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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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

HIGHLIGHTS

- Revenue decreased by 17.0% to HK\$64,277.0 million in FY2015 compared to HK\$77,407.1 million recorded in FY2014.
- Overall Same Store Sales⁽¹⁾ recorded a decline of 24.1%, among which jewellery business in Mainland China and Hong Kong and Macau recorded a decline of 16.1% and 32.8% respectively.
- Revenue from gem-set jewellery as a percentage of revenue increased by 5.9% to 27.0% in FY2015.
- Gross profit decreased by 9.8% to HK\$19,072.4 million in FY2015 from HK\$21,152.3 million in FY2014. Gross profit margin improved from 27.3% in FY2014 to 29.7% in FY2015.
- Profit attributable to shareholders of the Company amounted to HK\$5,456.0 million, a decrease of 25.0% compared to HK\$7,272.0 million in FY2014.
- Basic earnings per share were HK54.6 cents.
- Proposed final dividend is HK15.0 cents per share⁽²⁾.
- Retail network expanded to 2,257 POS as at 31 March 2015, with a net addition of 180 POS in FY2015.

(1) "Same Store Sales" for FY2015 is the revenue from the self-operated POS existing as at 31 March 2015 and which have been opened prior to 1 April 2013. Revenue from wholesale and other channel are excluded.

(2) The dividend payout ratio for FY2015, including proposed final dividend, is approximately 51.3% on a full year basis.

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board of directors (the “Board” or “Directors”) of Chow Tai Fook Jewellery Group Limited (the “Company”, “we” or “Chow Tai Fook”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2015 (“FY2015”), together with comparative figures for the year ended 31 March 2014 (“FY2014”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	<i>Notes</i>	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Revenue	2	64,277.0	77,407.1
Cost of goods sold		(45,204.6)	(56,254.8)
Gross profit		19,072.4	21,152.3
Other income		453.0	351.7
Other gains and losses		(35.9)	130.2
Selling and distribution costs		(9,935.8)	(10,035.6)
Administrative expenses		(2,408.6)	(2,171.6)
Other expenses		(94.7)	(38.0)
Finance costs		(380.5)	(222.8)
Share of results of a joint venture		(10.8)	(3.2)
Profit before taxation	3	6,659.1	9,163.0
Taxation	4	(1,123.3)	(1,713.8)
Profit for the year		5,535.8	7,449.2
Other comprehensive (expense) income:			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
— remeasurement of defined benefit scheme		(19.0)	28.3
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— exchange differences arising on translation		21.1	262.3
— share of translation reserve of a joint venture		(0.1)	0.1
		21.0	262.4
Other comprehensive income for the year		2.0	290.7
Total comprehensive income for the year		5,537.8	7,739.9

	<i>Note</i>	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Profit for the year attributable to:			
Shareholders of the Company		5,456.0	7,272.0
Non-controlling interests		79.8	177.2
		<u>5,535.8</u>	<u>7,449.2</u>
Total comprehensive income attributable to:			
Shareholders of the Company		5,456.2	7,547.8
Non-controlling interests		81.6	192.1
		<u>5,537.8</u>	<u>7,739.9</u>
Earnings per share — Basic	5	<u>HK54.6 cents</u>	<u>HK72.7 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	<i>Note</i>	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Non-current assets			
Property, plant and equipment		4,442.5	3,054.1
Land use rights		237.9	174.6
Investment properties		508.9	–
Goodwill		257.8	–
Other intangible assets		397.2	–
Deposits paid for acquisition of property, plant and equipment		294.1	283.6
Interest in a joint venture		–	10.9
Loan receivables		39.8	36.5
Deferred tax assets		860.1	703.1
		<u>7,038.3</u>	<u>4,262.8</u>
Current assets			
Inventories	7	39,797.6	42,543.7
Trade and other receivables		5,785.4	4,872.7
Loan receivables		4.3	144.5
Convertible bonds		17.9	21.5
Pledged bank deposits		0.4	5.3
Short-term bank deposits		–	500.0
Bank balances and cash		8,477.1	9,466.6
		<u>54,082.7</u>	<u>57,554.3</u>
Current liabilities			
Trade and other payables		3,997.9	4,128.3
Amounts due to non-controlling shareholders of subsidiaries		197.3	228.2
Taxation payable		595.8	1,064.0
Bank borrowings		6,750.6	6,299.6
Gold loans		8,338.3	10,786.8
		<u>19,879.9</u>	<u>22,506.9</u>
Net current assets		<u>34,202.8</u>	<u>35,047.4</u>
Total assets less current liabilities		<u>41,241.1</u>	<u>39,310.2</u>

	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Non-current liabilities		
Retirement benefit obligations	243.3	225.0
Deferred tax liabilities	457.0	632.8
	<u>700.3</u>	<u>857.8</u>
Net assets	<u>40,540.8</u>	<u>38,452.4</u>
Share capital	10,000.0	10,000.0
Reserves	<u>29,429.5</u>	<u>27,173.3</u>
Equity attributable to shareholders of the Company	39,429.5	37,173.3
Non-controlling interests	<u>1,111.3</u>	<u>1,279.1</u>
	<u>40,540.8</u>	<u>38,452.4</u>

NOTES

1. BASIS OF PREPARATION

The Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) and a new interpretation issued by the International Accounting Standards Board (the “IASB”) and IFRS Interpretation Committee (the “IFRIC”) of the IASB for the first time in the current year:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
IFRIC-INT 21	Levies

The application of the above amendments to IFRSs and the new interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group, and the disclosures of the consolidated financial statements of the Group.

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. In addition, revenue derived from each location of operations is further analysed into those from retail and wholesale markets when reviewed by CODM. This is also 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 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) An analysis of the Group's revenue and results by reportable segment:

	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	26,768.4	30,508.6	1,931.0	1,593.5	25,961.4	35,076.8	54,660.8	67,178.9
— Wholesale [#]	9,142.8	10,007.7	—	38.4	473.4	182.1	9,616.2	10,228.2
Segment/group revenue	35,911.2	40,516.3	1,931.0	1,631.9	26,434.8	35,258.9	64,277.0	77,407.1
Inter-segment sales [*]	560.6	853.9	—	—	2,922.2	3,685.6	3,482.8	4,539.5
	36,471.8	41,370.2	1,931.0	1,631.9	29,357.0	38,944.5	67,759.8	81,946.6
Gross profit	10,766.4	11,280.1	472.1	443.0	8,282.7	9,634.3	19,521.2	21,357.4
Inter-segment eliminations	(68.2)	(28.9)	—	—	(380.6)	(176.2)	(448.8)	(205.1)
	10,698.2	11,251.2	472.1	443.0	7,902.1	9,458.1	19,072.4	21,152.3
Selling and distribution costs and administrative expenses	(7,040.3)	(7,379.2)	(456.2)	(371.5)	(4,847.9)	(4,456.5)	(12,344.4)	(12,207.2)
Other income, net ^π	123.8	206.7	12.0	10.7	24.3	89.6	160.1	307.0
Segment profit	3,781.7	4,078.7	27.9	82.2	3,078.5	5,091.2	6,888.1	9,252.1
Interest income							151.5	133.7
Finance costs							(380.5)	(222.8)
Profit before taxation							6,659.1	9,163.0

* 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) An analysis of the Group's revenue by products is as follows:

	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Sales of		
— Gem-set jewellery	17,378.9	16,332.2
— Gold products	34,214.2	47,359.6
— Platinum/karat gold products	9,256.3	10,358.3
— Watches	3,427.6	3,357.0
	<u>64,277.0</u>	<u>77,407.1</u>

No individual customer contributed over 10% of the total revenue of the Group in both years.

3. PROFIT BEFORE TAXATION

	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	80.4	62.7
Staff's retirement benefits scheme contributions	598.7	511.1
Staff costs	3,377.5	3,809.7
	<u>4,056.6</u>	<u>4,383.5</u>
Amortisation of other intangible assets	24.0	–
Amortisation of land use rights	14.1	13.6
Auditors' remuneration		
— audit related services	11.0	9.8
— non-audit services	1.5	0.9
Concessionaire fees	2,257.1	2,558.5
Cost of inventories recognised as expenses	43,847.5	55,280.3
Depreciation of property, plant and equipment	730.6	649.8
Depreciation of investment properties	17.5	–
Donations (included in other expenses)	72.2	38.0
Fair value gain of gold loans (included in cost of goods sold)	(418.0)	(467.9)
Operating lease rentals in respect of rented premises	1,840.0	1,543.3

4. TAXATION

	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax (“EIT”) in Mainland China	842.8	972.1
Hong Kong Profits Tax	474.9	694.6
Macau complementary tax	82.1	116.7
	<u>1,399.8</u>	<u>1,783.4</u>
Under(over)provision in prior years:		
EIT in Mainland China	0.1	44.8
Hong Kong Profits Tax	(1.2)	(0.3)
Macau complementary tax	4.4	–
	<u>3.3</u>	<u>44.5</u>
Deferred tax credit	<u>(307.8)</u>	<u>(153.2)</u>
Withholding tax*	<u>28.0</u>	<u>39.1</u>
	<u><u>1,123.3</u></u>	<u><u>1,713.8</u></u>

* 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 years.

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

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 years.

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

No provision for taxation has been made for the operation in Taiwan as there was no assessable profit for both years.

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit attributable to shareholders of the Company for the year and on the number of 10,000,000,000 (2014: 10,000,000,000) shares in issue during the year.

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

6. DIVIDENDS

	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Dividends recognised as distribution during the year:		
2015 Interim — HK13.0 cents (2014: 2014 Interim — HK17.0 cents) per share	1,300.0	1,700.0
2014 Final — HK19.0 cents (2014: 2013 Final — HK16.0 cents) per share	1,900.0	1,600.0
	3,200.0	3,300.0

Subsequent to the end of the reporting period, a final dividend of HK15.0 cents per share, totalling approximately HK\$1,500.0 million in respect of the year ended 31 March 2015 (2014: HK19.0 cents per share, totalling approximately HK\$1,900.0 million) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

7. INVENTORIES

	2015 <i>HK\$ million</i>	2014 <i>HK\$ million</i>
Raw materials for:		
Gem-set jewellery	6,705.6	7,431.4
Gold products	1,040.5	2,321.2
Platinum/karat gold products	174.6	333.1
	7,920.7	10,085.7
Finished goods:		
Gem-set jewellery	14,061.3	11,625.6
Gold products	10,723.1	13,215.9
Platinum/karat gold products	3,492.8	3,695.9
Watches	3,447.2	3,859.1
	31,724.4	32,396.5
Packing materials	152.5	61.5
	39,797.6	42,543.7

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In spite of the challenges in the market environment during FY2015, our team remained steadfast in our commitment to deliver the best products and experience to our customers. We are pleased that FY2015 represents a year of progress to our team:

Retail network expansion: We added a net of 180 POS to our network; while it is crucial to maintain our market leadership, we will continue to pay close attention to our POS strategy and make prompt revisions when necessary during unpredictable economic times;

As at 31 March	2013 Total	2014 Total	During FY2015		Net	2015 Total
			Addition	Reduction		
POS network						
Mainland China	1,731	1,965	294	(135)	159	2,124
Jewellery POS	1,640	1,828	280	(116)	164	1,992
Watch POS	91	137	14	(19)	(5)	132
Hong Kong, Macau and other markets	105	112	27	(6)	21	133
Total	1,836	2,077	321	(141)	180	2,257

E-commerce rising momentum: We led our e-commerce business to continue its strong trajectory from the year before with a solid RSV year-on-year growth of 29.3%;

Hearts On Fire to broaden product portfolio: We completed the acquisition of Hearts On Fire, an internationally-acclaimed brand, in August 2014 with an aim to enrich our product offerings to customers with sophisticated preference; we opened the first Hearts On Fire store in Mainland China in Shanghai;



First Hearts On Fire store opened in Shanghai, Mainland China

Collaboration with multinationals and Korean celebrities to maximise brand exposure: We worked with prominent multinational partners like De Beers, Rio Tinto Group and Disney to jointly explore new frontiers in jewellery; we launched exclusive collections with Korean celebrities and leverage on the power of social media to promote our brand;

Membership programme to reward loyalty: We continued to step up our efforts in customer relationship management, which has seen repeat purchase, a key indicator of customer loyalty, steadily rise over the past 2–3 years; and

Use of technology to understand customers’ preferences and to enhance efficiency: We introduced RFID-enabled devices to our POS, streamlining storefront and backend procedures and enabling our salespeople to focus on serving our customers and providing the best-in-class experience.

OUTLOOK

In the year ahead, we remain committed to a balanced approach of growth and return, with specific goals further outlined in five main areas:

Market Development

In Mainland China, we plan to add a net of 150–160 POS to our network in FY2016. We believe room for expansion is still significant for us, as we are currently present in just 484 cities out of over 700 in the country. To ensure that our new additions will fully capture market potential, we will focus on lower tier cities and rely on local expertise and professional knowledge to facilitate market entry. In addition, we will be conducting upgrades in approximately 10% of our existing POS to “high-end luxury” or “elegance” style over the next three years in response to the evolving retail landscape. Most of the upgrades will happen in Tier I and II cities, where customer expectations tend to be higher.



Chow Tai Fook Jewellery Art Centre
opened in Shenyang, Mainland China

In Hong Kong and Macau, the FY2016 emphasis is on efficiency, where we continue to consolidate our retail network where appropriate to manage our rental costs.

Overseas market remains a strategic component in our market development plans — our vision remains that we be the trusted brand wherever Chinese consumers populate or frequently visit; we have set foot in Taiwan, Malaysia and Singapore — as well as our newest regional market: South Korea.

Last but not least, e-commerce, online-to-offline (“O2O”) and other forms of omni-channel retailing are areas where we believe hold significant growth potential. Our “Smart+” initiative is a perfect example of our commitment in this area; we aim at integrating the interface of our distribution channels and client facing windows with the Internet and a broader application of innovative tools in providing customers a seamless shopping experience. While we believe that the core of our business has never been changed, this initiative intends to explore ways to extract O2O synergy and to help us stay connected with our customers, especially the younger generations, in interactive and innovative ways.

Products

As we believe one of the biggest challenges in the industry is the evolving customer preference, the main objective of our product strategies is to stay connected with our customers. Market-driven strategy and customer-oriented design are the two primary elements in our strategy.

Our goal is to create a distinct value for our customers through product differentiation. As mentioned, the Hearts On Fire acquisition is a conscious attempt to complete the high end of our product offering spectrum. We meet escalating customer expectation with a comprehensive agenda; in particular, we see room for growth in fashion-oriented collections, art jewellery and designer collaborations and we have established the Chow Tai Fook Jewellery Creative Centre as a result to foster creativity.



Hearts On Fire
“Aerial” Collections



“Bridal” Collections



“CTF x LMH”
Collection



Chow Tai Fook Jewellery Creative Centre opened in Shunde, Mainland China

Branding and Marketing

To successfully manage our brand and customer loyalty is a key to our long term success. We are committed to dedicating ourselves to the integrity of our brand and to strive for a healthy and quality repeat purchase from our members.

We aim to lead our branding and marketing activities in an effective and efficient manner to maximise our brand exposure. As we engage in an increasing number of O2O marketing activities, we see huge potential in combining conventional advertising and digital marketing tools to achieve a targeted brand exposure.

This year our annual high-end jewellery auction “Reflections of Siem” has once again been a great success — it creates a significant differentiator for us at the high-end of our product spectrum.



Bridal Collection



“Reflections of Siem” Collection

Operations

As we are a vertically integrated business that ranges from raw materials procurement to retailing, improving on various business processes to drive towards efficiency has always been the main objective.

We are committed to developing and investing in initiatives and technological know-hows that allow for more efficient distribution and inventory flow in our retail network. This year we kick-started a 2–3 year programme to unify and retain inventory ownership to facilitate inventory flow in our retail network. Other short to medium term initiatives include the logistic systems in Logistic and Distribution Centre, the use of RFID-technology in the stock-taking process and increasing steadily our in-house production ratio through development in our production capabilities. We see these measures as necessary investments for our future growth which may take years to bear fruits; however, as market leader, we strive to create breakthroughs for our industry in achieving greater operational efficiency.



mHands scanning RFID tags in Stock-taking process



RFID-enabled Smart Tray to facilitate sales and collect customers' preference

Management

Our people represent our most valuable resource; it is our priority to provide them with the right training. We need a staff equipped with the right capabilities to realise our business plan. We will continue to emphasise on staff training and motivation as the key components of our long-term business development.

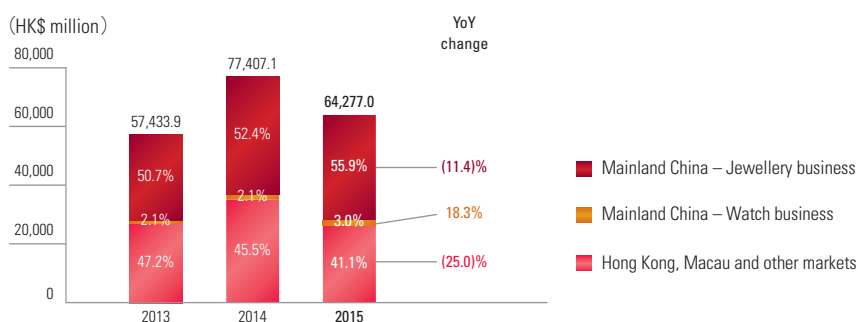
We are going to establish the Chow Tai Fook Academy to further hone the expertise of our staff. Through online courses, classroom work and on-the-job training, the Chow Tai Fook Academy delivers courses taught by external consultants and senior executives to develop all-rounded, professional and capable employees.

FINANCIAL REVIEW

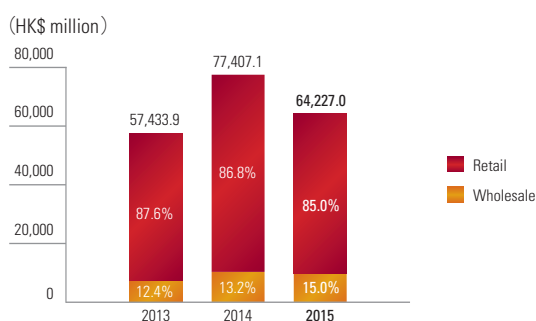
Revenue

For the year ended 31 March

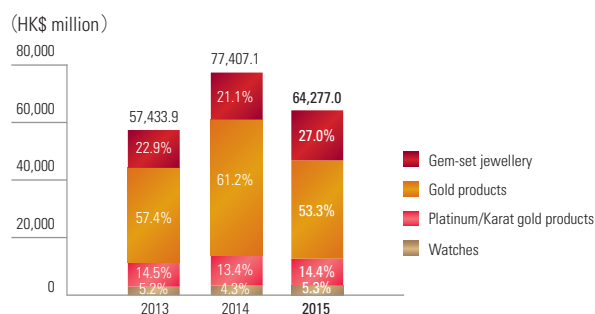
Revenue by reportable segment



Revenue by operation model



Revenue by product



Note: The percentages calculated are subject to minor rounding differences

The Group recorded a revenue of HK\$64,277.0 million in FY2015 (FY2014: HK\$77,407.1 million), representing a decrease of 17.0% over last year. The decrease was mainly attributable to high base effect caused by the gold rush in FY2014, slowdown of economic growth in the Greater China region and regional market structural changes.

Nevertheless, the growth of 6.4% in overall sales of gem-set jewellery (which is a high margin product and closely correlated to the consumer sentiment), coupled with a slowdown in demand for gold products resulted in an improvement in product mix. The gem-set jewellery mix for Mainland China (including Watch business segment) and Hong Kong, Macau and other markets in FY2015 were 26.1% and 28.4%, respectively, while those for FY2014 were 20.5% and 21.8%, respectively.

The revenue contribution of the jewellery business in Mainland China to the Group's revenue continued to increase which was mainly attributable to the nationwide continual urbanisation, the growing affluence of Mainland Chinese in terms of increasing disposable income per capita and their growing demand for luxury goods.

Mainland China — Jewellery business

Overview

For the year ended 31 March	2013 HK\$ million	2014 HK\$ million	2015 HK\$ million	2015 vs 2014 YoY change
Revenue				
Retail	23,117.9	30,508.6	26,768.4	(12.3)%
Wholesale	5,980.6	10,007.7	9,142.8	(8.6)%
Total	29,098.5	40,516.3	35,911.2	(11.4)%

Retail Sales Value (“RSV”)

Self-operated POS	26,969.0	35,558.7	31,013.4	(12.8)%
Franchised POS	10,674.6	14,044.9	13,811.1	(1.7)%
E-commerce	264.8	516.8	663.3	28.3%
Others	61.0	200.6	102.7	(48.8)%
Total	37,969.4	50,321.0	45,590.5	(9.4)%

Due to the exceptionally high base caused by the gold rush following the unprecedented slump in international gold price in FY2014, the revenue and RSV of jewellery business in Mainland China recorded a decrease of 11.4% and 9.4%, respectively, over the same period last year. As the high base effect from gold rush faded out and customer’s demand for gold products gradually normalised, the decrease in sales showed a narrowing trend across FY2015. The RSV exhibited a decrease of 16.0% in 1HFY2015 over the same period last year, and a decrease of 3.7% in 2HFY2015 over the same period last year.

The relatively stable sales performance of franchised POS over that of self-operated POS was mainly driven by a steady increase in the percentage of franchised POS opened during FY2015, which were mostly located in lower tier cities where growth potential lies and are generally more resilient to economic fluctuations.

Our retail revenue, being sales from self-operated POS, e-commerce and other direct channels, decreased by 12.3% over last year.

Our wholesale revenue, being sales recognised when inventories are delivered to franchisees and recorded at wholesale price, decreased by 8.6% over last year. The decrease in wholesale revenue was higher than that for the RSV of franchised POS, which was mainly attributable to more conservative approach of our franchisees in stock replenishment. Starting from FY2015, our franchisees will progressively adopt the new optimised mechanism that we would retain inventory ownership until sales transactions are completed with retail customers, upon which wholesale revenue is recognised at the prevailing price.

E-commerce and others included the sales of our products through online sales platforms and occasional sales events such as jewellery exhibitions and wedding expos.

As at 31 March 2015, we operated 30 (31 March 2014: 21) e-commerce platforms, including our direct website Chow Tai Fook eShop and all major third-party marketplace platforms in Mainland China, namely Tmall.com, JD.com, VIP.com, Suning.com, mei.com, and Amazon.cn.

With an average selling price of around HK\$1,000, our e-commerce platforms offer a younger line of products with lower entry prices, targeting the younger customers who form a large portion of online shoppers. 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 in the coming year.

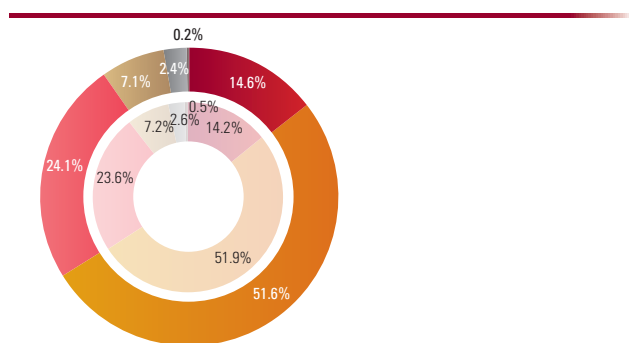
RSV by product

During FY2015, we continued 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. The RSV of them was mainly from gem-set jewellery, which showed an increase of 85.6% over last year. Fuelled by a stable volume growth, gem-set jewellery maintained its momentum from last year and recorded 5.2% growth in Same Store Sales, resulting in a remarkable improvement in product mix.

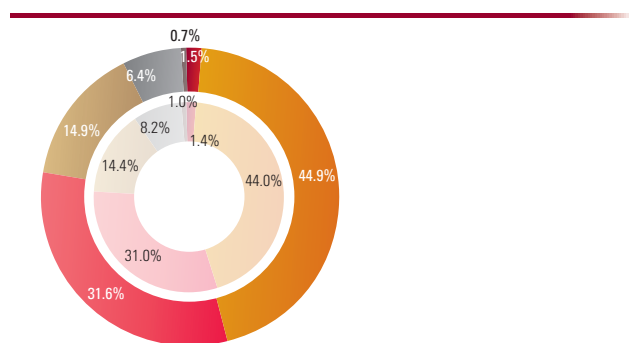
With over 14.0 million of newly married couples in Mainland China per annum, wedding business continued to be one of our major source of income, contributing around 39.2% (FY2014: 32.1%) of our RSV. We have seen an increasing popularity of gem-set jewellery within the segment as a result of our continual investment in marketing and product development in response to the booming wedding market.

The charts below set forth the breakdown of our jewellery products RSV and that for gem-set jewellery by price range:

RSV by price range – Jewellery products



RSV by price range – Gem-set jewellery

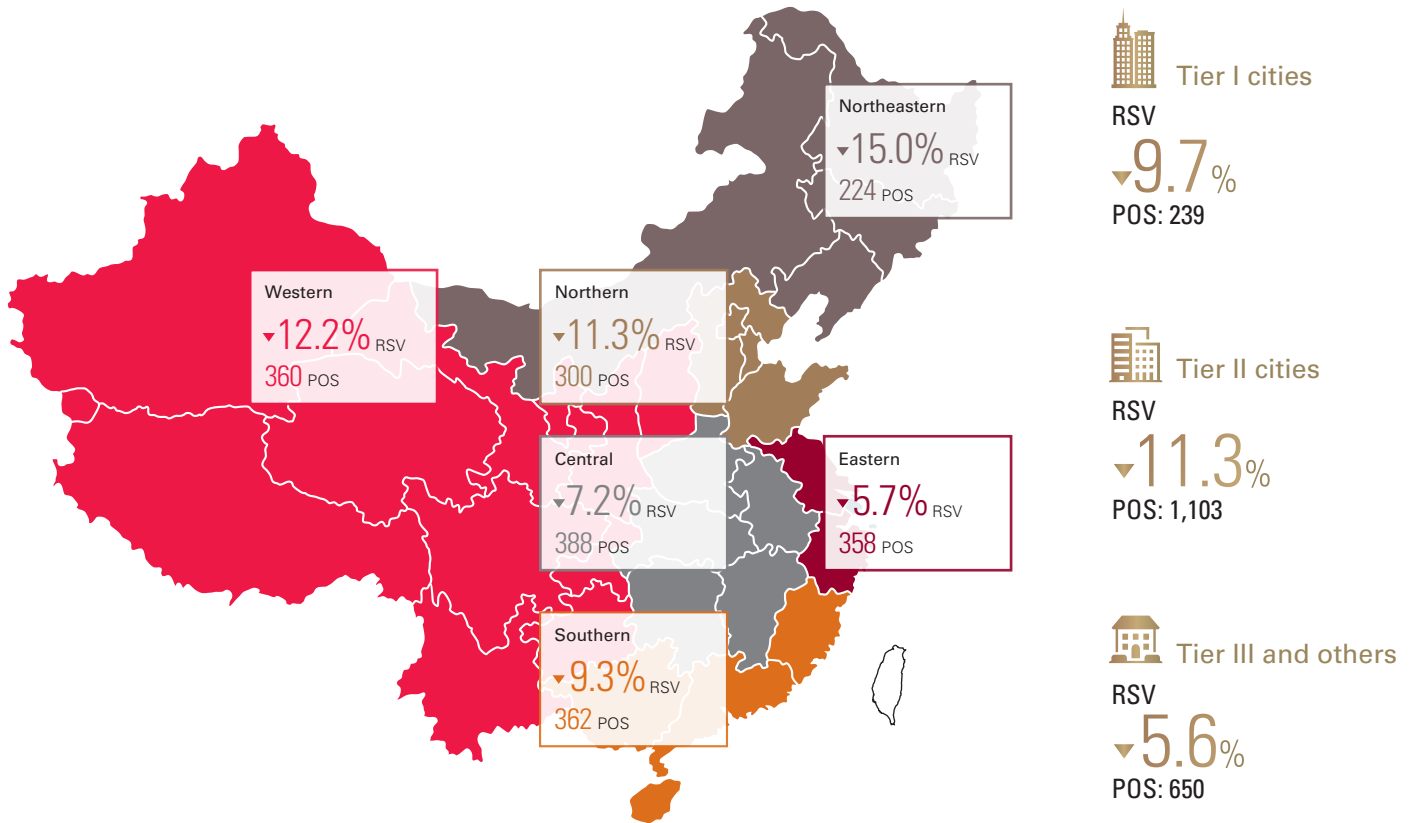


HK\$	FY2014	FY2015	HK\$	FY2014	FY2015
Less than 2,000	[Light Pink]	[Dark Red]	Less than 2,000	[Light Pink]	[Dark Red]
2,001–10,000	[Light Orange]	[Dark Orange]	2,001–10,000	[Light Orange]	[Dark Orange]
10,001–30,000	[Light Red]	[Dark Red]	10,001–30,000	[Light Red]	[Dark Red]
30,001–99,999	[Light Brown]	[Dark Brown]	30,001–99,999	[Light Brown]	[Dark Brown]
100,000–500,000	[Light Grey]	[Dark Grey]	100,000–500,000	[Light Grey]	[Dark Grey]
More than 500,000	[Lightest Grey]	[Darkest Grey]	More than 500,000	[Lightest Grey]	[Darkest Grey]

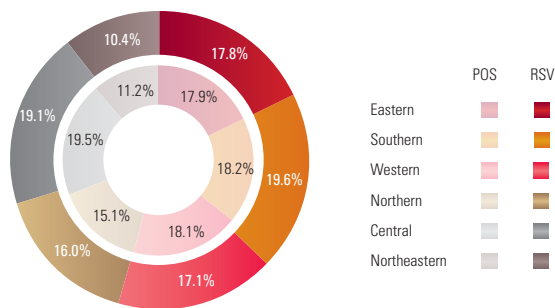
Note: The percentages calculated are subject to minor rounding differences

RSV performance and POS network by region and tier of cities

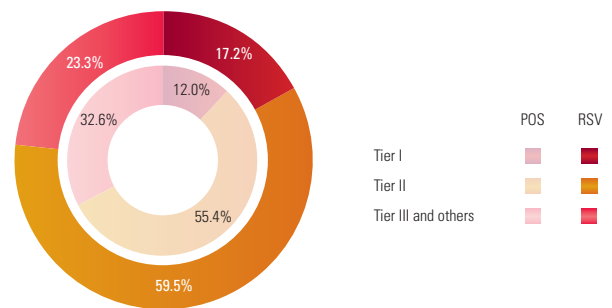
The diagram below illustrates the RSV performance of our jewellery POS network in Mainland China by geographical region and tier of cities over the same period last year, and the coverage of our POS network as at 31 March 2015:



FY2015 RSV and POS by region



FY2015 RSV and POS by tier of cities

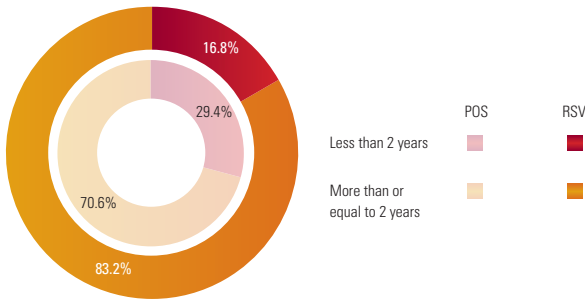


Note: The percentages calculated are subject to minor rounding differences

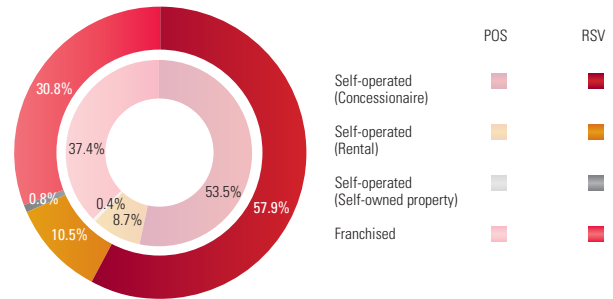
In terms of RSV performance by region, our POS in Eastern region of Mainland China performed better than other regions, followed by Central and Southern region.

In terms of RSV by tier of cities, Tier III and other cities showed resilience when compared with Tier I and II cities. In recent years, we have been focusing on POS expansion in Tier II, III and lower tier cities in order to achieve a broader coverage. These cities which experience higher economic growth are in general more resilient to global economic fluctuations and have seen rapid expansion in their jewellery markets. At the same time, we continued to upgrade the positioning and branding of our POS in Tier I and II cities to cater to the sophisticated customers in these cities.

FY2015 RSV and POS by store age



FY2015 RSV and POS by POS operation model



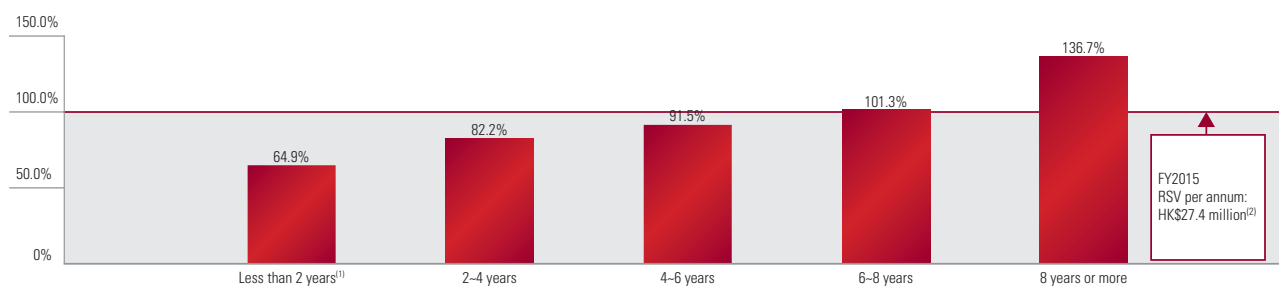
Note: The percentages calculated are subject to minor rounding differences

New POS openings continued to contribute to our RSV growth. In FY2015, 16.8% (FY2014: 18.6%) of our RSV was contributed by POS opened within 2 years. RSV contribution from franchised POS have been increased from 28.3% in FY2014 to 30.8% in FY2015, thanks to our continuing effort in collaborating with franchisees to open franchised POS and leveraging on franchisees' network and local knowledge.

Self-operated POS

The RSV from our self-operated POS recorded a decrease of 12.8% when compared with that of last year. While new POS openings continue to contribute to our sales, our Same Store Sales recorded a decline of 16.1%.

Sales per store by store age



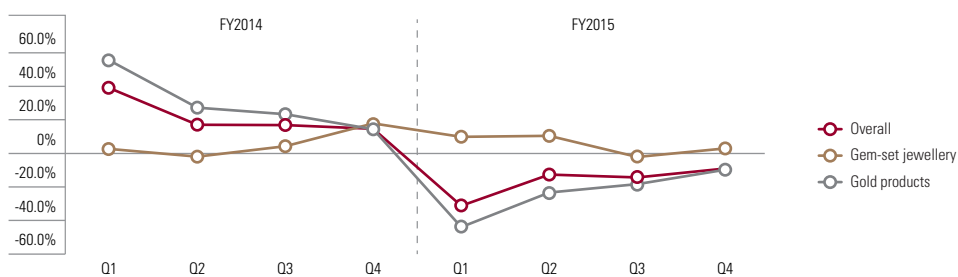
POS — date of opening	4/2013~ 3/2015	4/2011~ 3/2013	4/2009~ 3/2011	4/2007~ 3/2009	3/2007 or before	Total
Number of POS	298	364	193	176	216	1,247

■ Ratio of annual sales per store to average Same Store Sales per store

- (1) For POS of age less than 1 year, sales is adjusted on an annualised basis
- (2) Included value-added tax (“VAT”)

The productivity for POS of age less than 2 years was 64.9% of that for Same Store average. While productivity and efficiency of our POS improved as our POS ramped up, it takes around 6-8 years for a new POS to reach the average Same Store Sales level. Together with new store profitability, breakeven points and payback period analysis, these are important references and indicators in formulating our POS expansion plan.

Same Store Sales Growth (“SSSG”)

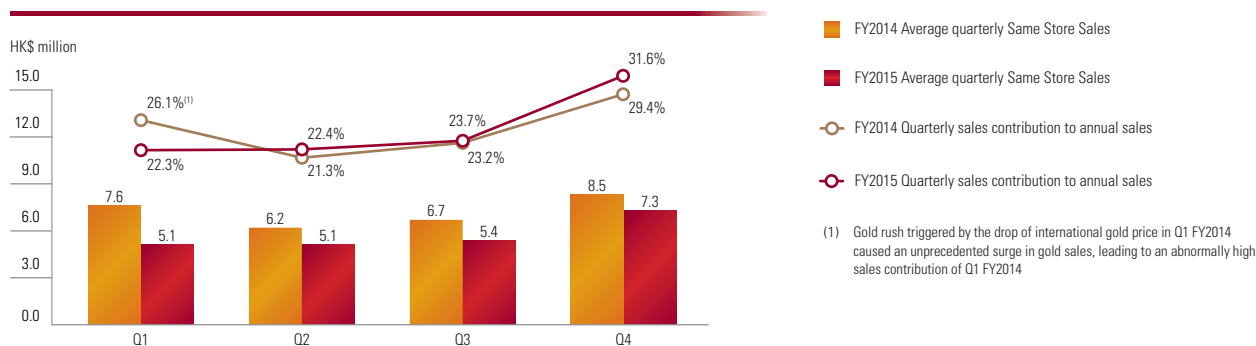


For the year ended 31 March	2014	2015	YoY change
SSSG	18.6%	(16.1)%	N/A
Same Store Sales volume growth	33.6%	(16.0)%	N/A
SSSG — Gem-set jewellery	6.4%	5.2%	N/A
SSSG — Gold products	28.9%	(23.8)%	N/A
	<i>HK\$</i>	<i>HK\$</i>	
Average selling price ⁽¹⁾ — Gem-set jewellery	6,628	6,833	3.1%
Average selling price ⁽¹⁾ — Gold products	3,450	3,396	(1.6)%

(1) Average selling price on FY2015 Same Store basis, and includes VAT

Although the gold rush in FY2014 caused volatility to our overall SSSG and gold products SSSG, the gem-set jewellery SSSG was relatively stable and maintained a healthy growth in FY2015.

Average quarterly sales and its contribution to annual sales



Note: The percentages calculated are subject to minor rounding differences

The Chinese tradition of jewellery gift-giving during ceremonial and festive events has generated solid event-driven demand for our products, particularly in Q4 of our financial year when important holidays and events, such as Chinese New Year, Valentine's Day and peak season of wedding registration, happen.

Mainland China — Watch business

For the year ended 31 March	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	2015 vs 2014 YoY change
Revenue	1,209.9	1,631.9	1,931.0	18.3%
RSV	1,339.4	1,864.4	2,259.3	21.2%

While the increase in sales of our watch business in Mainland China was mainly driven by the net addition of 46 POS in FY2014, our Same Store Sales decreased by 4.5% when compared to that of the same period last year. The drop in our SSSG reflected a generally weak consumer sentiment in the luxury market, accompanied by the impact of currency fluctuations in the second half of FY2015, which may have driven consumptions to overseas markets.

Hong Kong, Macau and other markets

Overview

For the year ended 31 March	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>	2015 vs 2014 YoY change
Revenue				
Retail	26,041.7	35,076.8	25,961.4	(26.0)%
Wholesale	1,083.8	182.1	473.4	160.0%
Total	27,125.5	35,258.9	26,434.8	(25.0)%
RSV				
Hong Kong	21,308.2	29,362.6	22,329.2	(24.0)%
Macau	4,454.6	5,590.7	3,904.1	(30.2)%
Taiwan and other Asian markets	122.9	142.9	212.6	48.8%
The United States	–	–	17.8	N/A
Total	25,885.7	35,096.2	26,463.7	(24.6)%

Throughout FY2015, the sales performance of Hong Kong, Macau and other markets was shadowed by the high base, generally weak consumer sentiment and economical structural changes, resulting in a decrease of 25.0% and 24.6% for revenue and RSV, respectively.

Our retail revenue, being sales from self-operated POS, e-commerce and other direct sales channels, decreased by 26.0% when compared with last year.

Our wholesale revenue recorded an increase of 160.0% over last year. Our wholesale revenue included occasional wholesale to diamond traders and sales to franchisees and retail partners of Hearts On Fire, which was mainly recognised when inventories are delivered to franchisees or retail partners and recorded at wholesale price.

The RSV from Taiwan and other Asian markets included sales from our self-operated POS in Taiwan, franchised POS in Singapore, Malaysia, South Korea, as well as the 8 Hearts On Fire POS in Taiwan.

Compared to that of Hong Kong and Macau, the RSV of Taiwan and other Asian markets showed better performance and recorded a growth of 48.8% over last year, which was attributable to the Hearts On Fire POS in Taiwan we acquired on 31 August 2014, and a generally relatively stable consumer sentiment in the regions.

The RSV of the United States represented the sales generated from 2 Hearts On Fire self-operated POS, which were located in Las Vegas, Nevada and King of Prussia, Pennsylvania, yet exclude the retail sales of retail partners of Hearts On Fire.

RSV by product

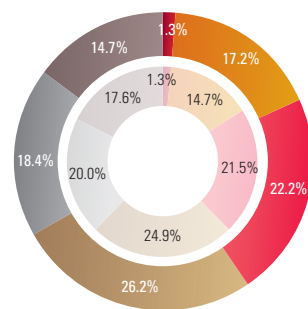
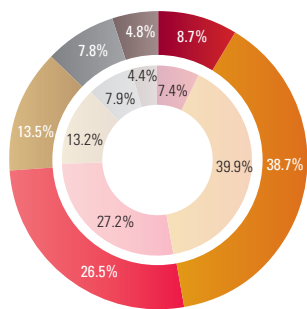
During FY2015, we continued to collaborate with renowned international brands such as FOREVERMARK, Rio Tinto Group and Disney to offer more licensed and patented products that are unique and exclusive. The RSV of them was mainly from gem-set jewellery, which showed an increase in RSV of 7.6% over the same period last year.

While our products are always regarded as popular gift for wedding in Hong Kong and Macau, wedding business continued to be one of our major segments, contributing around 41.0% (FY2014: 36.0%) of our RSV.

The charts below set forth the breakdown of our overall RSV and that for gem-set jewellery by price range:

RSV by price range – Jewellery products

RSV by price range – Gem-set jewellery



HK\$	FY2014	FY2015	HK\$	FY2014	FY2015
Less than 2,000	[Light Pink]	[Dark Red]	Less than 2,000	[Light Pink]	[Dark Red]
2,001-10,000	[Light Orange]	[Dark Orange]	2,001-10,000	[Light Orange]	[Dark Orange]
10,001-30,000	[Light Red]	[Dark Red]	10,001-30,000	[Light Red]	[Dark Red]
30,001-99,999	[Light Brown]	[Dark Brown]	30,001-99,999	[Light Brown]	[Dark Brown]
100,000-500,000	[Light Grey]	[Dark Grey]	100,000-500,000	[Light Grey]	[Dark Grey]
More than 500,000	[Light Grey]	[Dark Grey]	More than 500,000	[Light Grey]	[Dark Grey]

Note: The percentages calculated are subject to minor rounding differences

According to the Commerce and Economic Development Bureau of Hong Kong and the Macau Statistics and Census Service, in FY2015, the number of Mainland tourists to Hong Kong and Macau increased by 12.8% and 8.8% compared to the same period last year, to 48.1 million and 21.1 million, respectively.

Although the visitation of Mainland tourists showed positive growth, the portion of overnight visitors decreased from 43.6% in FY2014 to 41.1% in FY2015. At the same time, we saw notable change in their spending preference and drop in sales contribution from them, as evidenced by a decrease in portion of revenue settled through China UnionPay or Renminbi (FY2015: 56.4%, FY2014: 60.1%) and a decrease in the contribution of RSV from the touristic area (including the Airport, Causeway Bay, Mong Kok, Shatin, Sheung Shui, Tsim Sha Tsui, Yau Ma Tei and Macau), which declined from 79.9% in FY2014 to 77.3% in FY2015.

Hong Kong and Macau

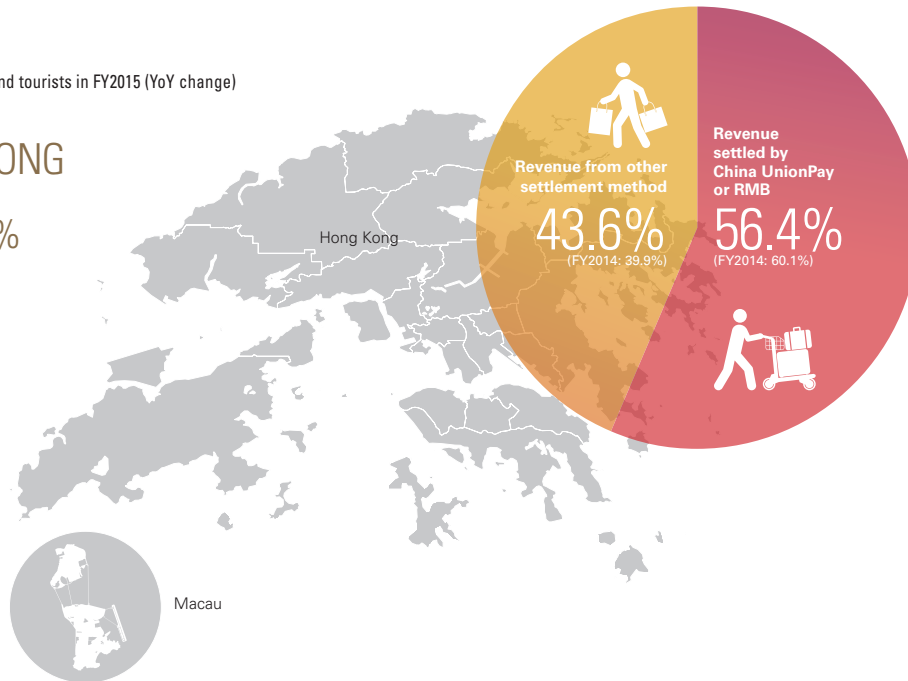
Number of Mainland tourists in FY2015 (YoY change)

HONG KONG

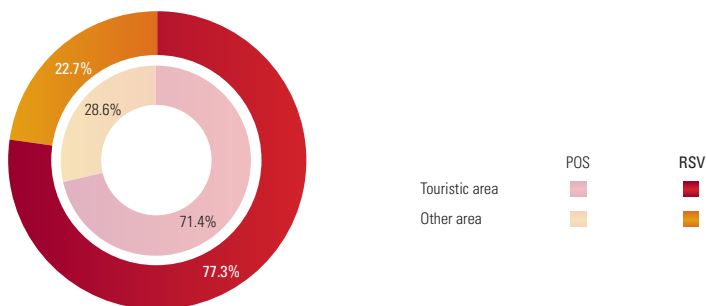
▲12.8%

MACAU

▲8.8%



FY2015 RSV and POS by area

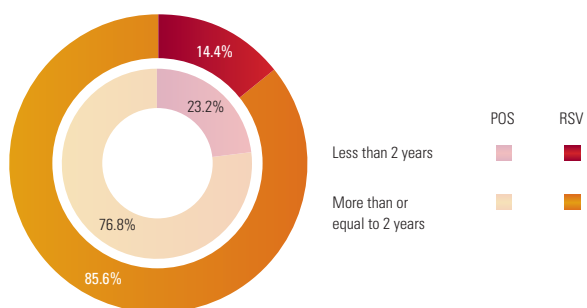


Note: The percentages calculated are subject to minor rounding differences

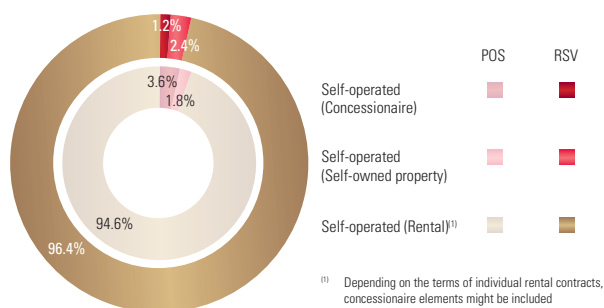
The relatively weak consumer sentiment in Hong Kong and Macau was also reflected in the decrease of customer traffic. Based on the overhead people counters we have installed in some of our key POS in the touristic area, customer traffic has decreased by around one-third over the same period last year. Nevertheless, thanks to our successful marketing and sales strategies, the conversion rate has shown an improvement.

We recently noticed a change of preference in Mainland tourists for overseas destination. The possible change in inbound tourism from mainlanders may post structural changes to the retail industry in Hong Kong and Macau and aroused uncertainty over our business. While we seek to expand our footprint in the region to cover more popular destinations of Mainland tourists, we will also focus on enhancing the operation efficiency of our existing POS and consolidating POS to enhance store productivity.

FY2015 RSV and POS by store age



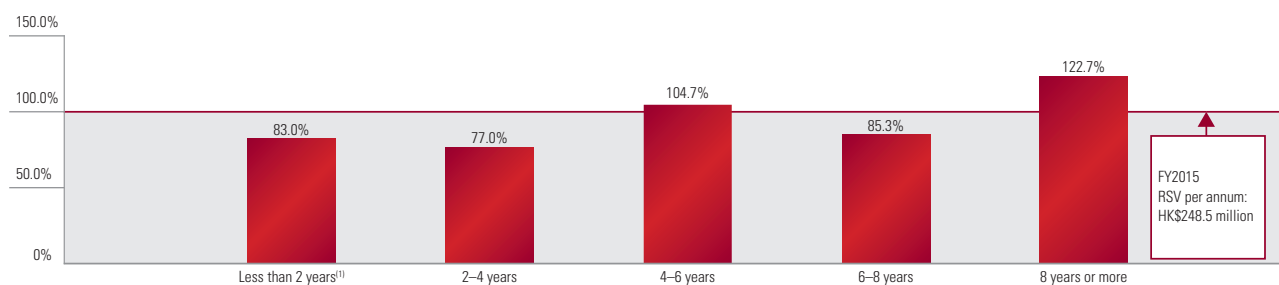
FY2015 RSV and POS by POS operation model



Note: The percentages calculated are subject to minor rounding differences

New POS openings continue to contribute to our RSV growth. In FY2015, 14.4% (FY2014: 20.6%) of our RSV was contributed by POS opened within 2 years.

Sales per store by store age



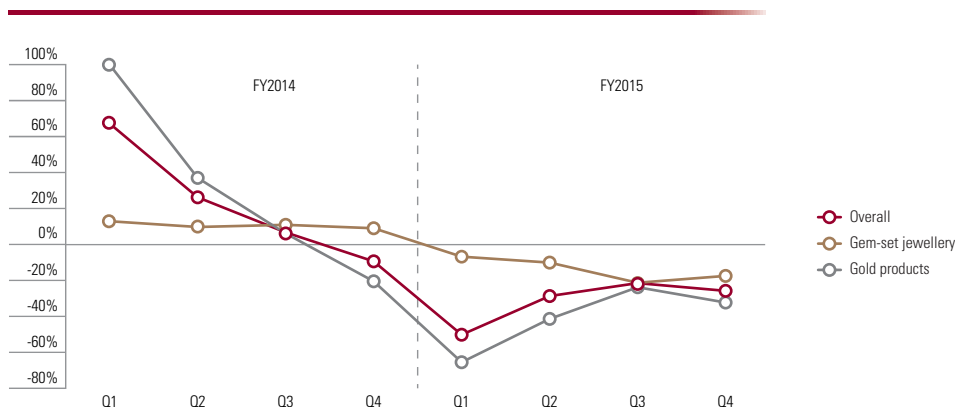
POS — date of opening	4/2013~ 3/2015	4/2011~ 3/2013	4/2009~ 3/2011	4/2007~ 3/2009	3/2007 or before	Total
Number of POS	26	31	11	9	35	112

■ Ratio of annual sales per store to average Same Store Sales per store

(1) For POS of age less than 1 year, sales is adjusted on an annualised basis

Hong Kong and Macau market is relatively mature. Our new stores are typically situated in touristic area where productivity can be very high since opening. They generally do not have the same ramp up pattern as the POS located in Mainland China.

SSSG

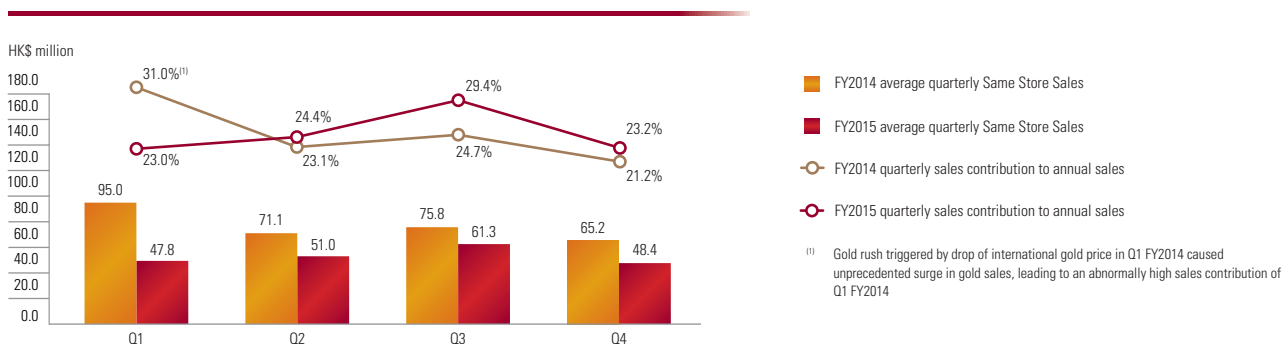


For the year ended 31 March

	2014	2015	YoY change
SSSG	20.2%	(32.8)%	N/A
Same Store Sales volume growth	40.3%	(27.7)%	N/A
SSSG – Gem-set jewellery	10.7%	(14.6)%	N/A
SSSG – Gold products	26.4%	(44.4)%	N/A
	<i>HK\$</i>	<i>HK\$</i>	
Average selling price ⁽¹⁾ – Gem-set jewellery	13,782	12,025	(12.7)%
Average selling price ⁽¹⁾ – Gold products	5,372	5,309	(1.2)%

(1) Average selling price on FY2015 Same Store basis

Average quarterly sales and its contribution to annual sales



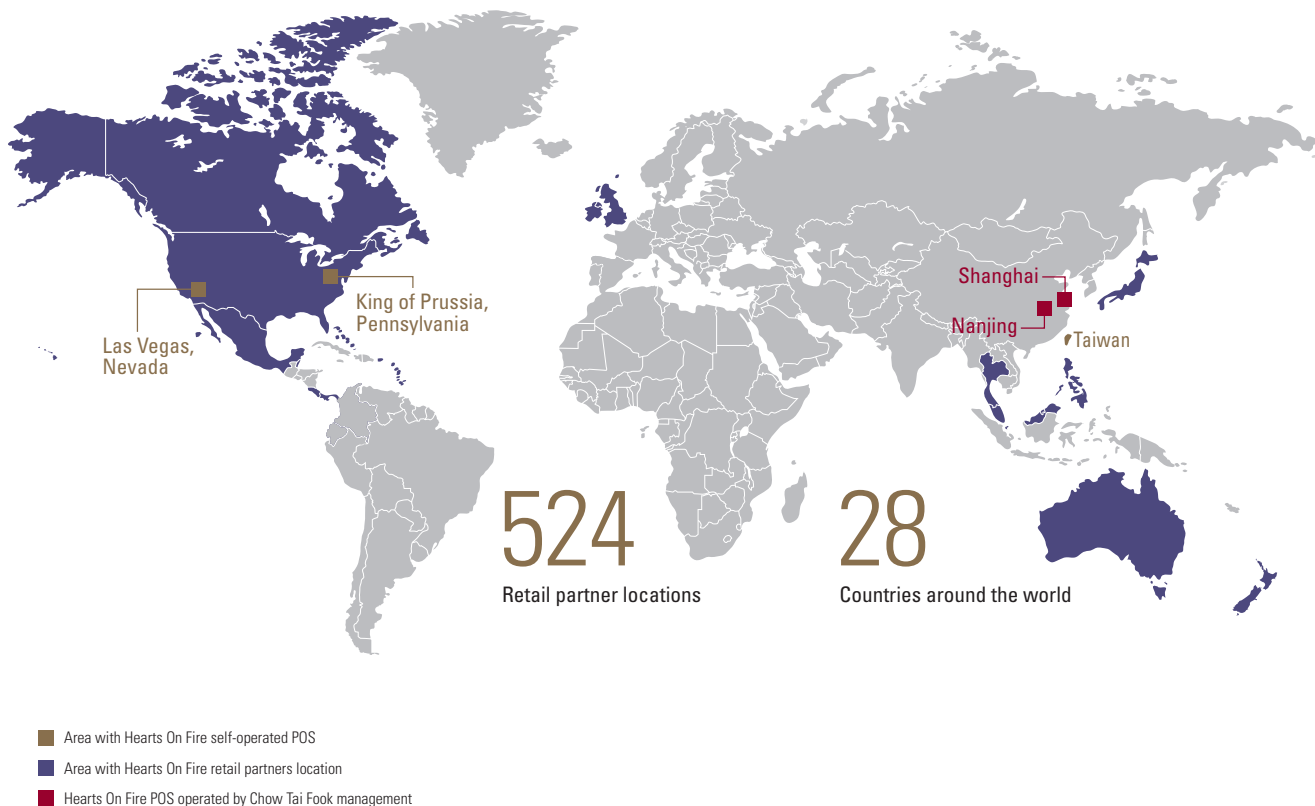
Note: The percentages calculated are subject to minor rounding differences

For Hong Kong and Macau, the demand for our products is generally concentrated in Q3 of our financial year, which Christmas, our annual mega sales and traditional wedding season fall into.

Hearts On Fire

We acquired Hearts On Fire, a luxury diamond company offering premium bridal and fashion jewellery products, on 31 August 2014.

Approximately 50% of Hearts On Fire's products sold were bridal collection, 40% were classic collection, and 10% were designer collection. Around 63.2% of Hearts On Fire jewellery sales in FY2015 were priced between US\$1,000 and US\$10,000.



Hearts On Fire offers its product to a passionate and loyal customer base through its global independent retail partner network, self-operated stores and Hearts On Fire's website (www.heartsonfire.com). Wholesale revenue, being sales to retail partners, contributed to around 80% of Hearts On Fire's revenue, while the remaining 20% was retail revenue from self-operated stores and Hearts On Fire's website. Its major market was in the United States, with presence also in Latin America, Caribbean, Europe and Asia.

As at 31 March 2015, there were 2 and 8 POS directly operated by Hearts On Fire in the United States and Taiwan, and 524 retail partner locations in 28 countries around the world.

While Hearts On Fire continued to be led by the founders and original management team, Hearts On Fire POS in Mainland China and Hong Kong and Macau would be operated by Chow Tai Fook management, leveraging the knowledge and connections in the region and enabling more efficient deployment of resources.

Gross Profit and Gross Profit Margin

Overview

Our gross profit decreased by 9.8% from HK\$21,152.3 million in FY2014 to HK\$19,072.4 million in FY2015, while the gross profit margin increased from 27.3% in FY2014 to 29.7% in FY2015.

Unrealised hedging gain/loss

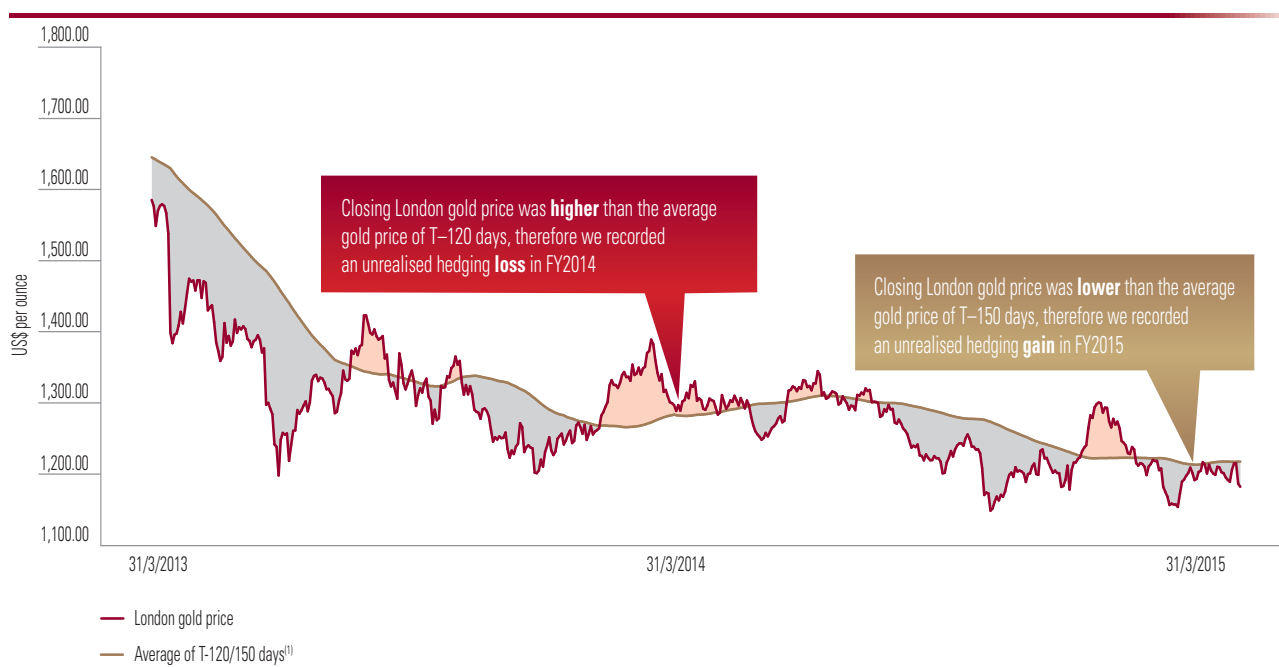
Due to the drop in market gold price near our financial year end, we recorded an unrealised hedging gain for FY2015. The table below set forth the gross profit margin, unrealised hedging loss/(gain) on gold loans and bullion forward contracts, and the adjusted gross profit margin for FY2013 to FY2015:

For the year ended 31 March	2013	2014	2015
Gross profit margin	28.4%	27.3%	29.7%
Unrealised hedging loss/(gain) on gold loans and bullion forward contracts	(0.3)%	0.4%	(0.5)%
Adjusted gross profit margin	28.1%	27.7%	29.2%

Note: The percentages calculated are subject to minor rounding differences

The chart below illustrates how the fluctuations in gold price affected our unrealised hedging gains or losses near the end of financial years:

London gold price

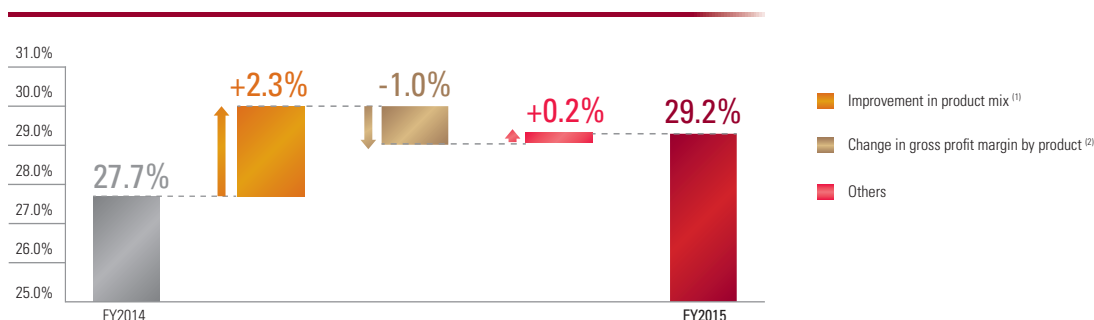


- (1) Average of T-120/150 days refers to the average gold price of previous 120 or 150 days on rolling basis. As gold inventories turnover was slower in FY2015, average of T-120 days and T-150 days was used for FY2014 and FY2015 respectively.

Changes in adjusted gross profit margin

Our adjusted gross profit margin increased from 27.7% in FY2014 to 29.2% in FY2015. The below diagram reconciles the major factors in the fluctuations of the gross profit margin:

Changes in adjusted gross profit margin



- (1) As the gross profit margin for our gem-set jewellery were generally higher than that of other products, the increase in gem-set jewellery mix in FY2015 led to an overall improved gross profit margin
- (2) Change in gross profit margin by product refers to the effect of the change in gross profit margin from the same product category in the same segment of the same operation model. The decrease was mainly due to the pricing pressure amid weak market sentiment

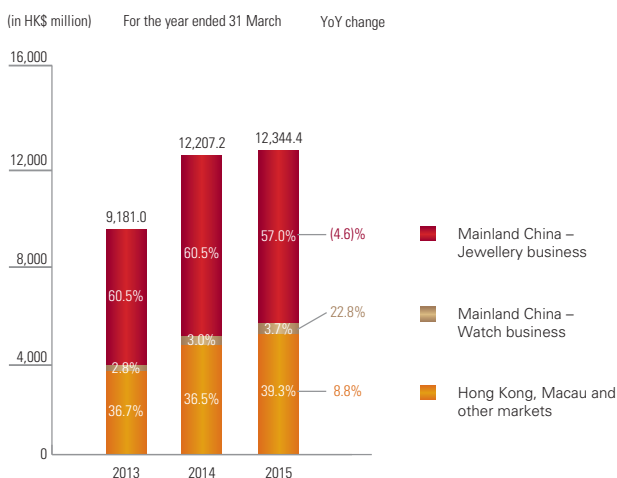
Note: The percentages calculated are subject to minor rounding differences

Selling and Distribution Costs and Administrative Expenses

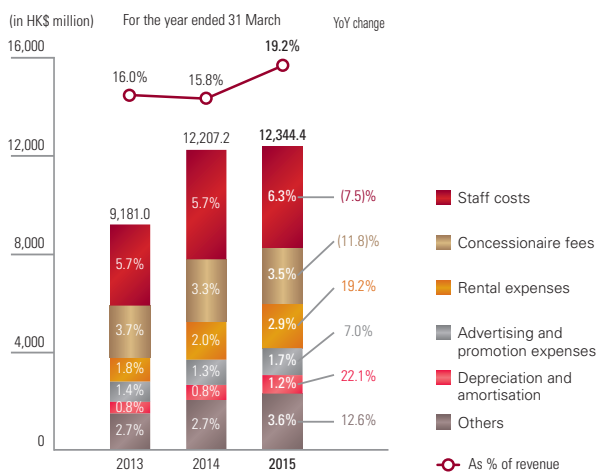
Overall

Our selling and distribution costs and administrative expenses (“SG&A”) increased to HK\$12,344.4 million (FY2014: HK\$12,207.2 million), representing an increase of 1.1% over the same period last year. Our SG&A was mostly related to POS operations, product handling and production support, and therefore was highly related with number of POS and total sales volume. The below set forth the breakdown by nature and segment of such expenses:

SG&A by reportable segment



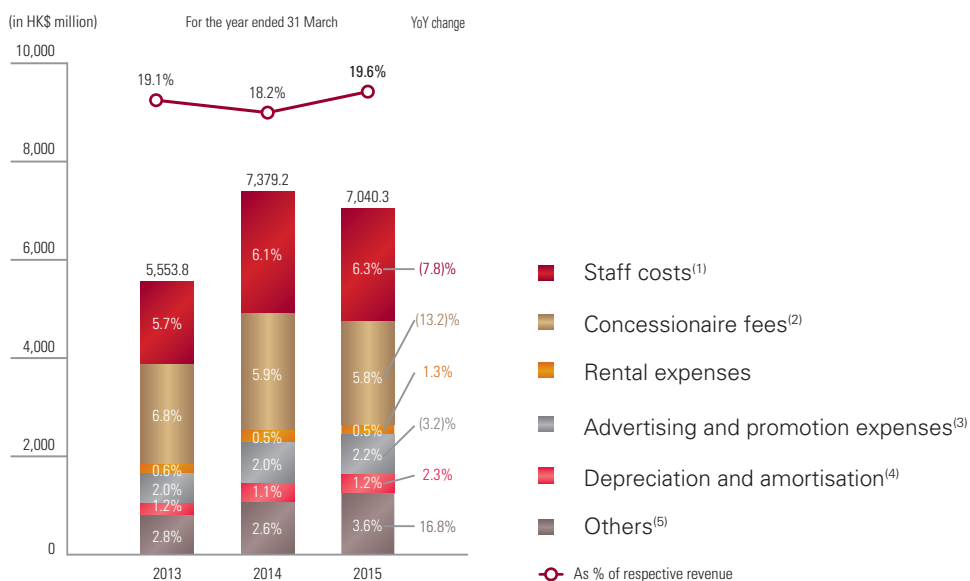
SG&A to revenue ratio



Note: The percentages calculated are subject to minor rounding differences

Mainland China — Jewellery business

SG&A to revenue ratio

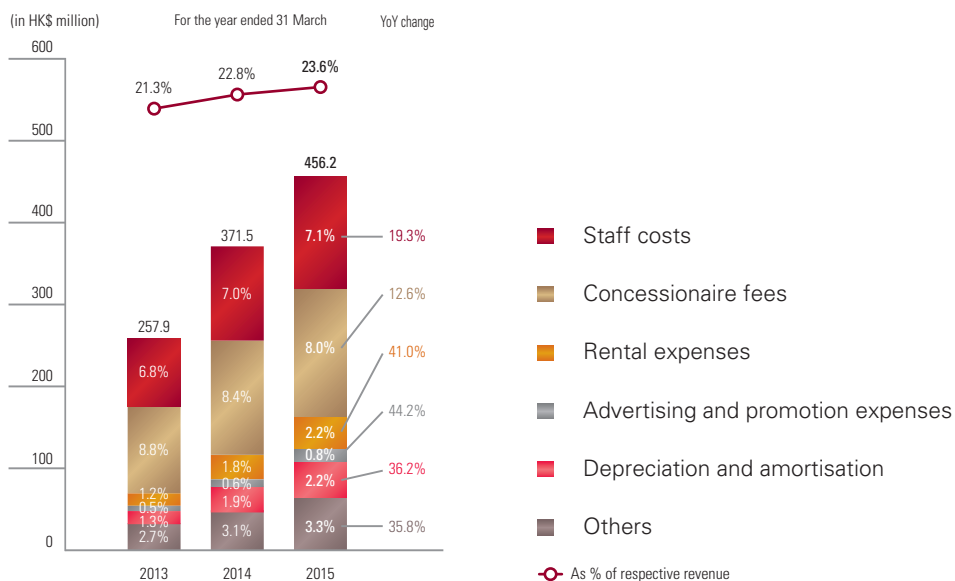


Note: The percentages calculated are subject to minor rounding differences

- (1) Within our staff costs, 30.3% (FY2014: 38.0%) was performance based and decreased due to the drop in sales, while the remaining portion of the staff costs was mostly fixed in nature, and increased in line with the increase in number of staff. The staff costs to revenue ratio increased from 6.1% in FY2014 to 6.3% in FY2015, which was attributable to the operating leverage on the fixed portion
- (2) The decrease in concessionaire fees was generally in line with the decrease in our retail revenue. The average ratio of concessionaire fees to the revenue for self-operated (concessionaire) POS was 9.4% for FY2015 and 9.3% for FY2014
- (3) While the advertising and promotion expenses decreased by 3.2% when compared to the same period last year, the expenses to revenue ratio increased from 2.0% in FY2014 to 2.2% in FY2015 due to operating leverage. We believe that a stable marketing investment would help us to regain market share as the market recovers
- (4) Depreciation and amortisation increased correspond to the expansion of our POS network and new production facilities
- (5) Others in SG&A included packing materials, certification fees, royalty fees to the licensing companies, postage and transportation, utilities and overhead for POS and operations centres. While the ratio to revenue increased mainly due to operating leverage, such expenses increased mainly due to increase in POS and sales volume of gem-set jewellery

Mainland China — Watch business

SG&A to revenue ratio



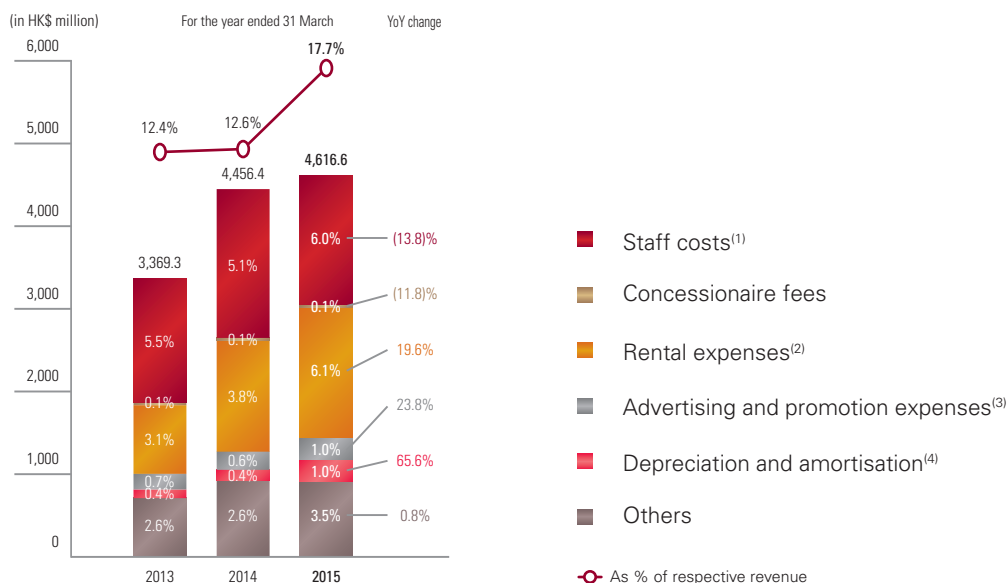
Note: The percentages calculated are subject to minor rounding differences

The increase in SG&A for Watch business in Mainland China was generally in line with that of revenue, which increased by 18.3% when compared with same period last year.

Hong Kong, Macau and other markets

The breakdown of SG&A, if excluded that related to Hearts On Fire which we acquired during the year (HK\$231.3 million), was as below:

SG&A to revenue ratio



Note: The percentages calculated are subject to minor rounding differences

- (1) Within our staff costs, 43.9% (FY2014: 54.8%) was performance based and decreased due to the drop in sales, while the remaining portion of the staff costs was mostly fixed in nature, and increased in line with the increase in number of staff
- (2) The increase was mainly due to the opening of POS in touristic area and the renewal of rental contracts in Hong Kong and Macau. Out of the 19.6% increase in rental expenses, approximately 5.7% was attributable to the effect of renewal of POS rental contract, while the remaining increment was mainly attributable to new POS openings
- (3) The increase in advertising and promotion expenses corresponded to our various marketing campaigns during the year, including the collaborations with Korean celebrities to launch exclusive collections and launch of Hearts On Fire
- (4) The increase was mainly due to the increased number of POS and the acquisition of World Peace Centre

Other Income, Other Gains and Losses and Other Expenses

Other income was HK\$453.0 million for FY2015 (FY2014: HK\$351.7 million), represented an increase of 28.8% over last year, which was mainly attributable to the increase in interest income, franchise income, government grants and rental income.

Other gains and losses decreased from a gain of HK\$130.2 million in FY2014 to a loss of HK\$35.9 million in FY2015, which was mainly attributable to the net foreign exchange loss of HK\$12.7 million in FY2015, while there was a gain of HK\$136.4 million in FY2014.

Other expenses increased to HK\$94.7 million in FY2015 from HK\$38.0 million in FY2014. The increase was mainly due to the increase in charitable donations and transaction costs related to the acquisition of Hearts On Fire during the year.

Finance Costs and Taxation

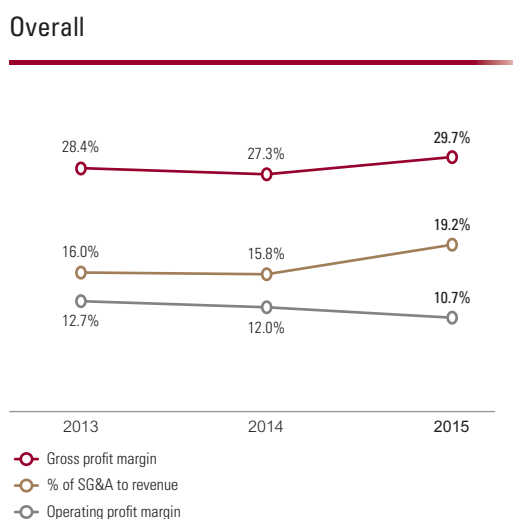
Our finance costs increased from HK\$222.8 million in FY2014 to HK\$380.5 million in FY2015. While the interest rates for bank and gold loans was relatively stable, the increase in finance costs was mainly attributed to the relatively higher bank and gold loan level across FY2015 when compared with that of FY2014.

Our tax expenses decreased from HK\$1,713.8 million in FY2014 to HK\$1,123.3 million in FY2015, and effective tax rates was 18.7% and 16.9% for FY2014 and FY2015 respectively. The effective tax rate for FY2015 was lower than that for FY2014, which was mainly due to one off effect of the reversal of excessive withholding tax provision for dividend payments previously recognised by certain subsidiaries of the Group.

Profitability, Basic Earnings per Share and Dividend

Our operating profit (being earnings before net interest and taxation) decreased from HK\$9,252.1 million in FY2014 to HK\$6,888.1 million in FY2015, representing a decrease of 25.6% over the same period last year. The charts and tables below depict the gross profit margin, SG&A to revenue ratio, operating profit margin, net profit, profit attributable to shareholders, basic earnings per share, dividend per share and dividend payout ratio for FY2013 to FY2015:

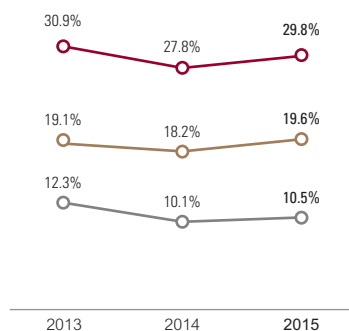
For the year ended 31 March



Note: The percentages calculated are subject to minor rounding differences

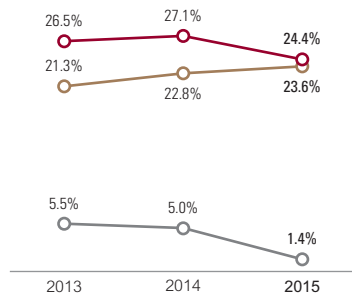
For the year ended 31 March

Mainland China – Jewellery business



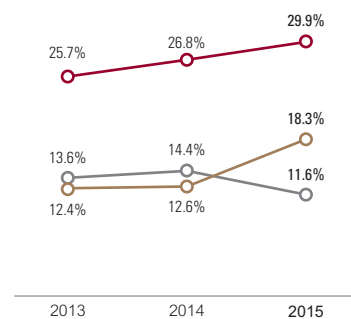
○ Gross profit margin
○ % of SG&A to revenue
○ Operating profit margin

Mainland China – Watch business



○ Gross profit margin
○ % of SG&A to revenue
○ Operating profit margin

Hong Kong, Macau and other markets



○ Gross profit margin
○ % of SG&A to revenue
○ Operating profit margin

Note: The percentages calculated are subject to minor rounding differences

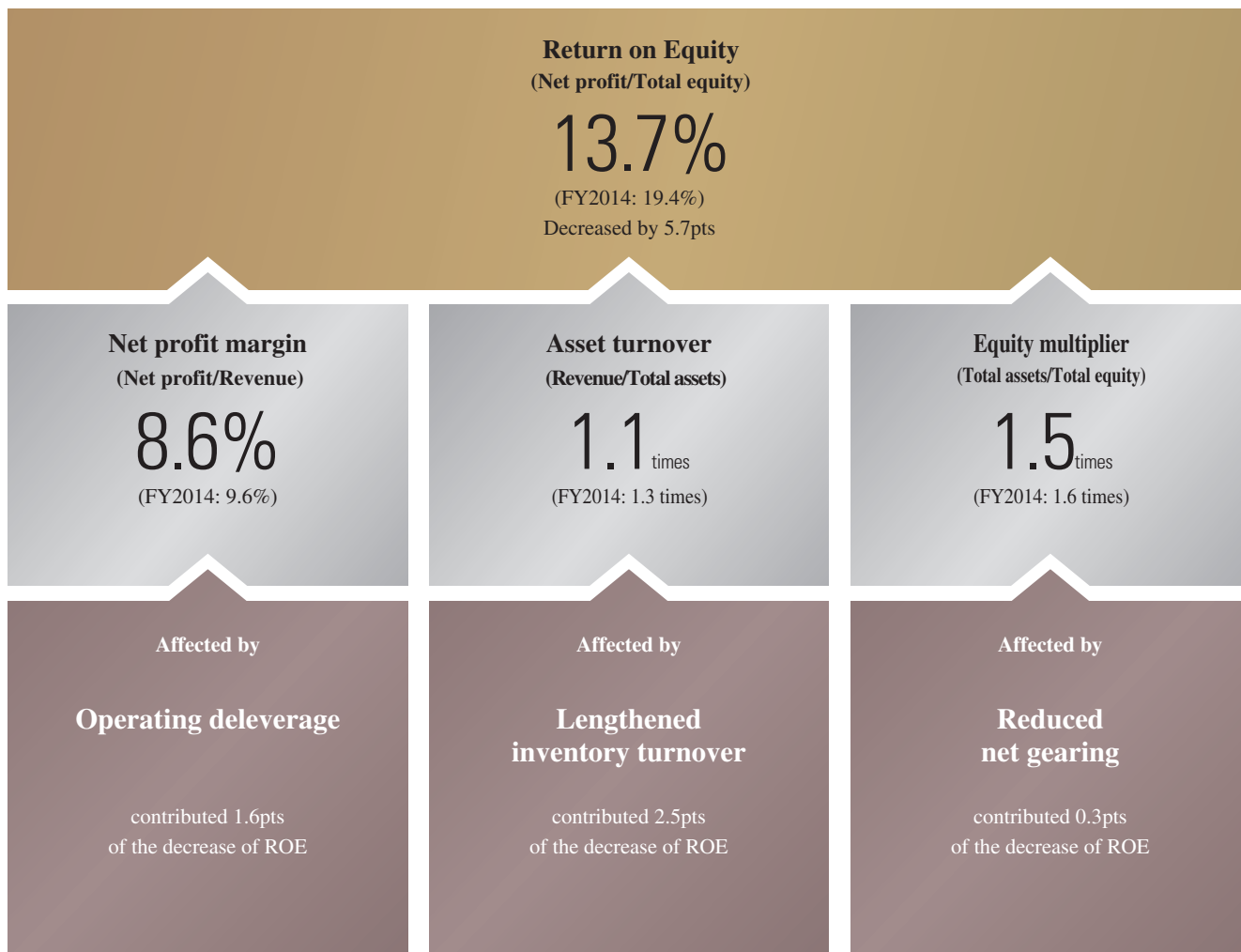
For the year ended 31 March	2013 HK\$ million	2014 HK\$ million	2015 HK\$ million	2015 vs 2014 YoY change
Net profit	5,678.4	7,449.2	5,535.8	(25.7)%
Profit attributable to shareholders of the Company	5,505.3	7,272.0	5,456.0	(25.0)%

For the year ended 31 March	2013 HK cents	2014 HK cents	2015 HK cents	2015 vs 2014 YoY change
Basic earnings per share	55.1	72.7	54.6	(25.0)%
Dividend per share				
Interim	6.0	17.0	13.0	(23.5)%
Final	16.0	19.0	15.0⁽¹⁾	(21.1)%
Full year	22.0	36.0	28.0	(22.2)%
Dividend payout ratio	40.0%	49.5%	51.3%	1.8pts

(1) Being proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting

Note: The percentages calculated are subject to minor rounding differences

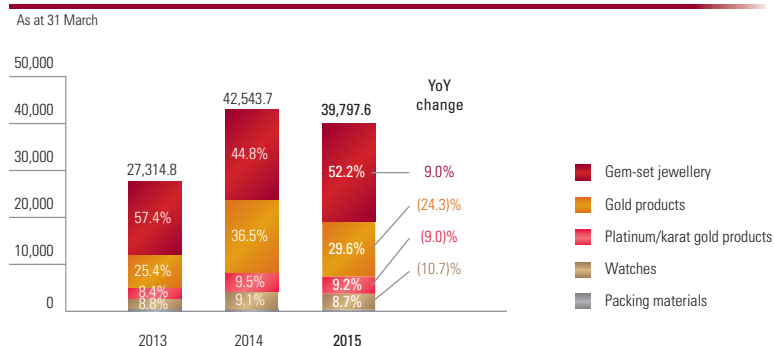
Return on Equity, Inventory Turnover and Capital Structure



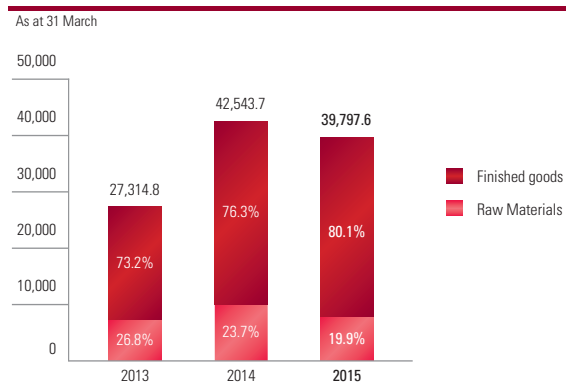
Our Return On Equity (“ROE”), calculated by net profit divided by total equity, was 13.7% for FY2015 (FY2014: 19.4%), representing a decrease of 5.7 percentage points over that of same period last year. The decrease in ROE was mainly due to a decrease in net profit margin and asset turnover ratio.

Inventory balances and turnover period

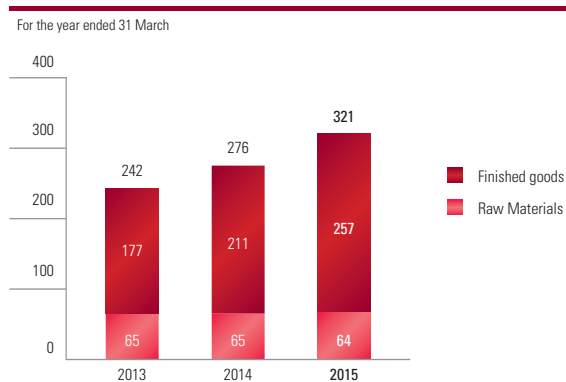
Inventory balances by product (in HK\$ million)



Inventory balances by category (in HK\$ million)



Inventory turnover period (days) by category



Note: The percentages calculated are subject to minor rounding differences

Our inventories decreased by 6.5% from HK\$42,543.7 million as at 31 March 2014 to HK\$39,797.6 million as at 31 March 2015, which was mainly attributable to the decrease in gold products.

Our inventories turnover period increased from 276 days in FY2014 to 321 days in FY2015. The lengthened inventory turnover period was contributed by the increase in inventory balance of gem-set jewellery and decrease in that for gold products, which the turnover period for gem-set jewellery was higher than that of gold products.

As at 31 March 2015, inventories amounted to HK\$286.9 million were located in our franchised POS under the new optimised mechanism.

Capital structure

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 and bullion forward contracts are also 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").

The table below set forth the information regarding non-current assets, inventories, bank deposits and cash equivalents, bank borrowings, gold loans, net debt, working capital and total equity as at 31 March 2015 and 2014:

As at 31 March	2014 HK\$ million	% to total equity	2015 HK\$ million	% to total equity	YoY change HK\$ million	Denominated Currency ⁽¹⁾	Interest rate structure ⁽¹⁾	Maturity ⁽¹⁾
Non-current assets	4,262.8	11.1%	7,038.3	17.4%	2,775.5	N/A	N/A	N/A
Inventories	42,543.7	110.6%	39,797.6	98.2%	(2,746.1)	N/A	N/A	N/A
Bank deposits and cash equivalents ⁽²⁾	9,971.9	25.9%	8,477.5	20.9%	(1,494.4)	HKD, RMB and USD	Variable interest rate	N/A
Total borrowings	17,086.4	44.4%	15,088.9	37.2%	(1,997.5)			
Bank borrowings	6,299.6	16.4%	6,750.6	16.7%	451.0	HKD and RMB	Variable interest rate	Within 12 months
Gold loans ⁽³⁾	10,786.8	28.1%	8,338.3	20.6%	(2,448.5)	RMB and USD	Fixed interest rate	Within 12 months
Net debt ⁽⁴⁾	7,114.5	18.5%	6,611.4	16.3%	(503.1)	N/A	N/A	N/A
Working capital ⁽⁵⁾	35,047.4	91.1%	34,202.8	84.4%	(844.6)	N/A	N/A	N/A
Total equity	38,452.4	100.0%	40,540.8	100.0%	2,088.4	N/A	N/A	N/A

- (1) Information about denominated currency, interest rate structure and maturity related to the condition as at 31 March 2015
- (2) Include bank balances and cash, pledged bank deposits and short-term bank deposits. As at 31 March 2014, the Group had HK\$500.0 million of short-term bank deposits with original maturity of 12 months, carrying fixed interest rate at 1.5% per annum
- (3) The decrease in gold loans was mainly due to the decrease in gold products inventories
- (4) Aggregate of bank borrowings and gold loans, net of bank deposits and cash equivalents
- (5) Being net current assets

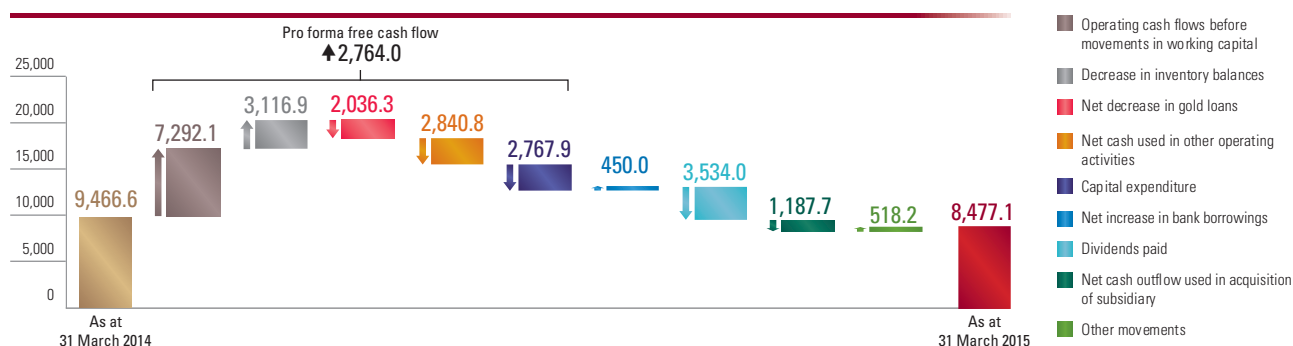
Cash flows

The following listed the major items included in the calculation for pro forma free cash flow and net increase/(decrease) in bank balances and cash:

For the year ended 31 March	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2015 <i>HK\$ million</i>
Operating cash flows before movements in working capital	7,662.6	9,464.9	7,292.1
Decrease/(increase) in inventories	2,543.6	(15,072.6)	3,116.9
Net change in gold loans	(705.7)	6,375.8	(2,036.3)
Net cash from/(used in) other operating activities	(175.9)	188.2	(2,840.8)
Capital expenditure	(1,174.1)	(1,368.3)	(2,767.9)
Pro forma free cash flow	8,150.5	(412.0)	2,764.0
Net change in bank borrowings	(8,016.5)	5,296.9	450.0
Dividends paid	(1,709.9)	(3,349.5)	(3,534.0)
Net cash outflow used in acquisition of subsidiaries	(26.5)	–	(1,187.7)
Other movements	(80.6)	(373.6)	518.2
Net increase/(decrease) in bank balances and cash	(1,683.0)	1,161.8	(989.5)

The below diagram reconciles the major items in the net decrease in bank balances and cash:

Major cash flows items for FY2015 (HK\$ million)



Capital expenditures

The Group's capital expenditures incurred during FY2015 amounted to HK\$2,767.9 million (FY2014: HK\$1,368.3 million). The increase over that of last year was mainly due to non-routine projects such as the acquisition of World Peace Centre, an industrial building in Kwai Chung, and the construction of Chow Tai Fook Jewellery Park in Wuhan.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors recommended the payment of a final dividend of HK15.0 cents per share (FY2014: HK19.0 cents per share), amounting to approximately HK\$1,500.0 million (FY2014: HK\$1,900.0 million). Such payment of dividends will be subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 31 July 2015 and are payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 11 August 2015. It is expected that the proposed final dividend will be paid on or about 19 August 2015. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures. For the year under review, the Company has complied with all the applicable code provisions of the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 of all Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code during FY2015.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for FY2015.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2015 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and voting at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Wednesday, 29 July 2015 to Friday, 31 July 2015, both days inclusive, during which period no transfer of share of the Company will be registered. 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, 28 July 2015.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Monday, 10 August 2015 to Tuesday, 11 August 2015, both days inclusive, during which period no transfer of share of the Company will be registered. 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 Friday, 7 August 2015.

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

Hong Kong, 5 June 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.