operating lease rentals in respect of rented premises	1,044.6	859.3

4. TAXATION

	Six months ended 30 September	
	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax (“EIT”) in Mainland China	81.8	398.3
Hong Kong Profits Tax	111.2	274.4
Macau complementary tax	27.1	37.7
	220.1	710.4
Under(over)-provision in prior years:		
EIT in Mainland China	1.0	17.7
Hong Kong Profits Tax	(0.2)	(0.6)
Macau complementary tax	–	(14.3)
	0.8	2.8
Deferred tax charge (credit)	227.4	(24.8)
Withholding tax*	14.9	16.0
	463.2	704.4

* Withholding tax mainly represents withholding tax on intra-group licence income and interest income from Mainland China.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Enterprise Income Tax Law (the “EIT Law”) of the People’s Republic of China (“PRC”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% for both periods.

For certain subsidiaries of the Company in Mainland China, they are entitled to the tax incentives in connection with the development of the western part of Mainland China. The applicable tax rate is 15% for both periods.

Macau complementary tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for both periods.

No provision for taxation has been made for the operation in Taiwan and the United States as there was no assessable profit for both periods.

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the consolidated profits attributable to shareholders of the Company for the period and on the number of 10,000,000,000 (six months ended 30 September 2014: 10,000,000,000) shares in issue during the period.

No diluted earnings per share is presented as there were no potential ordinary shares during both periods.

6. DIVIDENDS

	Six months ended 30 September	
	2015	2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
2015 Final — HK15.0 cents (2014: HK19.0 cents) per share	<u>1,500.0</u>	<u>1,900.0</u>

On 24 November 2015, the directors of the Company have determined to declare an interim dividend of HK8.0 cents per share and a special dividend of HK42.0 cents per share, totalling HK\$5,000.0 million for the six months ended 30 September 2015.

7. INVENTORIES

	At	At
	30 September	31 March
	2015	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(audited)
Raw materials for:		
Gem-set jewellery	6,665.4	6,705.6
Gold products	1,626.8	1,040.5
Platinum/karat gold products	152.5	174.6
	<u>8,444.7</u>	<u>7,920.7</u>
Finished goods:		
Gem-set jewellery	13,356.1	14,061.3
Gold products	9,639.3	10,723.1
Platinum/karat gold products	2,883.9	3,492.8
Watches (<i>Note</i>)	2,929.9	3,447.2
	<u>28,809.2</u>	<u>31,724.4</u>
Packing materials	<u>163.3</u>	<u>152.5</u>
	<u>37,417.2</u>	<u>39,797.6</u>

Note: The inventory balances of watches as at 30 September 2015 included an impairment of HK\$63.4 million (31 March 2015: nil) recognised during the current interim period.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Development

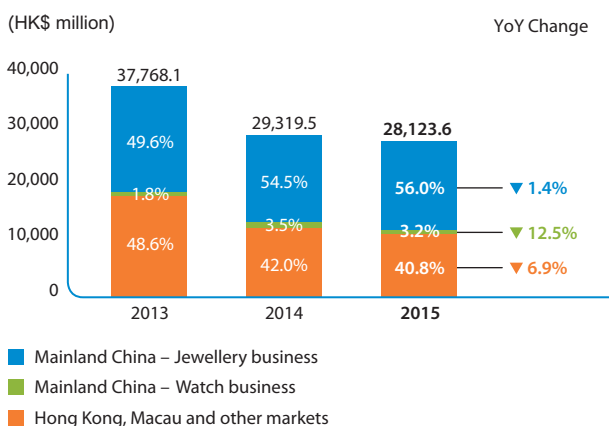
In the face of the changing consumer preference and uncertainties underlining the current market environment, we remain focused in boosting the productivity of our POS, while taking a pragmatic approach to explore new sales channels as opportunities come.

Overall

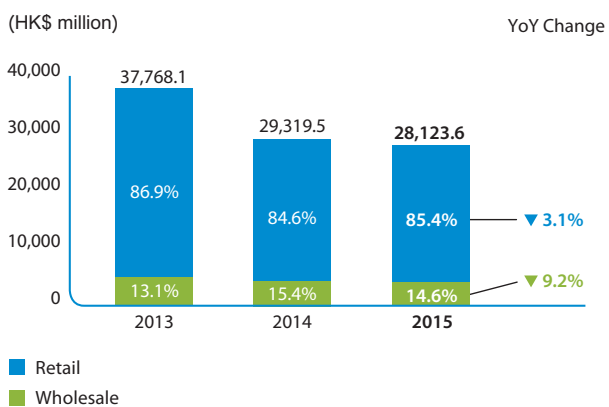
Revenue

Six months ended 30 September

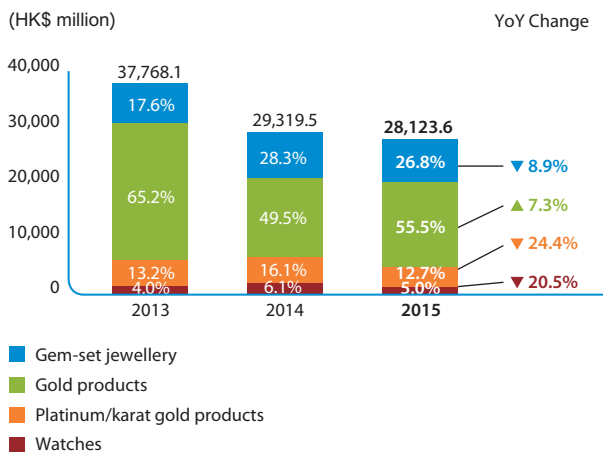
Revenue by reportable segment



Revenue by operation model



Revenue by product



Note: The percentages calculated are subject to minor rounding differences

Revenue by reportable segment

- Contribution from jewellery business in Mainland China increased steadily, thanks to a relatively stable operational environment and new POS openings in Mainland China.
- Contribution from Hong Kong, Macau and other markets continued to decline due to a weak consumer sentiment in Hong Kong and Macau and a declining tourist visitation from Mainland China.

Revenue by operation model

- Wholesale revenue dropped as franchisees were generally conservative in inventory replenishment during the period.

Revenue by product

- Revenue from gold products rose considerably, primarily due to a surge of demand for gold products as gold price tumbled in July to August this year, coupled with the lower-than-normal sales mix of gold products in the same period last year.
- Revenue from non-gold products recorded a year-on-year decrease, signaling a continual weak consumer sentiment.

POS network

As at	31.3.2015	During 1HFY2016		Net	30.9.2015
	Total	Addition	Reduction		Total
Mainland China	2,124	138	(112)	26	2,150
Jewellery POS	1,992	128	(92)	36	2,028
Watch POS	132	10	(20)	(10)	122
Hong Kong, Macau and other markets	<u>133</u>	<u>6</u>	<u>(3)</u>	<u>3</u>	<u>136</u>
Total	<u>2,257</u>	<u>144</u>	<u>(115)</u>	<u>29</u>	<u>2,286</u>

Note: Standalone store of Hearts On Fire constitutes a separate POS while shop-in-shop or counter-in-shop of Hearts On Fire does not count as a separate POS

- We opened a net of 29 POS with a continual emphasis on Mainland China market.
- We closed 115 POS during 1HFY2016, equivalent to approximately 5% of our total POS. The closure during the period was higher than our historical average as there were more closures and restructurings of department stores in Mainland China to cater the evolving shopping preferences in retail sector. In addition, we consolidated some low performing POS, mainly in Eastern and Southern regions, during the period.
- We will continue to partner strategically with leading retail enterprises to strengthen our retail networks to cope with the changing market conditions and consumer preferences.

Mainland China — Jewellery Business

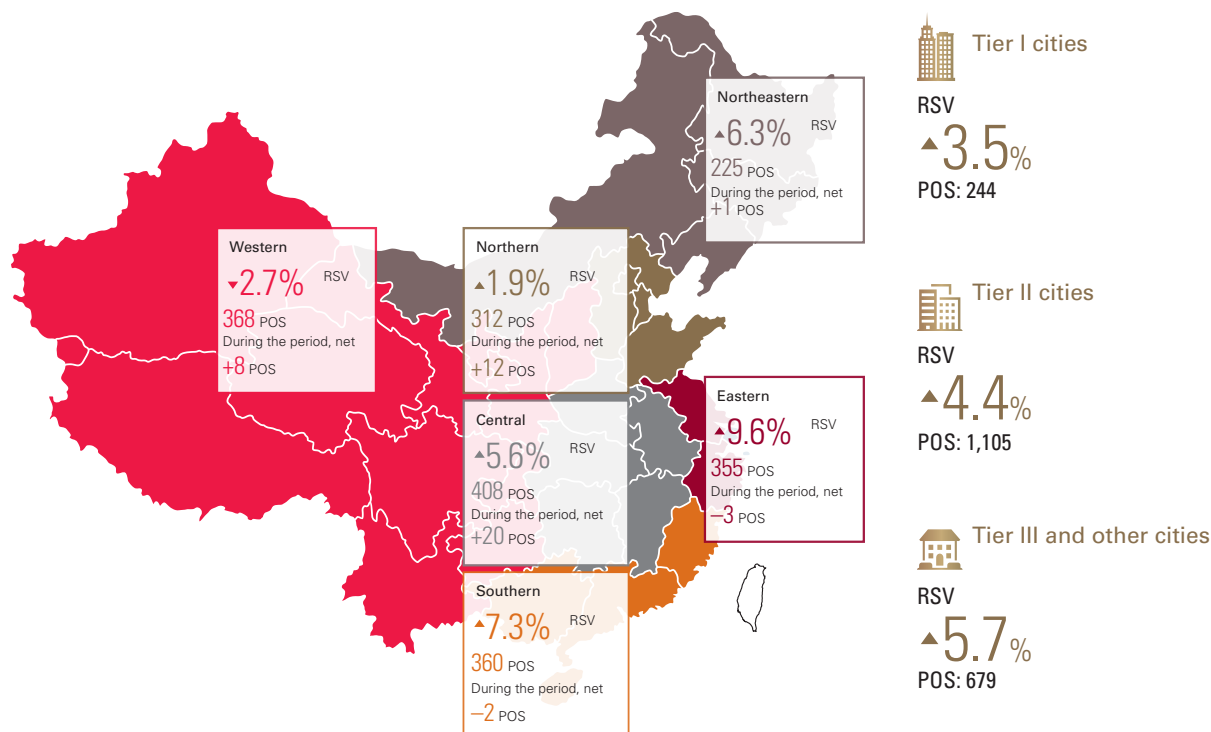
Revenue and RSV

Six months ended 30 September	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	2015 vs 2014 YoY change
Revenue				
Retail	13,912.0	11,599.4	12,055.3	3.9%
Wholesale	4,820.1	4,389.3	3,709.1	(15.5)%
Total	<u>18,732.1</u>	<u>15,988.7</u>	<u>15,764.4</u>	<u>(1.4)%</u>
RSV				
Self-operated POS	16,357.4	13,387.1	13,886.6	3.7%
Franchised POS	6,648.7	5,838.1	6,232.0	6.7%
E-commerce	185.6	274.6	395.4	44.0%
Others	33.4	7.8	51.3	557.7%
Total	<u>23,225.1</u>	<u>19,507.6</u>	<u>20,565.3</u>	<u>5.4%</u>

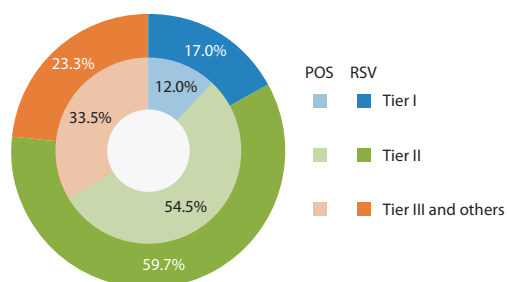
- The decrease in revenue was primarily attributable to the drop of wholesale revenue.
- Our retail revenue, including the sales from self-operated POS, e-commerce and other direct channels, and RSV of self-operated POS recorded a stable growth during the period.
- Our wholesale revenue is mainly recognised when inventories are delivered to franchisees and recorded at wholesale price. Contrast with the decline in wholesale revenue, RSV of franchised POS recorded a positive growth of 6.7%, indicating that our franchisees were generally conservative in inventory replenishment during the period. Starting from FY2015, our franchisees progressively adopted the new optimised inventory management mechanism that we would retain inventory ownership until sales transactions are completed with retail customers, upon which wholesale revenue is recognised at prevailing price.
- RSV of e-commerce, including the sales of our products through online sales platforms, increased considerably as the average daily traffic in unique visitors increased during the period.
- RSV of others included occasional sales events such as jewellery exhibitions and wedding expos.

RSV performance and POS network by region, tier of cities and POS operation model

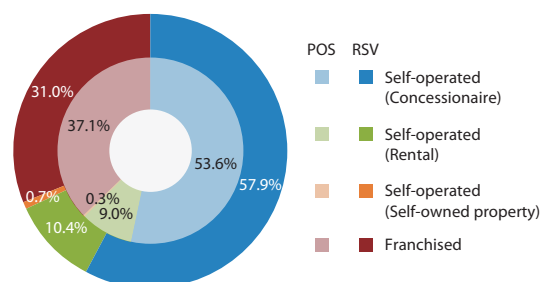
The diagram below illustrates the RSV performance of our jewellery POS network in Mainland China by geographical region and tier of cities over the same period last year; and the coverage of our POS network as at 30 September 2015 and the net POS additions/reductions during 1HFY2016.



1HFY2016 RSV and POS by tier of cities



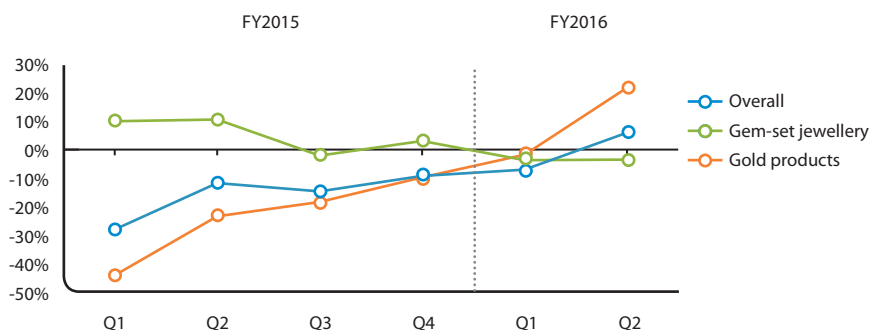
1HFY2016 RSV and POS by POS operation model



- In terms of RSV by tier of cities, Tier III and other cities showed a stronger growth momentum, echoing our efforts in network expansion in those areas.
- In terms of RSV performance by region, our POS in Eastern and Southern regions of Mainland China performed better than other regions as supported by a relatively more stable market environment and consumer sentiment there.
- During the period, we opened a net of 36 jewellery POS, including 2 standalone stores of Hearts On Fire, in Mainland China. It represented a net effect of the 128 openings (1HFY2015: 151) and 92 closings (1HFY2015: 52). The closure during the period was mainly due to the restructuring of department stores in Mainland China. In addition, we consolidated some low performing POS mainly in Eastern and Southern regions during the period.

SSSG

SSSG — Mainland China — Jewellery business



Six months ended 30 September	2014	2015	YoY change
SSSG	(21.3)%	0.1%	N/A
Same Store Sales volume growth	(18.8)%	1.8%	N/A
SSSG — Gem-set jewellery	10.3%	(3.5)%	N/A
SSSG — Gold products	(35.2)%	10.0%	N/A
	<i>HK\$</i>	<i>HK\$</i>	
Average selling price ⁽¹⁾ — Gem-set jewellery	6,651	6,156	(7.4)%
Average selling price ⁽¹⁾ — Gold products	3,284	3,240	(1.3)%

⁽¹⁾ Average selling price on 1HFY2016 Same Store basis, and includes VAT

- Overall SSSG was flat with a slight growth of same store sales volume. It was mainly driven by the strong same store performance of gold products as triggered by a drop in international gold price in July to August this year.
- SSSG of gem-set jewellery dropped as a result of the increase in promotional activities, leading to a decline in average selling price, notwithstanding a positive volume growth during the period.

Mainland China — Watch Business

Revenue and RSV

Six months ended 30 September	2013	2014	2015	2015 vs 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	YoY change
Revenue	683.8	1,022.6	895.0	(12.5)%
RSV	763.8	1,185.9	1,047.1	(11.7)%

- Revenue decreased as customers preferred branded watches with relatively lower prices.

- The SSSG was negative 5.8% representing a mixed effect of a decrease in average selling price of 23.7% and an increase in volume by 23.4%.
- We focused on enhancing the operational efficiency in the face of the weak consumer sentiment and fierce competition in the market by consolidating POS with lower profitability, resulting in a net reduction of 10 POS during the period.

Hong Kong, Macau and Other Markets

Revenue and RSV

Six months ended 30 September	2013 HK\$ million	2014 HK\$ million	2015 HK\$ million	2015 vs 2014 YoY change
Revenue				
Retail	18,267.0	12,187.4	11,079.4	(9.1)%
Wholesale	85.2	120.8	384.8	218.5%
Total	<u>18,352.2</u>	<u>12,308.2</u>	<u>11,464.2</u>	<u>(6.9)%</u>
RSV				
Hong Kong	15,165.3	10,333.0	9,244.4	(10.5)%
Macau	2,929.8	1,806.7	1,592.3	(11.9)%
Taiwan and other Asian markets	68.6	74.4	119.3	60.3%
The United States	–	2.5	13.8	452.0%
Total	<u>18,163.7</u>	<u>12,216.6</u>	<u>10,969.8</u>	<u>(10.2)%</u>

POS network by region

As at	31.3.2015	During 1HFY2016			30.9.2015
	Total	Addition	Reduction	Net	Total
Hong Kong	93	–	(3)	(3)	90
Macau	19	1	–	1	20
Taiwan and other Asian markets	19	5	–	5	24
The United States	2	–	–	–	2
Total	<u>133</u>	<u>6</u>	<u>(3)</u>	<u>3</u>	<u>136</u>

- Revenue and RSV declined, mainly due to the continuing lackluster retail market sentiment and a declining tourist visitation from Mainland China to Hong Kong and Macau.
- Revenue of the segment of Hong Kong, Macau and other markets comprises the sales from jewellery and watch businesses.

- Our retail revenue, being sales from self-operated POS, e-commerce and other direct sales channels, decreased when compared to the same period last year.
- Our wholesale revenue included occasional wholesale to diamond traders and sales to franchisees and retail partners of Hearts On Fire, which is mainly recognised when inventories are delivered to franchisees or retail partners and recorded at wholesale price. Our wholesale revenue recorded an increase of 218.5% due to the acquisition of Hearts On Fire on 31 August 2014.
- Our RSV excluded the sales of gold bullions and those sales transactions completed by the retail partners of Hearts On Fire with their retail customers. A considerable growth of wholesale revenue from retail partners of Hearts On Fire led to an increase in the difference between our revenue and RSV.
- The increase in RSV from Taiwan and other Asian markets was primarily due to the inclusion of Hearts On Fire POS in Taiwan we acquired in August 2014.
- We will continue to monitor the productivity of our POS in Hong Kong and Macau as well as to take a pragmatic approach to expand our footprint to overseas markets as opportunities come.

Hong Kong and Macau

RSV performance and POS network by area and POS operation model

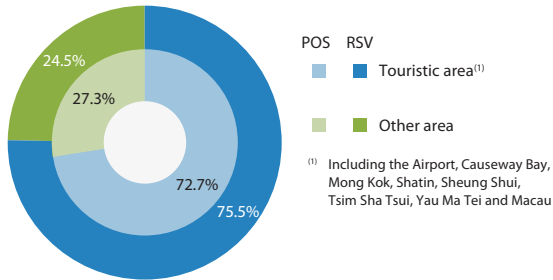
YoY change in customer traffic at POS ▼ 31.2%



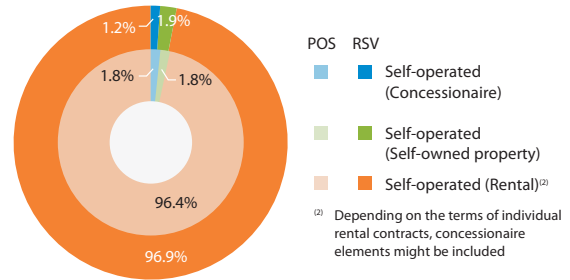
* Being the value of retail sales of jewellery, watches and clocks, and valuable gifts in Hong Kong. Data sourced from Census and Statistics Department of Hong Kong

** Data sourced from Commerce and Economic Development Bureau of Hong Kong, and the Macau Statistics and Census Service

1HFY2016 RSV and POS by area



1HFY2016 RSV and POS by POS operation model

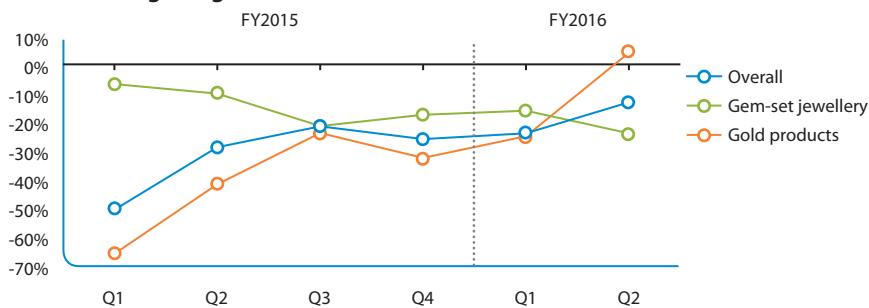


- Declining customer traffic and the continual weak consumer sentiment, coupled with the declining tourist visitation from Mainland China posed a downward pressure to the sales performance of Hong Kong and Macau markets.
- A fall in the number of Mainland tourists to Hong Kong and Macau led to a decrease in the contribution of RSV from Mainland tourists from 57.8% in 1HFY2015 to 55.4% in 1HFY2016, as measured by settlement via China UnionPay or Renminbi.
- Despite customer traffic of our POS decreased by 31.2%, based on the overhead people counters we have installed in selected POS, RSV of Hong Kong performed slightly better than the retail sales of jewellery industry in Hong Kong*, amid continual weak consumer sentiment in the region.

* Being the value of retail sales of jewellery, watches and clocks, and valuable gifts in Hong Kong. Data sourced from Census and Statistics Department of Hong Kong

SSSG

SSSG — Hong Kong & Macau



Six months ended 30 September	2014	2015	YoY change
SSSG	(41.0)%	(18.2)%	N/A
Same Store Sales volume growth	(34.4)%	(23.3)%	N/A
SSSG — Gem-set jewellery	(8.5)%	(19.9)%	N/A
SSSG — Gold products	(56.2)%	(10.0)%	N/A
	<i>HK\$</i>	<i>HK\$</i>	
Average selling price ⁽¹⁾ — Gem-set jewellery	12,376	11,674	(5.7)%
Average selling price ⁽¹⁾ — Gold products	5,196	5,587	7.5%

⁽¹⁾ Average selling price on 1HFY2016 Same Store basis

- Despite a surge in gold sales as triggered by the drop in gold price in July to August this year, a generally sluggish consumer sentiment led to a negative SSSG.
- While the average international gold price fell by approximately 10% over the same period last year, an increase in weight per gold product sold during the period led to an increase in average selling price.
- Average selling price of gem-set jewellery decreased, signaling a weakened consumer demand for jewellery products.

Hearts On Fire

As at	31.3.2015	During 1HFY2016			30.9.2015
	Total	Addition	Reduction	Net	Total
Mainland China	2	2	–	2	4
Taiwan	8	2	–	2	10
The United States	2	–	–	–	2
Standalone store	<u>12</u>	<u>4</u>	<u>–</u>	<u>4</u>	<u>16</u>
Mainland China	–	42	–	42	42
Hong Kong and Macau	–	11	–	11	11
Shop-in-shop and counter-in-shop	<u>–</u>	<u>53</u>	<u>–</u>	<u>53</u>	<u>53</u>
Retail partner location*	524	30	(17)	13	537

* Around 70% of the retail partner location is situated in North America and the rest is mainly situated in the United Kingdom, Ireland, Caribbean and Asia-Pacific regions.

- We acquired Hearts On Fire, a luxury diamond company offering premium bridal and fashion jewellery products, on 31 August 2014.
- Our rollout plan of Hearts On Fire focuses on shop-in-shop and counter-in-shop in Greater China region. Such POS strategy complements the brand of Chow Tai Fook by widening the spectrum of our product offerings and uplifting our brand equity.

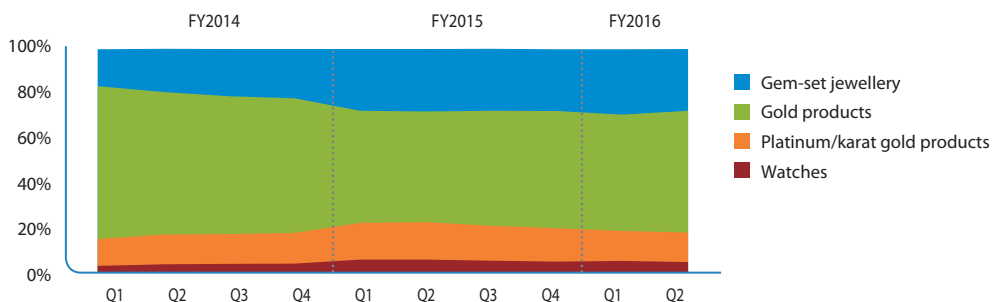
Products and Production

The success of our business is dependent on our ability to design and deliver our products to the market in a timely manner that satisfy the preferences of our potential customers by either enhancing our existing products or offering new products. We will continue to focus on strengthening our upstream and midstream capabilities, catering consumer preferences and meeting expectation of our potential customers.

Product Offerings and Customer Preferences

RSV by product

Our principal products are mass luxury and high-end jewellery products, including gem-set jewellery, gold products, platinum/karat gold products and watches. Below depicts the historical trend of their respective mix to our total RSV by quarter:



- Although RSV mix of gem-set jewellery dropped in Q2FY2016, it exhibited a generally growing trend since Q2FY2014, reflecting our continuous effort in promotion and success of diversified product offerings.

Six months ended 30 September	2014	2015
RSV of wedding product as a % of total RSV	35.4%	43.0%
YoY growth of RSV for gem-set jewellery of FOREVERMARK, Rio Tinto Group and Disney	50.6%	14.9%

- Wedding product continued to represent a major portion of RSV.
- We continue to collaborate with renowned international brands such as FOREVERMARK, Rio Tinto Group and Disney to offer more licensed and patented products that are unique and exclusive.

RSV by price range

RSV by price range — overall

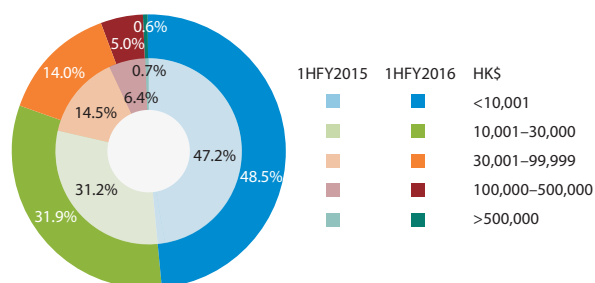
While we observed that the consumer sentiment was weakened in both Mainland China and Hong Kong and Macau, our RSV mix by price range was relatively stable when compared to same period last year.

Six months ended 30 September	2014	2015
RSV of high-end jewellery as a % of total RSV	6.2%	6.0%

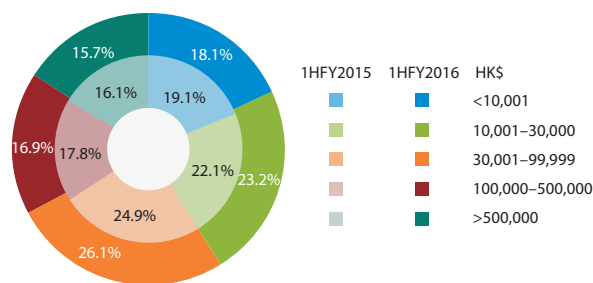
RSV by price range — Gem-set jewellery

Gem-set jewellery, a high margin product closely correlated to the consumer sentiment, showed a similar trend in terms of RSV by price range when compared to the same period last year. The charts below set forth the breakdown of our gem-set jewellery by price range:

Mainland China
RSV by price range – Gem-set jewellery



Hong Kong, Macau and other markets
RSV by price range – Gem-set jewellery



Procurement and Production

Procurement and diamond cutting and polishing

Six months ended 30 September	2014	2015
Diamond cut and polished (in carat)	121,000	113,000
As at	31.3.2015	30.9.2015
Number of employees in diamond cutting and polishing sites	2,100	1,800

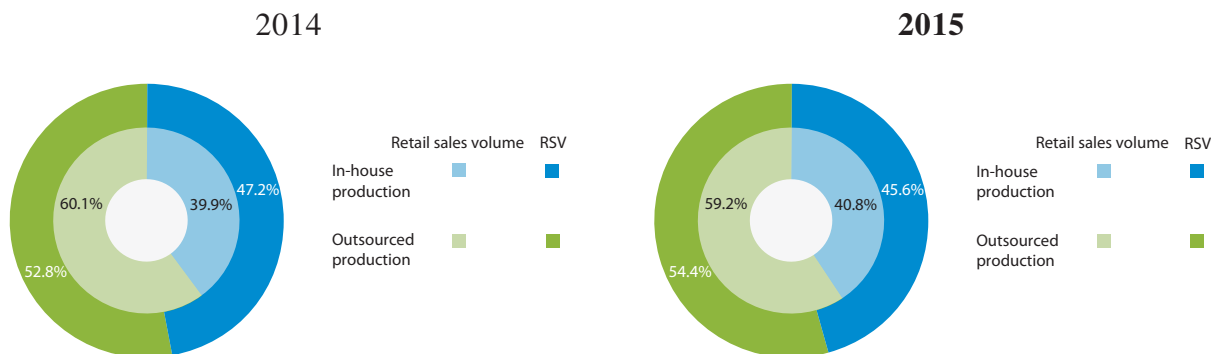
Our diamond cutting and polishing sites are located in Shunde, Mainland China, South Africa, and Botswana.

These diamond processing capabilities and our well-established relationships with De Beers, Rio Tinto Group and ALROSA allow us to make selection ahead of other peers from the available stock through a number of suppliers, and ensure a supply of quality products that are suitable for the market.

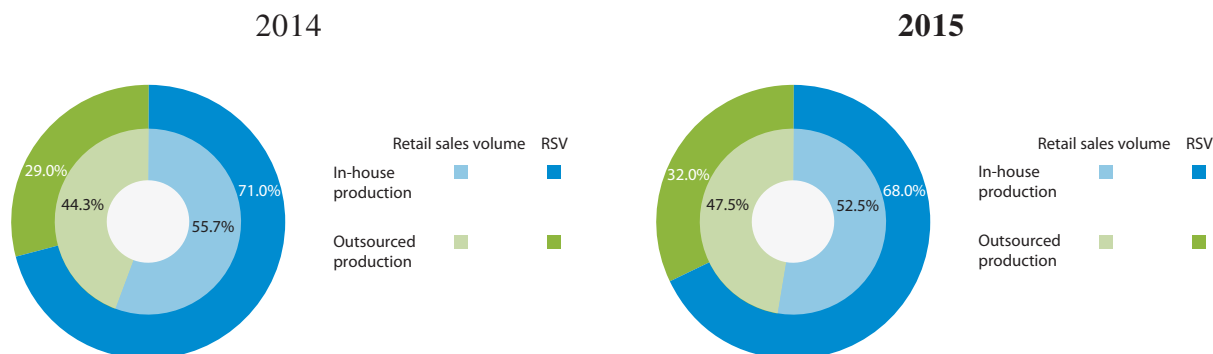
Jewellery production

Six months ended 30 September

In-house/outsourced production mix of products sold – Jewellery products



In-house/outsourced production mix of products sold – Gem-set jewellery



As at	31.3.2015	30.9.2015
Number of R&D team members	790	700
Number of employees in jewellery production sites	5,800	5,100

Our diverse product offering is conceived by our strong R&D professionals, who work closely with our production management and sales management departments to ensure that the product design direction is well aligned with market needs. Our production sites in Hong Kong and Shenzhen mainly produce gem-set jewellery, sites in Shunde mainly produce gem-set jewellery, gold and platinum/karat gold products while sites in Wuhan mainly produce gold products.

Customer Service and Marketing

We believe that our brand name “Chow Tai Fook” represents one of our most important assets, and with this prestige brand image vividly recallable by customer through our 86 years of heritage and our branding campaigns, we have taken a step further and leverage on emerging marketing opportunities while continue our existing effort on customer service and marketing.

Smart+ Initiatives

Smart+ initiatives is our response to the emerging trend of omni-channel retailing. As retail operations continue to be the core of our business, we make an extensive use of the internet, technological tools and innovative products, sales platforms and way of serving to satisfy every customers’ personalised requirements and fulfill technological retail and smart service.

Under Smart+ Initiatives, we seek innovation throughout the customers’ shopping process:

1. Boosting customer traffic — To reach our potential customers by leveraging social media and mobile platforms
2. Sales/Service — To provide personalized shopping experience through the use of the internet, innovative tools and unique product offerings
3. Payment — To support convenient mobile payment service for the establishment of O2O platform
4. Delivery — To provide a broader coverage and convenient delivery service

For this we have launched various projects during the period, including collaboration with Ctrip and Alibaba in “Shopping Chic with Ctrip” and “MiaoJie”, and the application of iBeacon at our POS in launching interactive promotion with Di Di (滴滴出行).

We also aim at enhancing the quality of customer relationship management and data analytics.

Customer relationship management — Through our continuous efforts in understanding customers’ spending behavior and preferences, we aim to improve customer satisfaction and customer relationship and hence, increasing their loyalty towards our brand.

Data analytics — We collect data and perform business analysis throughout the customers’ shopping process to provide basis for formulating future strategies.

E-commerce

In response to the needs of the younger generation, some of our products are supplied exclusively on our e-commerce channels, and we are putting more emphasis on the rapidly growing mobile platforms. The table below shows the figures related to our e-commerce:

Six months ended 30 September	2014	2015
Overall		
YoY growth in RSV	48.4%	44.3%
Average daily traffic in unique visitors (Chow Tai Fook eShop, Tmall and JD.com)	153,000	225,000
Mainland China – Jewellery business		
E-commerce RSV as a % of respective RSV	1.4%	1.9%
As at	31.3.2015	30.9.2015
Number of followers (Official Sina Weibo, Tencent Weibo and WeChat accounts)	1,722,000	1,403,000

- As our e-commerce platforms mature with goodwill maintained, our e-commerce business continued to exhibit a steady growth as a result of our focused endeavour in driving customer traffic and seizing holiday shopping opportunities.
- During the period, we co-operated with various online platforms to increase our exposure via advertising and promotion. We have also put efforts to improve customers' experience so as to increase the conversion rates of our e-shops.
- During the period, we adjusted our strategy to shift our focus to platforms which are more popular and sale oriented, leading to a decrease in the number of followers.

Cross-border e-commerce initiative

We entered into an agreement with the respective wholly-owned subsidiaries of both New World Development Company Limited (the shares of which are listed on the Main Board of the Hong Kong Stock Exchange) (“NWD”) and Chow Tai Fook Enterprises Limited (being a related party and a fellow subsidiary of the Group, respectively), on 25 August 2015 to develop and operate a shopping complex (“CTF HOKO”) in Qianhai, Shenzhen, which combines cross-border e-commerce and physical stores, providing customers with a diversified shopping and leisure experience. It is expected to open in December 2015.

The newly formed entity was expected to be benefited from the PRC government's cross-border e-commerce initiatives, which facilitates the sales of imported products to consumers in Mainland China via a legitimate channel, and to direct part of the overseas consumption back to Mainland China.

The Group effectively holds 30.0% of the entity, and through the investment we will gain new business insights and jewellery retail opportunity.

For further details of the above arrangement, please refer to the joint announcement of the Group and NWD dated 25 August 2015.

Chow Tai Fook Membership Programme

Our membership programme plays an important role in supporting our business growth by encouraging repeat purchases and attracting new customers. The table below shows the figures related to our membership programme:

As at	31.3.2015	30.9.2015
Mainland China		
Number of members	1,504,000	1,029,000
% of Diamond, Platinum and Gold members	10.4%	7.8%
% of Basic members	89.6%	92.2%
Number of Fans members	4,694,000	6,551,000
Six months ended 30 September	2014	2015
Members' repeat purchase as a % of RSV	30.5%	29.0%
As at	31.3.2015	30.9.2015
Hong Kong and Macau		
Number of members	202,000	218,000
% of Diamond, Platinum and Gold members	6.6%	5.6%
% of Pre-members	93.4%	94.4%
Six months ended 30 September	2014	2015
Members' repeat purchase as a % of RSV	17.6%	18.8%

- In order to strengthen our membership programme for a more stable customer base in Mainland China, we revamped the qualifying membership requirement of the programme. As a result, the number of members in Mainland China decreased by 31.6%.
- Despite the decrease of number of members in Mainland China, the repeat purchase ratio stayed at similar level during the period compared to 1HFY2015 and this is primarily attributable to our effective strategies and efforts in interacting with existing members.

Advertising and Promotion

Below are the highlights of our advertising and promotion events during the period:



“A Heritage in Bloom” Expo Milano 2015



“Freely on Silk Road”



Hearts On Fire
“Ignite Something”
marketing campaign

Operations and Management

We are committed to delivering maximum value to our customers through value for money products and quality services by maintaining industry-leading operation capabilities and preserving our heritages and edges in human capital.

Inventory Ownership Unification

In order to promptly address our customers’ needs and strengthen the stability of our retail network, we are optimising our inventory management mechanism. Inventories are dispatched to franchised POS upon the receipt of deposits at value equivalent to the prescribed inventory level. We retain inventory ownership until sales transactions are completed with retail customers, upon which wholesale revenue is recognised at the prevailing price.

- The optimisation is expected to be completed by the end of FY2017.
- Up to 30 September 2015, 185 POS were under the new mechanism, holding inventories valued at approximately HK\$600 million, representing 1.6% of total inventories of the Group as at 30 September 2015.

Development Projects

To meet the needs of our future business growth, we have embarked on the development of Chow Tai Fook Jewellery Park in Wuhan, Hubei and a logistic and distribution centre in Shunde.

Chow Tai Fook Jewellery Park

- Phase one development of gross floor area of approximately 450,000 square metres on a land parcel of approximately 221,000 square metres started in October 2013.
- Eight buildings of gross floor area of approximately 180,000 square metres were completed in FY2015.
- Production operation had commenced progressively since FY2015. It is expected the annual production capacity would reach 1.9 million pieces by the end of FY2016.
- Another land parcel of approximately 165,000 square metres was secured in October 2014, upon which planning for Phase two development is undergoing.

Logistic and distribution centre

- System installation has substantially completed.
- System tuning and test run are undergoing.

Human Resources Management

Number of employees

As at	31.3.2015	30.9.2015
Number of employees (excluding staff of franchisees)	36,800	33,500
By function:		
Sales (at POS)	23,000	21,200
R&D and production	6,600	5,800
Procurement and diamond cutting & polishing	2,200	1,900
Management, general and administration	5,000	4,600

- Total number of employees decreased by 9.0% as a result of our effort in staff force optimisation.

Chow Tai Fook Academy

- Established in June 2015, Chow Tai Fook Academy is set up to foster an all-round development of our employees by enhancing their professional knowledge and personal quality.
- The academy has five faculties, providing a wide variety of courses to our employees:
 - Faculty of Jewellery

- Faculty of Watch
- Faculty of Sales & Marketing
- Faculty of Management
- Faculty of Professional Development

Financials

We are committed to creating long-term value for our shareholders by setting our payout policy carefully and implementing optimal investment strategies and financing plans, which help maintaining an optimal capital structure to finance our profitable operations and prosperous development.

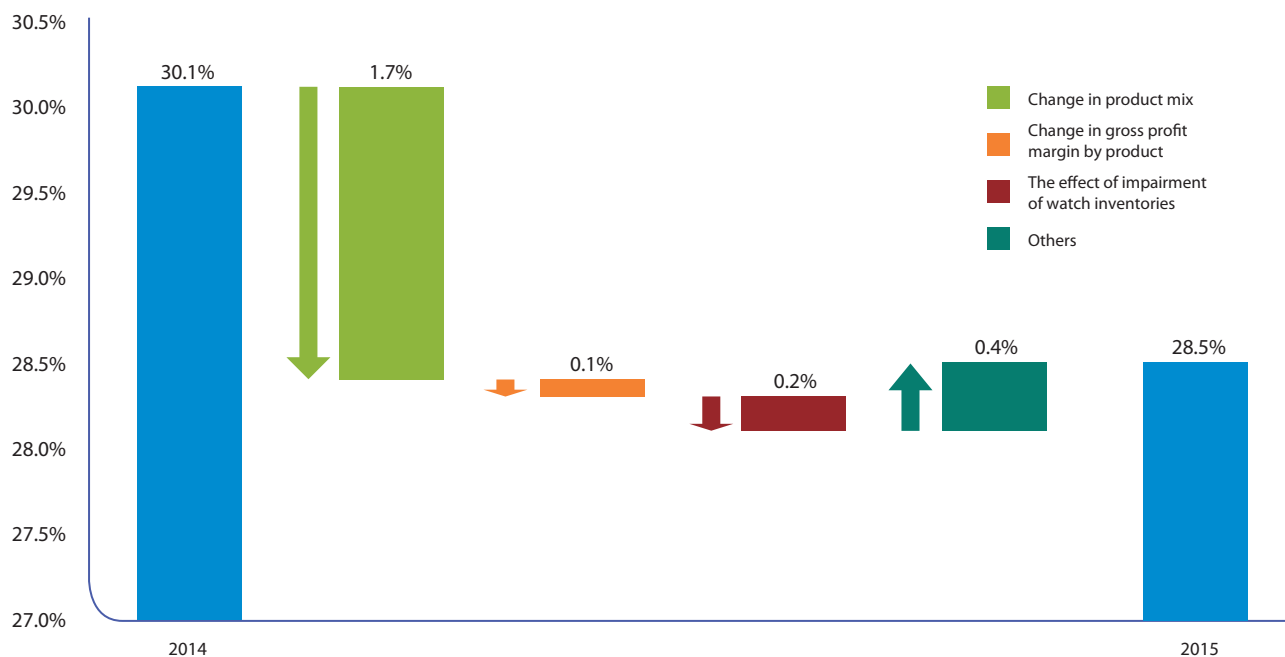
Gross Profit Margin

Unrealised hedging gain/loss

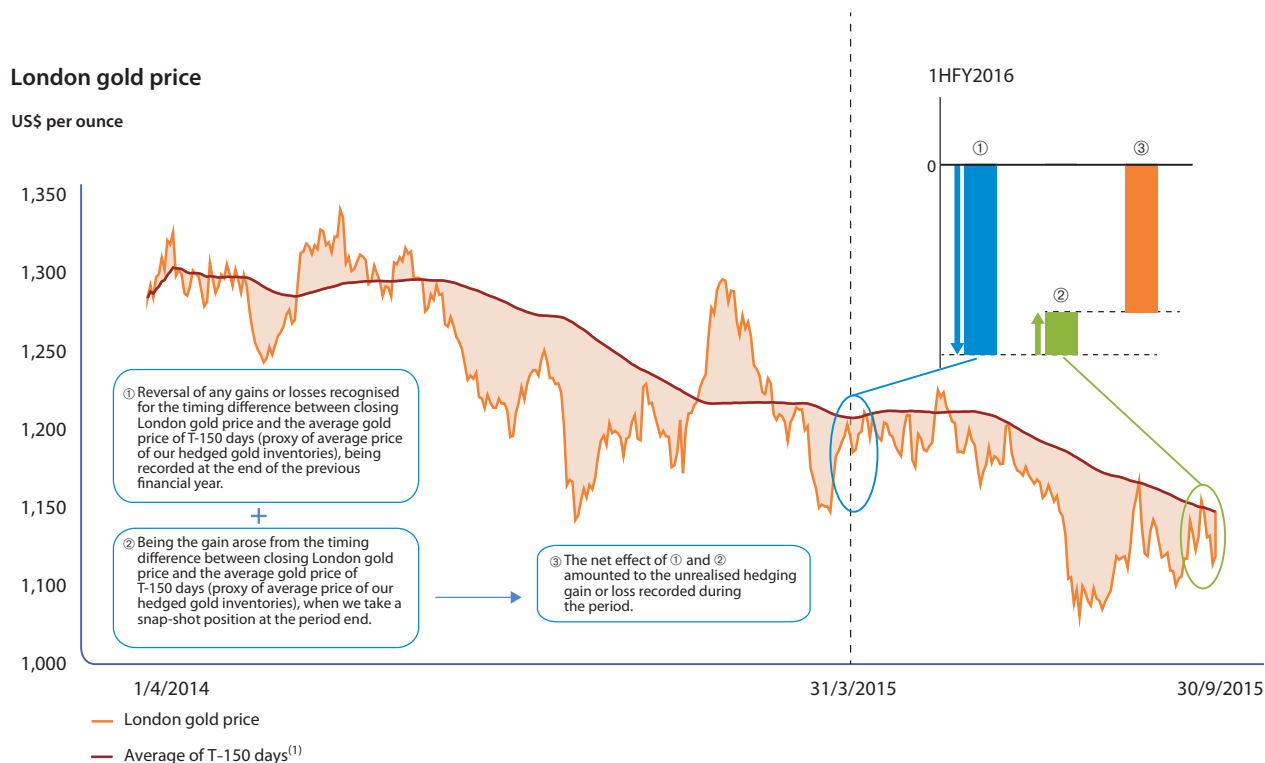
Six months ended 30 September	2013	2014	2015
Gross profit margin	26.4%	31.8%	27.9%
Unrealised hedging loss/(gain) on gold loans	0.4%	(1.7)%	0.6%
Adjusted gross profit margin	26.8%	30.1%	28.5%

Changes in adjusted gross profit margin

Six months ended 30 September



- Adjusted gross profit margin dropped to 28.5% as product mix shifted towards relatively lower-margin gold products.
- Our increased effort in promotional events and stock clearance on selected items in response to keen market competition causing gross profit margin by product dropped modestly by 10 basis points.
- Provision for impairment of watch inventories of HK\$63.4 million was made, after considering the conditions and latest market values of such inventories, which dragging the adjusted gross profit margin by 20 basis points.



⁽¹⁾ Average of T-150 days refers to the average gold price of previous 150 days on rolling basis, being a proxy of the average price of our hedged gold inventories

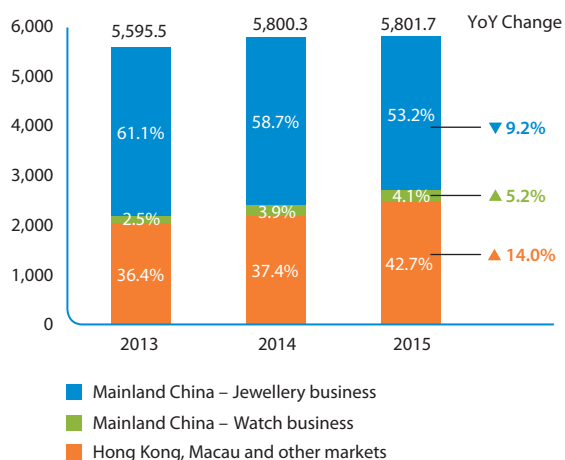
- Unrealised hedging gain/loss for the period represents the net effect of (i) the reversal of the gain/loss recorded due to the timing difference in recognising the effect of long and short positions in gold when we take a snap-shot position at the end of the previous financial year; and (ii) the gain/loss arising from such timing difference at the period end, as illustrated in the chart above.
- We use gold loans (short position in gold) to hedge against the gold price fluctuations in our gold inventories (long position in gold). While the long-term effect of long and short positions in gold is expected to net out each other through the sales of gold products, we recorded a gain due to a short timing difference between the time when a gain on gold loans recorded in the cost of goods sold and the time when sales of hedged gold inventories are recognised, when we take a snap-shot position at the end of the reporting period.

Selling and Distribution Costs and Administrative Expenses (“SG&A”)

Six months ended 30 September

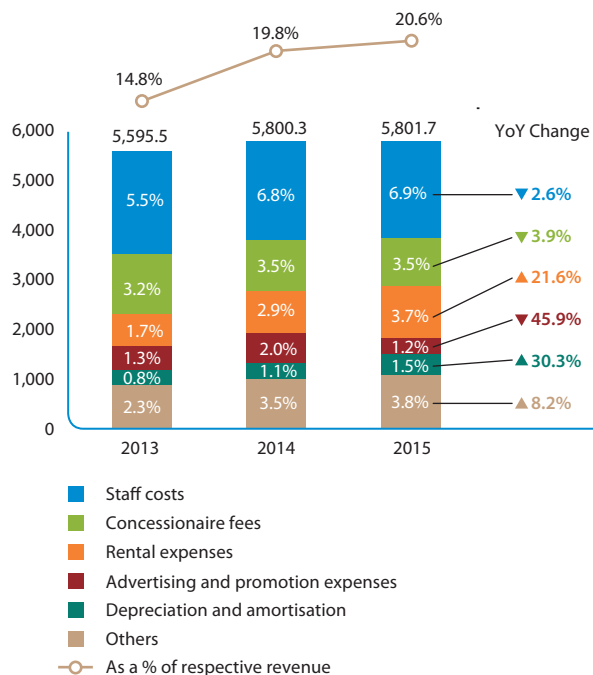
SG&A by reportable segment

(HK\$ million)



SG&A to revenue ratio

(HK\$ million)



Note: The percentages calculated are subject to minor rounding differences

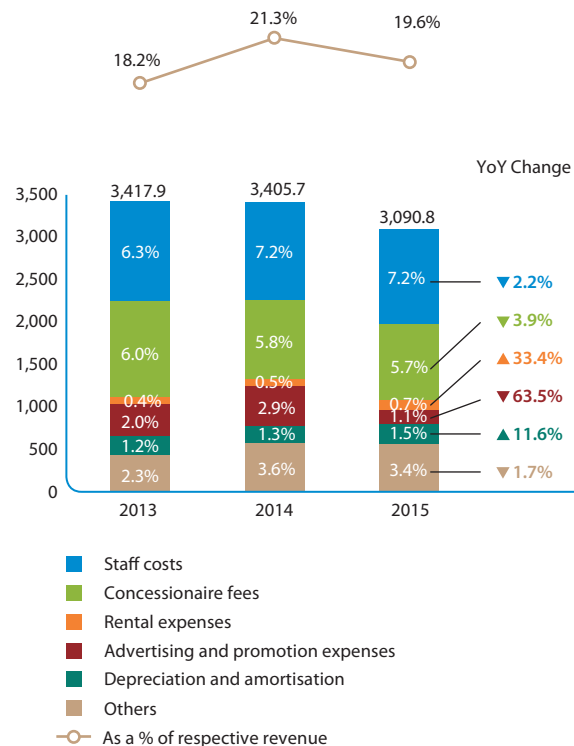
- Our SG&A was generally at a similar level as the same period last year. SG&A ratio nonetheless increased slightly as a significant portion of our expenses, including fixed staff costs, rental expenses and depreciation and amortisation, was fixed in nature and did not decline in the same magnitude as the revenue declined.
- Other SG&A mainly represented bank charges incurred for sales transaction settlement, royalty fees for the sales of licensed products, certificate expenses, packing materials, utilities and staff welfare. A slight increase in other SG&A was mainly attributable to the increase in royalty fees for licensed products and certification expenses.

Mainland China — Jewellery business

Six months ended 30 September

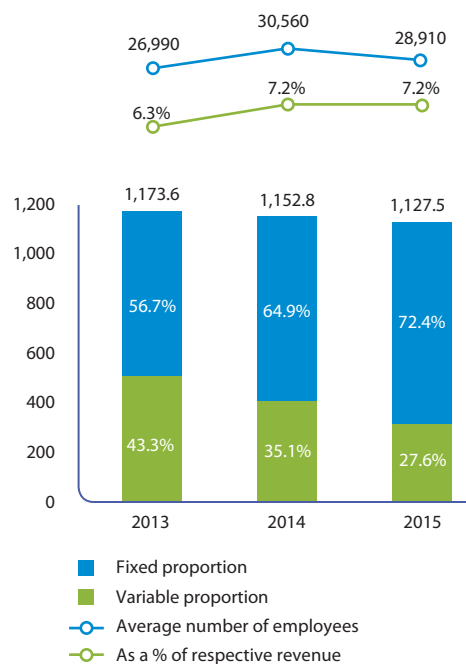
SG&A to revenue ratio

(HK\$ million)



Staff costs

(HK\$ million)



Note: The percentages calculated are subject to minor rounding differences

- Staff costs declined 2.2% as the average headcount decreased by 5.4%. An increase in the fixed component of staff costs was mainly attributable to the revision of fixed component of staff remuneration package during the period.
- Concessionaire fee ratio, which measures the concessionaire fees to the respective revenue, declined from 9.9% in 1HFY2015 to 9.1% in 1HFY2016 due to the sales mix shifted to gold products which generally are subject to lower rates and the changes in concessionaire fees by product.

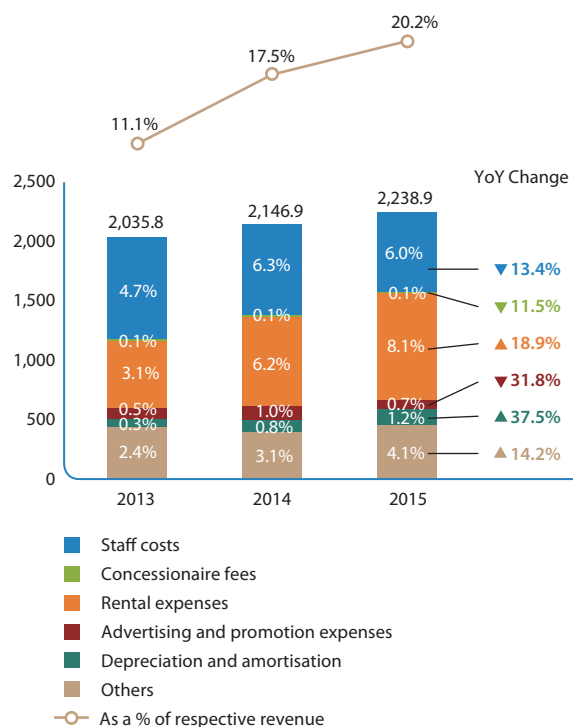
Hong Kong, Macau and other markets

The breakdown of SG&A, if excluded that related to Hearts On Fire (1HFY2016: HK\$236.6 million; 1HFY2015: HK\$24.0 million), was as below:

Six months ended 30 September

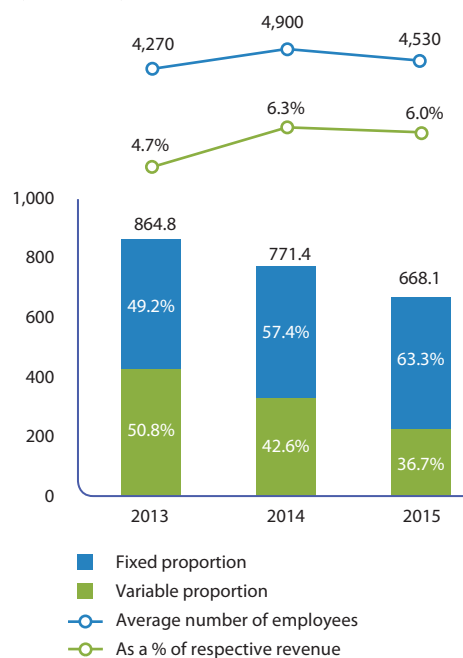
SG&A to revenue ratio

(HK\$ million)



Staff costs

(HK\$ million)



Note: The percentages calculated are subject to minor rounding differences

- Decrease in staff costs due to the average headcount declined by 7.6%, mainly through attrition, as well as the variable component of staff costs declined in response to the drop of sales over the same period last year.
- Rental expenses increased by 18.9% mainly due to the new POS openings in FY2015. Coupled with the negative operating leverage, rental expenses ratio rose further by 190 basis points to 8.1%.
- Advertising and promotion expenses declined as a result of cost saving measures on non-sales generating activities in light of overall weak consumer sentiment.
- Depreciation and amortisation increased considerably due to the new POS openings and acquisition of the new operation centre near the end of 1HFY2015.
- Increase in other SG&A was mainly attributable to the increase in royalty fees for licensed products and certification expenses.

Other Income, Other Gains and Losses and Other Expenses

Six months ended 30 September	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	2015 vs 2014 YoY change
Other income	150.1	207.9	246.8	18.7%
Other gains and losses	78.5	(17.3)	(160.5)	827.7%
Other expenses	(2.1)	(91.1)	(5.1)	(94.4)%

- Increase in other income was mainly attributable to the increase in franchise income, government grants and rental income.
- Other gains and losses mainly represented a net foreign exchange loss of HK\$155.1 million (1HFY2015: HK\$3.0 million) due to the recent devaluation of Renminbi.
- Other expenses occurred in 1HFY2015 represented a one-off charitable donation and transaction costs related to the acquisition of Hearts On Fire.

Finance Costs and Taxation

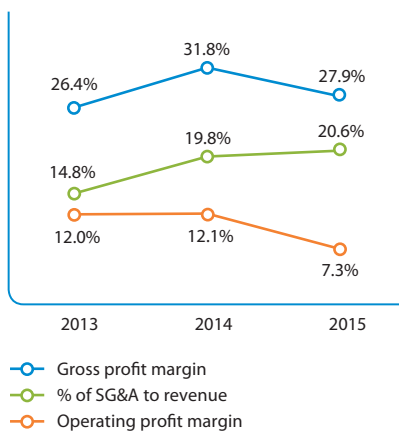
Six months ended 30 September	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	2015 vs 2014 YoY change
Finance costs	77.7	183.5	111.9	(39.0)%
Taxation	927.7	704.4	463.2	(34.2)%

- The decrease in finance costs was mainly due to the increase in contribution of average bank borrowings and gold loans from Hong Kong which in general are subject to relatively lower interest rates.
- Effective tax rate rose from 20.5% in 1HFY2015 to 22.9% in 1HFY2016 largely due to the increased profit contribution from the business in Mainland China where higher tax rates are generally applied.

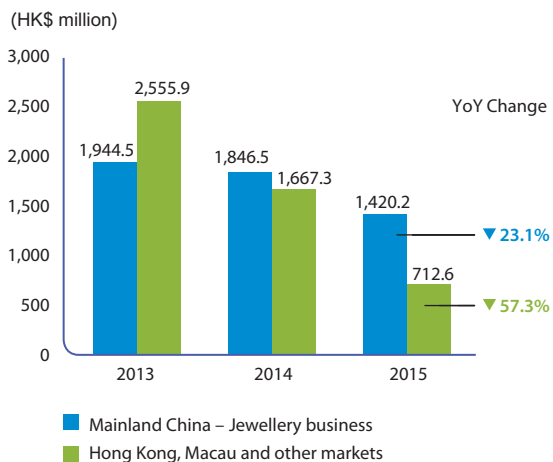
Profitability, Basic Earnings per Share and Dividend per Share

Six months ended 30 September

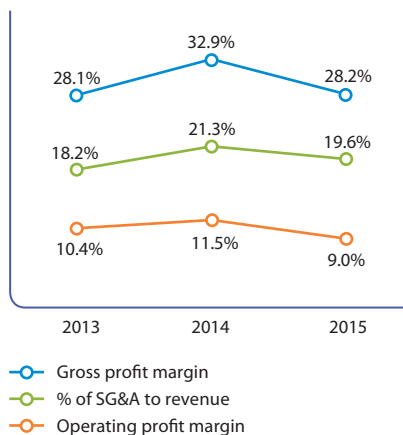
Overall



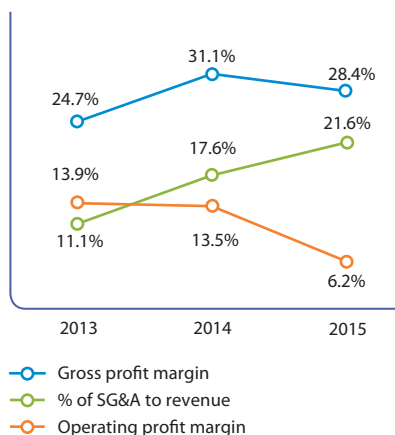
Operating profit by reportable segment



Mainland China — Jewellery business



Hong Kong, Macau & other markets



Six months ended 30 September	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	2015 vs 2014 YoY change
Operating profit	4,550.0	3,540.9	2,055.4	(42.0)%
Adjusted operating profit ⁽¹⁾	4,685.1	3,045.1	2,236.4	(26.6)%
Net profit	3,602.7	2,736.3	1,561.2	(42.9)%
Profit attributable to shareholders of the Company	3,509.1	2,692.8	1,557.4	(42.2)%
Basic earnings per share (HK cent)	35.1	26.9	15.6	(42.2)%
Dividend per share (HK cent)	17.0	13.0	50.0	284.6%
Interim dividend (HK cent)	17.0	13.0	8.0	(38.5)%
Special dividend (HK cent)	–	–	42.0	N/A

⁽¹⁾ Adjusted operating profit, a non-IFRS measure, eliminates the effect of unrealised loss/(gain) on gold loans, which the Company believes is useful in gaining a more complete understanding of its operational performance and of the underlying trend of its business

- Operating profit contribution from jewellery business in Mainland China and Hong Kong, Macau and other markets segments were 69.1% (1HFY2015: 52.1%) and 34.7% (1HFY2015: 47.1%), respectively, whereas watch business in Mainland China suffered operating loss of HK\$77.4 million (1HFY2015: operating profit HK\$27.1 million) which was mainly due to the decline in revenue and gross profit margin during the period.
- Adjusted operating profit decreased by 26.6% while adjusted operating profit margin dropped from 10.4% in 1HFY2015 to 7.9% in 1HFY2016.
- A decrease in the adjusted operating profit margin was due to the decrease in adjusted gross profit margin as a result of increased sales mix of gold products and the worsened SG&A ratio due to operating deleverage.
- Decrease in the operating profit margin of jewellery business in Mainland China was mainly attributable to the declined gross profit margin, notwithstanding the improvement of SG&A ratio.
- Operating profit margin of Hong Kong, Macau and other markets would have been improved by 190 and 110 basis points, respectively, if excluding the SG&A of Hearts On Fire (acquired in August 2014) and the effect of net exchange differences in view of the recent fluctuation of Renminbi.
- Special dividend was declared to return the excess cash to shareholders after considering the working capital requirement and business growth outlook in near term.

Assets and Liabilities

Capital structure

As at	31.3.2015 HK\$ million	% to total equity	30.9.2015 HK\$ million	% to total equity	Increase/ (decrease) HK\$ million	Denominated currency ⁽¹⁾	Interest rate structure ⁽¹⁾	Maturity ⁽¹⁾
Non-current assets	7,038.3	17.4%	6,637.3	16.7%	(401.0)	N/A	N/A	N/A
Inventories	39,797.6	98.2%	37,417.2	94.3%	(2,380.4)	N/A	N/A	N/A
Bank deposits and cash equivalents ⁽²⁾	8,477.5	20.9%	10,419.9	26.3%	1,942.4	HKD, RMB and USD	Variable interest rate	N/A
Total borrowings	15,088.9	37.2%	14,990.8	37.8%	(98.1)			
Bank borrowings	6,750.6	16.7%	6,880.0	17.4%	129.4	HKD	Variable interest rate	Within 12 months
Gold loans	8,338.3	20.5%	8,110.8	20.4%	(227.5)	RMB and USD	Fixed interest rate	Within 12 months
Net debt ⁽³⁾	6,611.4	16.3% ⁽⁴⁾	4,570.9	11.5% ⁽⁴⁾	(2,040.5)	N/A	N/A	N/A
Working capital ⁽⁵⁾	34,202.8	84.4%	33,690.2	84.9%	(512.6)	N/A	N/A	N/A
Total equity	40,540.8	100.0%	39,677.0	100.0%	(863.8)	N/A	N/A	N/A

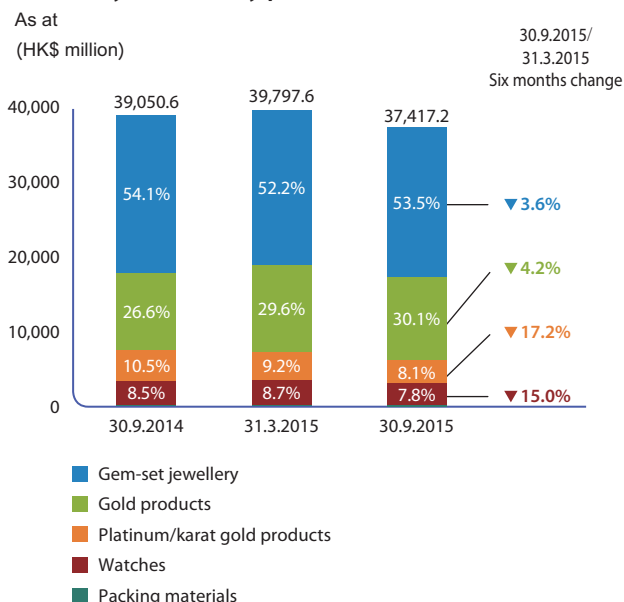
Note: The percentages calculated are subject to minor rounding differences

- (1) Information about denominated currency, interest rate structure and maturity related to the condition as at 30 September 2015
- (2) Include bank balances and cash and pledged bank deposits
- (3) Aggregate of bank borrowings and gold loans, net of bank deposits and cash equivalents
- (4) Being the net gearing ratio
- (5) Being net current assets

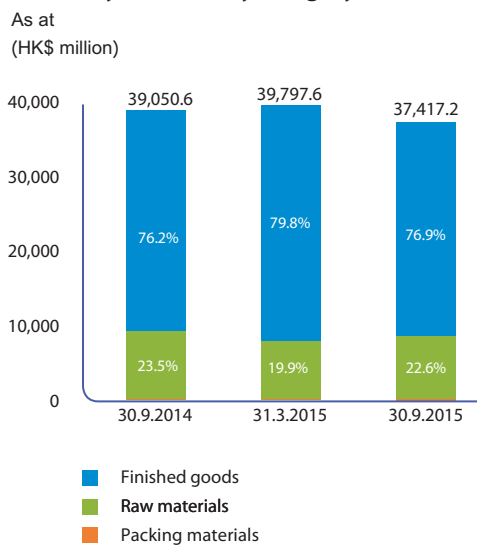
- The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, including cash flows from operations, bank borrowings and gold loans. Gold loans are used to hedge against the financial impact of the price fluctuations in the Group's gold inventories.
- The Group's daily operation was mainly financed by operating cash flow, and relied on short-term borrowings to satisfy inventory financing needs during peak seasons, working capital for future expansion plans and unexpected needs. The Group has not experienced any difficulties in repaying its borrowings.
- The Group's income and expenditure were mostly denominated in Hong Kong dollar ("HKD") and Renminbi ("RMB"), while its assets and liabilities were mostly denominated in HKD, RMB and United States dollar ("USD").

Inventory balances and turnover period

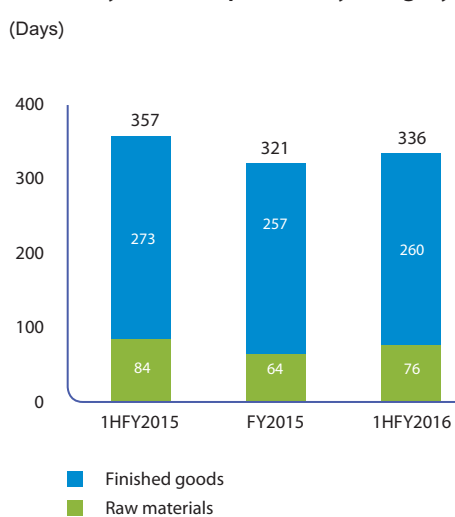
Inventory balances by product



Inventory balances by category



Inventory turnover period⁽¹⁾ by category



⁽¹⁾ Being inventory balances, excluding packing materials, at the end of the period divided by cost of goods sold for the period, multiplied by 365 (for FY)/183 (for 1HFY)

Note: The percentages calculated are subject to minor rounding difference

- Our inventories decreased by 6.0% from HK\$39,797.6 million as at 31 March 2015 to HK\$37,417.2 million as at 30 September 2015, which was mainly attributable to the decrease in gem-set jewellery and platinum/karat gold products.
- Inventory turnover period improved by 21 days, as compared to that as at 30 September 2014, due to the decreased inventory balances of gem-set jewellery and platinum/karat gold products.

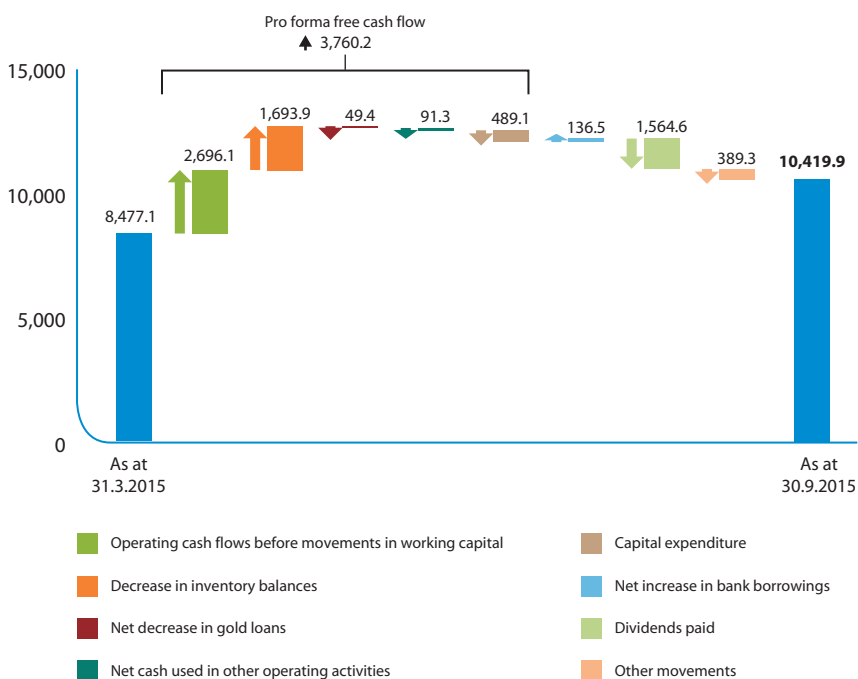
Cash Flows

Six months ended 30 September	2013 HK\$ million	2014 HK\$ million	2015 HK\$ million
Operating cash flows before movements in working capital	4,389.7	3,553.1	2,696.1
Decrease/(increase) in inventories	(8,104.0)	3,846.9	1,693.9
Net change in gold loans	4,276.8	(3,583.4)	(49.4)
Net cash from/(used in) other operating activities	1,100.0	(1,270.0)	(91.3)
Capital expenditure	(835.0)	(1,696.8) ⁽¹⁾	(489.1)
Pro forma free cash flow	827.5	849.8	3,760.2
Net change in bank borrowings	2,270.0	1,043.8	136.5
Dividends paid	(1,618.3)	(2,090.1)	(1,564.6)
Net cash outflow used in acquisition of subsidiaries	–	(1,106.3) ⁽¹⁾	–
Other movements	58.0	520.0	(389.3)
Net increase/(decrease) in bank balances and cash	1,537.2	(782.8)	1,942.8

⁽¹⁾ Upon acquisition of the subsidiaries, cash paid for the respective fixed assets were included in “capital expenditure”

Major cash flows items for 1HFY2016

(HK\$ million)



Capital Expenditures

The Group's capital expenditures incurred during 1HFY2016 amounted to HK\$489.1 million (1HFY2015: HK\$1,696.8 million).

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK8.0 cents per share and a special dividend of HK42.0 cents per share, totaling HK50.0 cents per share to shareholders whose names appear on the register of members of the Company on 9 December 2015. The interim and the special dividends are expected to be paid on or around 14 December 2015.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2015 and discussed the financial related matters with the management. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2015 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2015, the Company was in full compliance with all applicable principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation mentioned below.

Pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. Due to another meeting engagement, Dr. Cheng Kar-Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 31 July 2015 (the "2015 AGM"). Mr. Wong Siu-Kee, Kent, the Managing Director who took the chair of the 2015 AGM, together with other members of the Board who attended this meeting, were of sufficient calibre for answering questions at the 2015 AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct during the six months ended 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2015.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to the interim and the special dividends, the register of members of the Company will be closed on Wednesday, 9 December 2015, no transfer of share of the Company will be registered on that day. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on Tuesday, 8 December 2015.

For and on behalf of the Board
Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 24 November 2015

As of the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Chan Sai-Cheong, Mr. Chan Hiu-Sang, Albert, Mr. Cheng Ping-Hei, Hamilton and Mr. Suen Chi-Keung, Peter, the non-executive directors are Mr. Cheng Kam-Biu, Wilson and Mr. Koo Tong-Fat and the independent non-executive directors are Mr. Cheng Ming-Fun, Paul, Dr. Fung Kwok-King, Victor, Mr. Kwong Che-Keung, Gordon, Mr. Lam Kin-Fung, Jeffrey and Dr. Or Ching-Fai, Raymond.