

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

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**德勤**

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5 December 2011  
The Directors  
Chow Tai Fook Jewellery Group Limited  
Goldman Sachs (Asia) L.L.C.  
The Hongkong and Shanghai Banking Corporation Limited  
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Chow Tai Fook Jewellery Group Limited (the "Company"), its subsidiaries and its Macau jewellery business (the "Macau Jewellery Business") (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2011 and six months ended 30 September 2011 (the "Track Record Period") for inclusion in the prospectus of the Company dated 5 December 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 20 July 2011. Pursuant to a group reorganisation as more fully explained in the section headed "History and Corporate Structure" of the Prospectus (the "Group Reorganisation"), the Company has become the holding company of the companies comprising the Group on 30 September 2011.

As at 31 March 2009, 2010, 2011 and 30 September 2011 and the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital/quota capital	Attributable equity interest			Principal activities		
			At 31 March 2009	2010	2011		At 30 September 2011	As at date of this report
<i>Subsidiaries:</i>								
CTF Watch Limited ("CTF Watch") (周大福鐘錶有限公司) (formerly known as "Pacific Cosmo International Limited" (宇泰國際有限公司))	British Virgin Islands ("BVI") 13 December 2010	Share US\$1	—	—	100%	100%	100%	Investment holding
Highrise Achiever Limited* ("Highrise") (擇天有限公司)	BVI 20 June 2011	Share US\$1	—	—	—	100%	100%	Investment holding
Majestic Project Limited ("Majestic") (偉略有限公司)	BVI 3 March 2011	Share US\$1	—	—	100%	100%	100%	Investment holding
Sincere Elite Limited ("Sincere Elite") (誠駿有限公司)	BVI 2 March 2011	Share US\$1	—	—	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital/quota capital	Attributable equity interest					Principal activities
			At 31 March			At 30 September	As at date of this report	
			2009	2010	2011	2011		
Solomon Trademark Management Limited ("Solomon Trademark") (所羅門商標管理有限公司)	BVI 6 April 2005	Shares US\$10	100%	100%	100%	100%	100%	Investment holding
American Overseas Investment Inc. ("American Overseas")	Delaware, the United States of America (the "USA") 26 January 1973	Shares US\$10	—	—	—	100%^	100%^	Investment holding
Aesthetics Workshop Limited ("Aesthetics") (唯美工作室有限公司)	Hong Kong 29 June 2010	Ordinary shares HK\$2,000,000	—	—	60%	60%	60%	Manufacturing of jewellery products
Bentley Trading Limited ("Bentley") (栢力貿易有限公司)	Hong Kong 10 January 2008	Ordinary shares HK\$10,000	100%	100%	100%	100%	100%	Trading of diamond
Chow Tai Fook Jewellery Company Limited ("CTF Jewellery") (周大福珠寶金行有限公司)	Hong Kong 6 March 1961	Ordinary shares HK\$350,000,000	100%	100%	100%	100%	100%	Sale of jewellery products and watches
CTF Diamond Trading Company Limited ("CTF Diamond") (大福鑽石貿易有限公司) (formerly known as "Excel Pacific Industrial Limited") (卓輝實業有限公司)	Hong Kong 19 September 2003	Ordinary shares HK\$100	100%	100%	100%	100%	100%	Inactive
CTF Watch (HK) Limited ("CTF Watch HK") (周大福鐘錶(香港)有限公司)	Hong Kong 7 February 2011	Ordinary share HK\$1	—	—	100%	100%	100%	Sale of watches
East Concept Investments Limited ("East Concept") (耀恒投資有限公司)	Hong Kong 5 January 2006	Ordinary shares HK\$10,000	100%	100%	100%	100%	100%	Investment holding
Fook Kwan Jewellery Manufacturing Limited ("Fook Kwan") (福群珠寶首飾製造有限公司)	Hong Kong 23 February 1979	Ordinary shares HK\$500,000	100%	100%	100%	100%	100%	Manufacturing of jewellery products
Gold Kind Investments Limited ("Gold Kind") (金佳投資有限公司)	Hong Kong 7 May 2005	Ordinary shares HK\$10,000	100%	100%	100%	100%	100%	Investment holding
Lun Jiao Industrial (Hong Kong) Limited ("Lun Jiao") (倫教工業發展(香港)有限公司)	Hong Kong 15 October 1971	Ordinary shares HK\$200	—	—	—	100%^	100%^	Investment holding
Markson Limited ("Markson") (冠浚有限公司)	Hong Kong 2 January 2008	Ordinary share HK\$1	100%	100%	100%	100%	100%	Sale of watches
Novel Century Limited ("Novel Century") (帝鑫有限公司)	Hong Kong 30 December 2010	Ordinary shares HK\$10	—	—	60%	60%	60%	Inactive

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital/quota capital	Attributable equity interest					Principal activities
			At 31 March			At	As at	
			2009	2010	2011	30 September 2011	date of this report	
Regent Sunny Limited ("Regent Sunny") (緯盈有限公司)	Hong Kong 18 July 2007	Ordinary share HK\$1	100%	100%	100%	100%	100%	Sale of watches
Sky Creator Limited ("Sky Creator") (宏天行有限公司)	Hong Kong 25 September 2007	Ordinary share HK\$1	100%	100%	100%	100%	100%	Inactive
Solomon Watch & Jewellery Co., Limited ("Solomon Watch") (所羅門鐘錶珠寶有限公司)	Hong Kong 24 November 2004	Ordinary shares HK\$100	100%	100%	100%	100%	100%	Sale of watches and investment holding
Techni Development Investment Limited ("Techni") (達利發展投資有限公司)	Hong Kong 26 May 2005	Ordinary shares HK\$5,000,000	100%	100%	100%	100%	100%	Sale of jewellery products and investment holding
Texon Investments Limited ("Texon") (德誠投資有限公司)	Hong Kong 5 January 2006	Ordinary shares HK\$10,000	100%	100%	100%	100%	100%	Investment holding
Chow Tai Fook Jewellery and Watch Company (Macau) Limited ("CTF Macau") (周大福珠寶鐘錶(澳門)有限公司) (formerly known as "Forever Watch Limited" (永恆鐘錶有限公司))	Macau 17 March 2009	Quota capital MOP5,000,000	67.5%	67.5%	100%	100%	100%	Sales of jewellery products and watches
Hong Ieng Investment Import and Export Company Limited ("Hong Ieng") (鴻鷹投資貿易有限公司)	Macau 17 August 2005	Quota capital MOP30,000	100%	100%	100%	100%	100%	Investment holding
Zlotowski's Diamond Cutting Works (Proprietary) Limited ("Zlotowski")	The Republic of South Africa (the "South Africa") 25 October 1951	Shares ZAR10,020,000	—	—	—	84%^	84%^	Diamond cutting and polishing
Chow Tai Fook Investment Company Limited ("CTF Taiwan") (周大福投資有限公司)	Taiwan 25 April 2006	Registered capital TWD10,000,000	100%	100%	100%	100%	100%	Inactive
Anshan Dafulinhai Jewellery Company Limited ("Anshan Dafulinhai") (鞍山大福林海珠寶金行有限公司)	The People's Republic of China (the "PRC") 21 May 2010	Registered capital RMB10,000,000	—	—	51%	51%	51%	Sale of jewellery products
Beijing Chow Tai Fook Jewellery Company Limited ("Beijing CTF") (北京周大福珠寶金行有限公司)	PRC 13 November 2006	Registered capital US\$5,000,000	100%	100%	100%	100%	100%	Sale of jewellery products
Beijing Dade Xinfu Jewellery Company Limited ("Beijing Dade Xinfu") (北京大德新福珠寶金行有限公司)	PRC 26 March 2004	Registered capital RMB10,000,000	—	—	50%#	50%#	50%#	Sale of jewellery products
Beijing Dafulinhai Jewellery Company Limited ("Beijing Dafulinhai") (北京大福林海珠寶金行有限公司)	PRC 17 September 2007	Registered capital RMB10,000,000	51%	51%	51%	51%	51%	Sale of jewellery products

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital/quota capital	Attributable equity interest					Principal activities
			At 31 March			At 30 September 2011	As at date of this report	
			2009	2010	2011			
Bojuehang Jewellery Manufacturing (Shenzhen) Limited ("Bojuehang") (伯爵行珠寶首飾(深圳)有限公司)	PRC 16 April 2003	Registered Capital HK\$1,000,000	—	—	—	100%^	100%^	Manufacturing of jewellery products
Chongqing Chow Tai Fook Watch Marketing Limited ("Chongqing CTF Watch") (重慶周大福鐘錶銷售有限公司)	PRC 25 December 2008	Registered capital RMB10,000,000	100%	100%	100%	100%	100%	Sale of watches
Chongqing Fudan Jewellery Limited ("Chongqing Fudan") (重慶市福丹珠寶有限公司)	PRC 10 November 2011	Registered capital RMB5,000,000	—	—	—	—	51%	Sale of jewellery products
Chongqing Fuhang Jewellery Limited ("Chongqing Fuhang") (重慶市福航珠寶有限公司)	PRC 2 July 2011	Registered capital RMB5,000,000	—	—	—	50%#	50%#	Sale of jewellery products
Chongqing Fujun Jewellery Company Limited ("Chongqing Fujun") (重慶市福俊珠寶金行有限公司)	PRC 20 April 2010	Registered capital RMB3,000,000	—	—	65%	65%	65%	Sale of jewellery products
Chongqing Flamingo Watch Company Limited ("Chongqing Flamingo") (重慶富明高鐘錶有限公司)	PRC 25 December 2008	Registered capital RMB1,000,000	100%	100%	97%	70%	70%	Sale of watches
Chongqing Fuxi Jewellery Company Limited ("Chongqing Fuxi") (重慶市福禧珠寶金行有限公司)	PRC 25 December 2008	Registered capital RMB5,000,000	100%	100%	51%	51%	51%	Sale of jewellery products
Chongqing Kaifu Jewellery Company Limited ("Chongqing Kaifu") (重慶市凱福珠寶金行有限公司)	PRC 25 December 2008	Registered capital RMB5,000,000	100%	50%#	50%#	50%#	50%#	Sale of jewellery products
Chow Tai Fook Jewellery Company (Chongqing) Limited ("CTF Chongqing") (周大福珠寶金行(重慶)有限公司)	PRC 23 December 2008	Registered capital US\$2,000,000	100%	100%	100%	100%	100%	Sale of jewellery products
Chow Tai Fook Jewellery Company (Guangzhou) Limited ("CTF Guangzhou") (周大福珠寶金行(廣州)有限公司)	PRC 27 November 2009	Registered capital US\$1,000,000	—	100%	100%	100%	100%	Sale of jewellery products
Chow Tai Fook Jewellery Company (Shenzhen) Limited ("Shenzhen CTF") (周大福珠寶金行(深圳)有限公司)	PRC 2 April 2002	Registered capital US\$40,000,000	100%	100%	100%	100%	100%	Manufacturing and sale of jewellery products
Chow Tai Fook Jewellery Company (Suzhou) Limited ("CTF Suzhou") (周大福珠寶金行(蘇州)有限公司)	PRC 11 January 2006	Registered capital US\$10,000,000	100%	100%	100%	100%	100%	Sale of jewellery products
Chow Tai Fook Jewellery Company (Wuhan) Limited ("CTF Wuhan") (周大福珠寶金行(武漢)有限公司)	PRC 29 January 2008	Registered capital US\$2,500,000	100%	100%	100%	100%	100%	Sale of jewellery products

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital/quota capital	Attributable equity interest					Principal activities
			At 31 March			At 30 September	As at date of this report	
			2009	2010	2011	2011		
Chow Tai Fook Jewellery Company Zhangjiagang Baoshui Limited ("CTF Zhangjiagang") (周大福珠寶金行張家港保稅區有限公司)	PRC 21 April 2010	Registered capital US\$5,000,000	—	—	100%	100%	100%	Sale of jewellery products
Dixin Shangmao (Shenzhen) Company Limited ("Dixin Shangmao") (帝鑫商貿(深圳)有限公司)	PRC 25 July 2011	Registered capital HK\$10,000,000	—	—	—	100%	100%	Inactive
Foshan Shunde Chow Tai Fook Jewellery Company Limited ("Shunde CTF") (佛山市順德周大福珠寶金行有限公司)	PRC 4 January 2000	Registered capital HK\$3,500,000	100%	100%	100%	100%	100%	Manufacturing of jewellery products
Foshan Shunde Chow Tai Fook Jewellery Limited ("Foshan CTF") (佛山市順德區周大福珠寶首飾有限公司)	PRC 4 December 2009	Registered capital HK\$5,000,000	—	100%	100%	100%	100%	Sale of jewellery products
Foshan Shunde Fuwei Jewellery Company Limited ("Shunde Fuwei") (佛山市順德福威珠寶金行有限公司)	PRC 16 December 2010	Registered capital RMB3,000,000	—	—	55%	55%	55%	Sale of jewellery products
Foshan Shunde Yuda Jewellery Manufacturing Limited ("Shunde Yuda") (佛山市順德區裕達珠寶首飾製造有限公司)	PRC 14 March 2007	Registered capital HK\$5,000,000	100%	100%	100%	100%	100%	Manufacturing of jewellery products
Foshan Yushunfu Jewellery Company Limited ("Yushunfu") (佛山裕順福首飾鑽石有限公司)	PRC 9 November 1988	Registered capital US\$14,430,000	—	—	—	100% <sup>^</sup>	100% <sup>^</sup>	Manufacturing of jewellery products
Guangdong Chow Tai Fook Jewellery Company Limited ("Guangdong CTF") (廣東周大福珠寶金行有限公司)	PRC 10 December 2007	Registered capital US\$5,000,000	100%	100%	100%	100%	100%	Sale of jewellery products
Guangdong Zhaofu Jewellery Company Limited ("Guangdong Zhaofu") (廣東肇福珠寶金行有限公司)	PRC 28 February 2003	Registered capital RMB10,000,000	50% <sup>#</sup>	50% <sup>#</sup>	50% <sup>#</sup>	50% <sup>#</sup>	50% <sup>#</sup>	Sale of jewellery products
Guangzhou Fude Jewellery Limited ("Guangzhou Fude") (廣州市福德珠寶有限公司)	PRC 14 April 2009	Registered capital US\$500,000	—	70%	70%	70%	70%	Sale of jewellery products
Guangzhou Furong Jewellery Limited ("Guangzhou Furong") (廣州市福榮珠寶有限公司)	PRC 19 August 2009	Registered capital US\$1,500,000	—	50% <sup>#</sup>	50% <sup>#</sup>	50% <sup>#</sup>	50% <sup>#</sup>	Sale of jewellery products
Guangzhou Fuxin Jewellery Company Limited ("Guangzhou Fuxin") (廣州市福欣珠寶金行有限公司)	PRC 21 April 2011	Registered capital RMB3,000,000	—	—	—	70%	70%	Sale of jewellery products
Haikou Taifuxing Jewellery Limited ("Haikou Taifuxing") (海口泰福興珠寶有限公司)	PRC 25 August 2010	Registered capital RMB8,000,000	—	—	70%	70%	70%	Sale of jewellery products

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital/quota capital	Attributable equity interest			Principal activities		
			At 31 March		At		As at	
			2009	2010	2011		30 September 2011	date of this report
Hangzhou Fucai Jewellery Limited ("Hangzhou Fucai") (杭州福才珠寶有限公司)	PRC 26 January 2010	Registered capital RMB5,000,000	—	51%	51%	51%	51%	Sale of jewellery products
Kaiping Kaifu Jewellery Limited ("Kaiping Kaifu") (開平開福珠寶有限公司)	PRC 25 May 2006	Registered capital RMB2,000,000	50%#	50%#	50%#	50%#	50%#	Sale of jewellery products
Kunming Yinfu Jewellery Company Limited ("Kunming Yinfu") (昆明銀福珠寶首飾有限公司)	PRC 20 January 2003	Registered capital RMB5,000,000	70%	70%	70%	70%	70%	Sale of jewellery products
Lida Nobel Metal Technology and Development (Shenzhen) Limited ("Shenzhen Lida") (利達貴金屬工藝技術開發(深圳)有限公司)	PRC 31 March 2006	Registered capital HK\$10,000,000	100%	100%	100%	100%	100%	Manufacturing of jewellery products
Shanghai Fulong Chow Tai Fook Jewellery Limited ("Shanghai Fulong") (上海福龍周大福珠寶有限公司)	PRC 5 January 2000	Registered capital RMB10,000,000	60%	60%	60%	60%	60%	Sale of jewellery products
Shenyang Yuexiangfu Jewellery Company Limited ("Shenyang Yuexiangfu") (瀋陽悅祥福珠寶有限公司)	PRC 19 July 2011	Registered capital RMB1,000,000	—	—	—	51%	51%	Sale of jewellery products
Shenzhen CTF Watch Limited ("Shenzhen CTF Watch") (深圳周大福鐘錶有限公司)	PRC 27 June 2011	Registered capital HK\$100,000,000	—	—	—	100%	100%	Sale of watches
Shenzhen Fuying Jewellery Company Limited ("Shenzhen Fuying") (深圳市福英珠寶金行有限公司)	PRC 11 August 2008	Registered capital RMB2,000,000	60%	55%	55%	55%	55%	Sale of jewellery products
Shenzhen Shenfu Jewellery Company Limited ("Shenzhen Shenfu") (深圳市深福珠寶金行有限公司)	PRC 19 April 2007	Registered capital RMB8,000,000	50%#	50%#	50%#	50%#	50%#	Sale of jewellery products
Wuhan Hanfu Jewellery Company Limited ("Wuhan Hanfu") (武漢漢福珠寶金行有限公司)	PRC 26 November 2003	Registered capital RMB15,000,000	70%	70%	70%	70%	70%	Sale of jewellery products
Wuhan Quanfu Jewellery Company Limited ("Wuhan Quanfu") (武漢市全福珠寶金行有限公司)	PRC 24 August 2009	Registered capital RMB3,000,000	—	51%	51%	51%	51%	Sale of jewellery products
Xizang Linzhi Fushun Jewellery Company Limited ("Xizang Linzhi Fushun") (西藏林芝福順珠寶金行有限公司)	PRC 3 August 2009	Registered capital RMB1,000,000	—	100%	100%	100%	100%	Sale of jewellery products
Zhangjiagang Baoshui Dade Xinfu Jewellery Company Limited ("Zhangjiagang Dade Xinfu") (張家港保稅區大德新福珠寶金行有限公司)	PRC 3 December 2010	Registered capital RMB3,000,000	—	—	50%#	50%#	50%#	Sale of jewellery products

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital/quota capital	Attributable equity interest					Principal activities
			At 31 March			At 30 September	As at date of this report	
			2009	2010	2011	2011		
Zhangjiagang Baoshui Fudonglin Jewellery Company Limited ("Zhangjiagang Fudonglin") (張家港保稅區福東臨珠寶金行有限公司)	PRC 4 March 2010	Registered capital RMB2,000,000	—	50%#	50%#	50%#	50%#	Sale of jewellery products
Zhangjiagang Baoshui Fuping Jewellery Company Limited ("Zhangjiagang Fuping") (張家港保稅區福平珠寶金行有限公司)	PRC 2 September 2011	Registered capital RMB8,000,000	—	—	—	51%	51%	Sale of jewellery products
Zhangjiagang Baoshui Qifu Jewellery Trading Limited ("Zhangjiagang Qifu") (張家港保稅區祺福珠寶貿易有限公司)	PRC 11 June 2007	Registered capital RMB20,000,000	51%	51%	51%	51%	51%	Sale of jewellery products
Zhangjiagang Baoshui Yifu Jewellery Company Limited ("Zhangjiagang Yifu") (張家港保稅區宜福珠寶金行有限公司)	PRC 11 March 2011	Registered capital RMB3,000,000	—	—	50%#	50%#	50%#	Sale of jewellery products
Zhangjiagang Baoshui Yuefu Jewellery Company Limited ("Zhangjiagang Yuefu") (張家港保稅區悅福珠寶金行有限公司)	PRC 3 December 2010	Registered capital RMB3,000,000	—	—	51%	51%	51%	Sale of jewellery products
Zhangjiagang Baoshui Zhaofu Jewellery Company Limited ("Zhangjiagang Zhaofu") (張家港保稅區肇福珠寶金行有限公司)	PRC 17 November 2011	Registered capital RMB20,000,000	—	—	—	—	51%	Sale of jewellery products
Associate:								
Wuhan Xinfu Jewellery Company Limited ("Wuhan Xinfu") (武漢新福珠寶金行有限公司)	PRC 13 August 1993	Registered capital RMB33,004,060	25%	25%	25%	25%	25%	Manufacturing and sale of jewellery products

\* Directly held by the Company.

# Pursuant to the relevant agreements entered into among shareholders of these entities, the Group has power to govern the operating and financing policies of these entities since their respective date of establishment/acquisition, and hence these entities are classified as subsidiaries of the Company.

^ Acquired during the six months ended 30 September 2011. Please refer to note 32 to Section E for details.

The statutory financial statements of the following companies for the Track Record Period were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC, Hong Kong or South Africa enterprises and were audited by the following certified public accountants registered in the PRC, Hong Kong or South Africa.

<u>Name of company</u>	<u>Financial year</u>	<u>Name of auditor</u>
Aesthetics	Period ended 31 March 2011	Deloitte Touche Tohmatsu
Bentley	Period ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Kingston C.P.A. Limited Kingston C.P.A. Limited Deloitte Touche Tohmatsu
CTF Jewellery	Year ended 31 March 2009 Year ended 31 March 2010 Year ended 31 March 2011	P.L. Au & Co. P.L. Au & Co. Deloitte Touche Tohmatsu
CTF Diamond	Period ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Y.K. Liang & Co. Y.K. Liang & Co. Deloitte Touche Tohmatsu
East Concept	Year ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Kingston C.P.A. Limited Kingston C.P.A. Limited Deloitte Touche Tohmatsu
Fook Kwan	Year ended 31 March 2009 Year ended 31 March 2010 Year ended 31 March 2011	K. B. Tam & Co. K. B. Tam & Co. Deloitte Touche Tohmatsu
Gold Kind	Year ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Kingston C.P.A. Limited Kingston C.P.A. Limited Deloitte Touche Tohmatsu
Markson	Period ended 31 December 2009 Period ended 31 March 2011	Y.K. Liang & Co. Deloitte Touche Tohmatsu
Regent Sunny	Period ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Y.K. Liang & Co. Y.K. Liang & Co. Deloitte Touche Tohmatsu
Sky Creator	Period ended 31 March 2011	Deloitte Touche Tohmatsu
Solomon Watch	Period ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Y.K. Liang & Co. Y.K. Liang & Co. Deloitte Touche Tohmatsu
Techni	Year ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Kingston C.P.A. Limited Kingston C.P.A. Limited Deloitte Touche Tohmatsu
Texon	Year ended 31 December 2008 Year ended 31 December 2009 Period ended 31 March 2011	Kingston C.P.A. Limited Kingston C.P.A. Limited Deloitte Touche Tohmatsu
Anshan Dafulinhai	Period ended 31 December 2010	遼寧大道會計師事務所有限公司



**APPENDIX I****ACCOUNTANTS' REPORT**

<b>Name of company</b>	<b>Financial year</b>	<b>Name of auditor</b>
Beijing CTF	Year ended 31 December 2008	北京安佳信會計師事務所有限公司
	Year ended 31 December 2009	北京安佳信會計師事務所有限公司
	Year ended 31 December 2010	北京安佳信會計師事務所有限公司
Beijing Dade Xinfu	Year ended 31 December 2010	北京安佳信會計師事務所有限公司
Beijing Dafulinhai	Year ended 31 December 2010	北京安佳信會計師事務所有限公司
Chongqing CTF Watch	Period ended 31 December 2009	重慶博鴻會計師事務所
	Year ended 31 December 2010	重慶博鴻會計師事務所
Chongqing Flamingo	Year ended 31 December 2009	重慶博鴻會計師事務所
	Year ended 31 December 2010	重慶博鴻會計師事務所
Chongqing Fujun	Period ended 31 December 2010	重慶博鴻會計師事務所
Chongqing Fuxi	Period ended 31 December 2009	重慶博鴻會計師事務所
	Year ended 31 December 2010	重慶博鴻會計師事務所
Chongqing Kaifu	Period ended 31 December 2009	重慶博鴻會計師事務所
	Year ended 31 December 2010	重慶博鴻會計師事務所
CTF Chongqing	Period ended 31 December 2009	立信大華會計師事務所有限公司 重慶分所
	Year ended 31 December 2010	重慶博鴻會計師事務所
CTF Guangzhou	Period ended 31 December 2010	廣州南永會計師事務所有限公司
CTF Suzhou	Year ended 31 December 2008	蘇州市嘉泰聯合會計師事務所
	Year ended 31 December 2009	蘇州市嘉泰聯合會計師事務所
	Year ended 31 December 2010	蘇州市嘉泰聯合會計師事務所
CTF Wuhan	Period ended 31 December 2008	湖北宏達會計師事務所有限責任公司
	Year ended 31 December 2009	湖北宏達會計師事務所有限責任公司
	Year ended 31 December 2010	湖北宏達會計師事務所有限責任公司
CTF Zhangjiagang	Period ended 31 December 2010	蘇州市嘉泰聯合會計師事務所
Foshan CTF	Year ended 31 December 2010	廣東德正有限責任會計師事務所
Guangdong CTF	Year ended 31 December 2008	廣州南永會計師事務所有限公司
	Year ended 31 December 2009	深圳市鵬城會計師事務所有限公司 廣州分公司
	Year ended 31 December 2010	廣州南永會計師事務所有限公司
Guangdong Zhaofu	Year ended 31 December 2008	肇慶市祥信會計師事務所有限公司
	Year ended 31 December 2009	肇慶市天元信展會計師事務所有限公司
	Year ended 31 December 2010	肇慶市天元信展會計師事務所有限公司
Guangzhou Fude	Period ended 31 December 2009	深圳市鵬城會計師事務所有限公司 廣州分公司
	Year ended 31 December 2010	廣州南永會計師事務所
Guangzhou Furong	Period ended 31 December 2009	廣州工晟會計師事務所有限公司
	Year ended 31 December 2010	廣州南永會計師事務所有限公司
Hangzhou Fucai	Period ended 31 December 2010	浙江岳華會計師事務所有限公司
Kaiping Kaifu	Year ended 31 December 2008	廣州南永會計師事務所有限公司
	Year ended 31 December 2009	深圳市鵬城會計師事務所有限公司
	Year ended 31 December 2010	廣州南永會計師事務所有限公司

<u>Name of company</u>	<u>Financial year</u>	<u>Name of auditor</u>
Kunming Yinfu	Year ended 31 December 2008	雲南卓爾會計師事務所有限公司
	Year ended 31 December 2009	雲南信立會計師事務所有限公司
	Year ended 31 December 2010	雲南信立會計師事務所有限公司
Shanghai Fulong	Year ended 31 December 2008	上海上審會計師事務所
	Year ended 31 December 2009	上海上審會計師事務所
	Year ended 31 December 2010	上海上審會計師事務所
Shenzhen CTF	Year ended 31 December 2008	深圳市鵬城會計師事務所有限公司
	Year ended 31 December 2009	深圳市鵬城會計師事務所有限公司
	Year ended 31 December 2010	深圳市鵬城會計師事務所有限公司
Shenzhen Fuying	Period ended 31 December 2008	深圳正一會計師事務所
	Year ended 31 December 2009	深圳市鵬城會計師事務所有限公司
	Year ended 31 December 2010	廣州南永會計師事務所有限公司
Shenzhen Lida	Year ended 31 December 2008	深圳皇嘉會計師事務所
	Year ended 31 December 2009	深圳皇嘉會計師事務所
	Year ended 31 December 2010	深圳皇嘉會計師事務所
Shenzhen Shenfu	Year ended 31 December 2008	深圳財源會計師事務所
	Year ended 31 December 2009	深圳市鵬城會計師事務所有限公司
	Year ended 31 December 2010	廣州南永會計師事務所有限公司
Shunde CTF	Year ended 31 December 2008	廣東德正有限責任會計師事務所
	Year ended 31 December 2009	廣東德正有限責任會計師事務所
	Year ended 31 December 2010	廣東德正有限責任會計師事務所
Shunde Yuda	Year ended 31 December 2008	廣東德正有限責任會計師事務所
	Year ended 31 December 2009	廣東德正有限責任會計師事務所
	Year ended 31 December 2010	廣東德正有限責任會計師事務所
Wuhan Hanfu	Year ended 31 December 2008	湖北宏達會計師事務所有限責任公司
	Year ended 31 December 2009	湖北宏達會計師事務所有限責任公司
	Year ended 31 December 2010	湖北宏達會計師事務所有限責任公司
Wuhan Quanfu	Period ended 31 December 2009	湖北宏達會計師事務所有限公司
	Year ended 31 December 2010	湖北宏達會計師事務所有限公司
Xizang Linzhi Fushun	Year ended 31 December 2010	西藏金秋會計師事務所有限公司
Zhangjiagang Fudonglin	Period ended 31 December 2010	蘇州市嘉泰聯合會計師事務所
Zhangjiagang Qifu	Year ended 31 December 2008	蘇州市嘉泰聯合會計師事務所
	Year ended 31 December 2009	蘇州市嘉泰聯合會計師事務所
	Year ended 31 December 2010	蘇州市嘉泰聯合會計師事務所
<i>Associate:</i>		
Wuhan Xinfu	Year ended 31 December 2008	湖北宏達會計師事務所有限責任公司
	Year ended 31 December 2009	湖北宏達會計師事務所有限責任公司
	Year ended 31 December 2010	湖北宏達會計師事務所有限責任公司

We have acted as the auditor of the Company since its date of incorporation. As at the date of this report, no statutory audit financial statements have been prepared for the Company, and those subsidiaries which were incorporated in the BVI, USA, Macau and Taiwan as they were either newly incorporated/established or incorporated in jurisdictions where they are not subject to statutory audit requirements.

No audited financial statements have been prepared for CTF Watch HK, Novel Century, Zhangjiagang Yifu, Zhangjiagang Dade Xinfu, Chongqing Fudan, Chongqing Fuhang, Dixin Shangmao, Shenzhen CTF Watch, Shenyang Yuexiangfu, Shunde Fuwei, Guangzhou Fuxin, Zhangjiagang Yuefu, Zhangjiagang Fuping, Zhangjiagang Zhaofu and Haikou Taifuxing for the period from the date of their establishment as they have not reached respective statutory requirements in accordance with the relevant rules and regulations in the Hong Kong and PRC.

For the purpose of this report, the directors of the respective entities comprising the Group have prepared the financial statements and management accounts prepared under International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements of entities comprising the Group and the Macau Jewellery Business in accordance with International Auditing Standards and examined the Underlying Financial Statements for the Track Record Period in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The consolidated statements of financial position of the Group as at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011 and the consolidated statements of comprehensive income and cash flows of the Group for the Track Record Period have been prepared on the basis set out in note 1 of Section E below for the purpose of preparing our report for inclusion in the Prospectus. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the group entities who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 of Section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30 September 2011 and of the Group as at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011 and of the consolidated profit and cash flows of the Group for the Track Record Period.

The comparative combined statements of comprehensive income, cash flows and changes in equity of the Group for the six months ended 30 September 2010 together with the notes thereon have been extracted from the Group’s unaudited combined financial information for the same period (the “30 September 2010 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 September 2010 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. Our review of the 30 September 2010 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with International Financial Reporting Standards.

## A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		THE GROUP				
Section E Notes		Year ended 31 March			Six months ended 30 September	
		2009	2010	2011	2010	2011
		HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Turnover	7	18,410.9	22,933.6	35,042.5	13,315.0	23,874.5
Cost of goods sold		(13,084.9)	(16,378.6)	(25,114.9)	(9,613.8)	(16,733.6)
Gross profit		5,326.0	6,555.0	9,927.6	3,701.2	7,140.9
Other income	8	160.9	176.1	194.6	89.6	124.9
Other (losses) gains	9	(0.4)	(1.1)	39.9	10.9	79.1
Selling and distribution costs		(2,434.7)	(3,197.9)	(4,401.9)	(1,756.2)	(2,864.4)
Administrative expenses		(508.8)	(643.1)	(911.4)	(432.6)	(709.6)
Other expenses		(163.7)	(116.9)	(122.1)	(21.3)	(36.2)
Finance costs	10	(157.1)	(62.0)	(102.2)	(29.6)	(116.7)
Share of results of an associate		1.3	8.5	(4.7)	—	—
Profit before taxation	11	2,223.5	2,718.6	4,619.8	1,562.0	3,618.0
Taxation	13	(309.1)	(511.8)	(947.3)	(338.8)	(797.1)
Profit for the year/period		1,914.4	2,206.8	3,672.5	1,223.2	2,820.9
Other comprehensive income						
— exchange differences arising from translation		80.8	1.3	360.0	131.0	243.8
— share of translation reserve of an associate		2.3	—	2.1	1.0	3.6
		83.1	1.3	362.1	132.0	247.4
Total comprehensive income for the year/period		1,997.5	2,208.1	4,034.6	1,355.2	3,068.3
Profit for the year/period attributable to:						
Owners of the Company		1,896.7	2,138.6	3,537.6	1,175.5	2,691.5
Non-controlling interests		17.7	68.2	134.9	47.7	129.4
		1,914.4	2,206.8	3,672.5	1,223.2	2,820.9
Total comprehensive income attributable to:						
Owners of the Company		1,978.2	2,139.9	3,886.5	1,303.1	2,925.8
Non-controlling interests		19.3	68.2	148.1	52.1	142.5
		1,997.5	2,208.1	4,034.6	1,355.2	3,068.3
Earnings per share—Basic	14	HK21.2 cents	HK23.9 cents	HK39.5 cents	HK13.1 cents	HK30.1 cents

## B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section E Notes	THE GROUP			THE COMPANY	
		At 31 March			At 30 September	At 30 September
		2009	2010	2011	2011	2011
		HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
Non-current assets						
Property, plant and equipment	16	714.6	834.6	1,165.3	1,618.5	—
Prepaid lease payments	17	—	—	87.3	101.6	—
Deposits	18	86.2	51.1	231.7	211.3	—
Interest in an associate	19	39.3	47.8	45.2	48.8	—
Amounts due from related companies	20	30.0	80.0	—	—	—
Loan receivables	21	35.1	35.2	16.0	15.5	—
		<u>905.2</u>	<u>1,048.7</u>	<u>1,545.5</u>	<u>1,995.7</u>	<u>—</u>
Current assets						
Inventories	22	8,094.2	9,274.8	17,100.8	28,877.8	—
Trade and other receivables	23	1,365.9	2,435.8	3,227.7	3,505.5	—
Amounts due from related companies	20	2,134.7	1,782.3	1,278.3	88.0	—
Loan receivables	21	136.0	136.1	135.3	133.7	—
Convertible bonds	24	—	—	—	24.8	—
Derivative financial instruments	25	—	—	—	164.7	—
Taxation recoverable		15.9	—	—	—	—
Pledged bank deposits	26	467.7	225.9	156.3	186.9	—
Bank balances and cash	26	1,289.9	2,106.7	5,604.8	3,205.4	—
		<u>13,504.3</u>	<u>15,961.6</u>	<u>27,503.2</u>	<u>36,186.8</u>	<u>—</u>
Current liabilities						
Trade and other payables	27	815.7	1,306.7	2,049.6	3,138.4	—
Amounts due to related companies	20	4,726.8	4,639.8	7,833.3	8,458.6	—
Amounts due to non-controlling shareholders of subsidiaries	28	27.9	84.1	164.7	238.6	—
Taxation payable		39.0	130.8	353.0	756.9	—
Bank borrowings	29	113.6	160.3	2,881.0	9,021.7	—
Gold loans	30	2,060.8	2,189.2	3,931.6	4,960.8	—
		<u>7,783.8</u>	<u>8,510.9</u>	<u>17,213.2</u>	<u>26,575.0</u>	<u>—</u>
Net current assets		<u>5,720.5</u>	<u>7,450.7</u>	<u>10,290.0</u>	<u>9,611.8</u>	<u>—</u>
Total assets less current liabilities		<u>6,625.7</u>	<u>8,499.4</u>	<u>11,835.5</u>	<u>11,607.5</u>	<u>—</u>
Non-current liabilities						
Retirement benefit obligations	35	183.8	164.0	162.6	190.9	—
		<u>183.8</u>	<u>164.0</u>	<u>162.6</u>	<u>190.9</u>	<u>—</u>
Net assets		<u>6,441.9</u>	<u>8,335.4</u>	<u>11,672.9</u>	<u>11,416.6</u>	<u>—</u>
Paid-in/share capital						
Reserves	31	692.8	698.1	700.1	—	—
		<u>5,650.0</u>	<u>7,458.7</u>	<u>10,606.8</u>	<u>10,926.6</u>	<u>—</u>
Equity attributable to owners of the Company		6,342.8	8,156.8	11,306.9	10,926.6	—
Non-controlling interests		99.1	178.6	366.0	490.0	—
		<u>6,441.9</u>	<u>8,335.4</u>	<u>11,672.9</u>	<u>11,416.6</u>	<u>—</u>

## C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in/ share capital	Special reserve	Statutory surplus reserve	Translation reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
	HK\$million (Note 31 of Section E)	HK\$million (Note a)	HK\$million (Note b)	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
At 1 April 2008 .....	687.8	678.7	342.5	368.1	2,577.0	4,654.1	73.9	4,728.0
Exchange differences arising from translation .....	—	—	—	79.2	—	79.2	1.6	80.8
Share of reserve of an associate .....	—	—	—	2.3	—	2.3	—	2.3
Profit for the year .....	—	—	—	—	1,896.7	1,896.7	17.7	1,914.4
Total comprehensive income for the year ....	—	—	—	81.5	1,896.7	1,978.2	19.3	1,997.5
Issue of shares .....	5.0	—	—	—	—	5.0	—	5.0
Capital contributions from non-controlling shareholders of subsidiaries .....	—	—	—	—	—	—	5.9	5.9
Net contributions from the Macau Jewellery Business .....	—	147.5	—	—	(142.0)	5.5	—	5.5
Transfers .....	—	—	18.5	—	(18.5)	—	—	—
Dividends .....	—	—	—	—	(300.0)	(300.0)	—	(300.0)
At 31 March 2009 .....	692.8	826.2	361.0	449.6	4,013.2	6,342.8	99.1	6,441.9
Exchange differences arising from translation .....	—	—	—	1.3	—	1.3	—	1.3
Profit for the year .....	—	—	—	—	2,138.6	2,138.6	68.2	2,206.8
Total comprehensive income for the year ....	—	—	—	1.3	2,138.6	2,139.9	68.2	2,208.1
Issue of shares .....	5.3	—	—	—	—	5.3	—	5.3
Capital contributions from non-controlling shareholders of subsidiaries .....	—	—	—	—	—	—	14.0	14.0
Net contributions from the Macau Jewellery Business .....	—	179.1	—	—	(206.3)	(27.2)	—	(27.2)
Transfers .....	—	—	8.7	—	(8.7)	—	—	—
Dividends .....	—	—	—	—	(304.0)	(304.0)	(2.7)	(306.7)
At 31 March 2010 .....	698.1	1,005.3	369.7	450.9	5,632.8	8,156.8	178.6	8,335.4

	Paid-in/ share capital	Special reserve	Statutory surplus reserve	Translation reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
	HK\$million (Note 31 of Section E)	HK\$million (Note a)	HK\$million (Note b)	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
At 1 April 2010 .....	698.1	1,005.3	369.7	450.9	5,632.8	8,156.8	178.6	8,335.4
Exchange differences arising from translation .....	—	—	—	346.8	—	346.8	13.2	360.0
Share of reserve of an associate .....	—	—	—	2.1	—	2.1	—	2.1
Profit for the year .....	—	—	—	—	3,537.6	3,537.6	134.9	3,672.5
Total comprehensive income for the year ....	—	—	—	348.9	3,537.6	3,886.5	148.1	4,034.6
Acquisition of subsidiaries (Note 32 of Section E) ..	—	—	—	—	—	—	22.9	22.9
Acquisition of additional interest in a subsidiary from non-controlling shareholders .....	—	—	—	—	0.3	0.3	(1.9)	(1.6)
Issue of shares .....	2.0	—	—	—	—	2.0	—	2.0
Capital contributions from non-controlling shareholders of subsidiaries .....	—	—	—	—	—	—	20.9	20.9
Net contributions from the Macau Jewellery Business .....	—	446.0	—	—	(428.0)	18.0	—	18.0
Transfers .....	—	—	27.3	—	(27.3)	—	—	—
Dividends .....	—	—	—	—	(756.7)	(756.7)	(2.6)	(759.3)
At 31 March 2011 .....	700.1	1,451.3	397.0	799.8	7,958.7	11,306.9	366.0	11,672.9
Exchange differences arising from translation .....	—	—	—	230.7	—	230.7	13.1	243.8
Share of reserve of an associate .....	—	—	—	3.6	—	3.6	—	3.6
Profit for the period .....	—	—	—	—	2,691.5	2,691.5	129.4	2,820.9
Total comprehensive income for the period ..	—	—	—	234.3	2,691.5	2,925.8	142.5	3,068.3
Acquisition of subsidiaries (Note 32 of Section E) .....	—	—	—	—	—	—	2.3	2.3
Arising from the Group Reorganisation .....	(700.1)	700.1	—	—	—	—	—	—
Capital contributions from non-controlling shareholders of subsidiaries .....	—	—	—	—	—	—	3.6	3.6
Disposal of certain interests of a subsidiary .....	—	—	—	—	(1.1)	(1.1)	1.5	0.4
Net contributions from the Macau Jewellery Business .....	—	348.1	—	—	(347.6)	0.5	—	0.5
Transfers .....	—	—	0.3	—	(0.3)	—	—	—
Dividends .....	—	—	—	—	(3,305.5)	(3,305.5)	(25.9)	(3,331.4)
At 30 September 2011 ...	—	2,499.5	397.3	1,034.1	6,995.7	10,926.6	490.0	11,416.6

	Paid-in/ share capital	Special reserve	Statutory surplus reserve	Translation reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
	HK\$million (Note 31 of Section E)	HK\$million (Note a)	HK\$million (Note b)	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
At 1 April 2010 .....	698.1	1,005.3	369.7	450.9	5,632.8	8,156.8	178.6	8,335.4
Exchange differences arising from translation .....	—	—	—	126.6	—	126.6	4.4	131.0
Share of reserve of an associate .....	—	—	—	1.0	—	1.0	—	1.0
Profit for the period .....	—	—	—	—	1,175.5	1,175.5	47.7	1,223.2
Total comprehensive income for the period ..	—	—	—	127.6	1,175.5	1,303.1	52.1	1,355.2
Acquisition of subsidiaries (Note 32 of Section E) .....	—	—	—	—	—	—	22.9	22.9
Acquisition of additional interest in a subsidiary from non-controlling shareholders .....	—	—	—	—	0.3	0.3	(1.9)	(1.6)
Issue of shares .....	2.0	—	—	—	—	2.0	—	2.0
Capital contributions from non-controlling shareholders of subsidiaries .....	—	—	—	—	—	—	8.6	8.6
Net contributions from the Macau Jewellery Business .....	—	185.0	—	—	(152.2)	32.8	—	32.8
Transfers .....	—	—	0.3	—	(0.3)	—	—	—
Dividends .....	—	—	—	—	(6.8)	(6.8)	(2.6)	(9.4)
At 30 September 2010 (unaudited) .....	700.1	1,190.3	370.0	578.5	6,649.3	9,488.2	257.7	9,745.9

## Notes:

- (a) Special reserve as at 1 April 2008, 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2010 represents the accumulated contribution from the Macau Jewellery Business.

Special reserve as at 30 September 2011 represents (i) the accumulated contribution from the Macau Jewellery Business and (ii) the difference between the nominal value of the shares of Texon, East Concept, Gold Kind, Techni, Shanghai Fulong, Wuhan Hanfu, Shunde CTF, CTF Jewellery, Shenzhen CTF, Hong Ieng, CTF Taiwan, Aesthetics, CTF Diamond, Fook Kwan and CTF Macau, and cash consideration payable arising from acquisition of these subsidiaries under common control pursuant to the Group Reorganisation during the Track Record Period.

- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with the relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.



## D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note of Section E	THE GROUP				
		Year ended 31 March			Six months ended 30 September	
		2009	2010	2011	2010	2011
		HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Operating activities						
Profit before taxation		2,223.5	2,718.6	4,619.8	1,562.0	3,618.0
Adjustments for:						
Interest income		(88.6)	(77.0)	(70.3)	(34.5)	(37.6)
Interest expenses		157.1	62.0	102.2	29.6	116.7
Share of results of an associate		(1.3)	(8.5)	4.7	—	—
Fair value change of gold loans		17.8	483.8	725.7	413.6	343.4
Fair value change of derivative financial instruments		—	—	—	—	(164.7)
Depreciation		160.5	225.8	246.8	112.6	153.6
Discount on acquisition of a subsidiary	32	—	—	(17.2)	(17.2)	—
Amortisation of prepaid lease payments		—	—	7.9	2.3	4.6
Loss on disposal of property, plant and equipment		16.5	2.3	5.6	1.9	1.1
Goodwill written off		—	—	—	—	3.3
Provision for (reversal of) defined benefit obligations		20.1	(12.9)	5.5	11.6	31.9
Operating cash flows before movements in working capital		2,505.6	3,394.1	5,630.7	2,081.9	4,070.3
Increase in inventories		(821.5)	(1,185.5)	(7,507.8)	(5,742.0)	(11,365.6)
Decrease (increase) in trade and other receivables		177.0	(1,068.9)	(675.3)	(213.1)	(165.8)
(Decrease) increase in trade and other payables		(385.4)	490.2	676.6	172.2	849.9
Defined benefits paid		(6.8)	(6.9)	(6.9)	(1.8)	(3.6)
Cash generated from (used in) operations		1,468.9	1,623.0	(1,882.7)	(3,702.8)	(6,614.8)
Income tax paid						
Hong Kong Profits Tax		(190.4)	(139.6)	(246.5)	(21.0)	(47.3)
PRC Enterprise Income Tax ("PRC EIT")		(175.1)	(259.4)	(483.1)	(195.8)	(356.6)
Net cash from (used in) operating activities		1,103.4	1,224.0	(2,612.3)	(3,919.6)	(7,018.7)
Investing activities						
Interest received		88.6	77.0	70.3	34.5	37.6
(Increase) decrease in pledged bank deposits		(390.1)	241.8	68.3	82.6	(28.9)
Advance to related companies		(2,143.3)	(253.4)	(108.1)	(13.0)	—
Repayment from related companies		70.9	555.8	692.1	183.0	1,190.3
Purchase and deposits paid for acquisition of property, plant and equipment		(484.8)	(272.2)	(768.9)	(504.9)	(410.2)
Deposits paid for acquisition of land use rights		—	(47.7)	(55.0)	(25.8)	—
Proceeds from disposal of property, plant and equipment		1.0	7.1	2.4	0.4	2.4
Loan advanced by the Group		(6.1)	(6.3)	(6.1)	—	(2.9)
Repayment of loan to the Group		12.7	6.1	26.1	10.5	5.0
Investment in convertible bonds		—	—	—	—	(24.8)
Net cash inflow from acquisition of subsidiaries	32	—	—	3.0	3.0	43.5
Net cash (used in) from investing activities		(2,851.1)	308.2	(75.9)	(229.7)	812.0

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Financing activities					
Interest paid	(157.1)	(62.0)	(102.2)	(29.6)	(116.7)
Bank borrowings raised	1,326.1	2,596.5	4,278.9	1,182.6	7,525.3
Repayment of bank borrowings	(4,726.8)	(2,549.8)	(1,601.5)	(88.0)	(1,441.1)
Advance from related companies	5,248.2	747.6	7,134.5	4,115.6	4,440.9
Repayment to related companies	(831.8)	(1,161.8)	(4,673.0)	(1,675.9)	(7,364.6)
Capital contribution from non-controlling shareholders of subsidiaries	5.9	14.0	20.9	8.6	3.6
Acquisition of additional interest of a subsidiary from non-controlling shareholders of a subsidiary	—	—	(1.6)	(1.6)	—
Proceeds on issue of shares	5.0	5.3	2.0	2.0	—
Dividend paid	—	(6.7)	(9.3)	(9.3)	(31.4)
Gold loans raised	1,084.5	1,614.6	2,436.4	938.8	2,264.0
Repayment of gold loans	(761.5)	(1,970.0)	(1,452.3)	(74.2)	(1,623.1)
Advance from non-controlling shareholders of subsidiaries	24.9	67.9	94.3	58.2	107.2
Repayment to non-controlling shareholders of subsidiaries	—	(11.7)	(19.8)	(14.3)	(11.1)
Net cash from (used in) financing activities	<u>1,217.4</u>	<u>(716.1)</u>	<u>6,107.3</u>	<u>4,412.9</u>	<u>3,753.0</u>
Net (decrease) increase in cash and cash equivalents	(530.3)	816.1	3,419.1	263.6	(2,453.7)
Cash and cash equivalents at the beginning of the year/period	1,802.4	1,289.9	2,106.7	2,106.7	5,604.8
Effect of foreign exchange rate changes	17.8	0.7	79.0	20.0	54.3
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	<u>1,289.9</u>	<u>2,106.7</u>	<u>5,604.8</u>	<u>2,390.3</u>	<u>3,205.4</u>

**E. NOTES TO THE FINANCIAL INFORMATION**

## 1. Basis of presentation of financial information

Pursuant to the Group Reorganisation, the Company has become the holding company of the companies now comprising the Group on 30 September 2011.

The companies now comprising the Group were under common control of a controlling party, namely Chow Tai Fook (Holding) Limited ("CTF Holding") (formerly known as Centennial Success Limited), prior to and after the Group Reorganisation.

As part of the Group Reorganisation, companies comprising the Group were restructured into four principal subsidiaries as below:

- (a) Majestic — all of the subsidiaries held directly or indirectly by Majestic are mainly involved in the procurement and manufacturing aspect of the business;
- (b) CTF Jewellery — most of the subsidiaries held directly or indirectly by CTF Jewellery are involved in jewellery business in the PRC, Hong Kong and Taiwan;
- (c) CTF Watch — all of the subsidiaries held directly or indirectly by CTF Watch are involved in watch business; and
- (d) Sincere Elite — most of the subsidiaries held directly or indirectly by Sincere Elite are involved in jewellery business in the PRC and Macau.

The consolidated statements of comprehensive income and the consolidated statements of cash flows which include the results and cash flows of the companies now comprising the Group including the Macau Jewellery Business (which was held by a fellow subsidiary that conducts jewellery business for the Group in Macau and other business in Macau which does not form part of, nor relevant to, the Group's jewellery business) have been prepared by applying the principles of merger accounting as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation/establishment/acquisition to 30 September 2011, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates, taking into account the effective date of acquisition of Beijing Dade Xinfu, American Overseas, Zlotowski, Lun Jiao, Yushunfu and Bojuehang as detailed in note 32.

On 27 September 2011, CTF Macau took up the operations of the Macau Jewellery Business. Although the Macau Jewellery Business has not yet been formally transferred to the Group before 27 September 2011, it has been included in the Financial Information as the directors of the Company consider that the historical financial information of the Group should include all relevant activities that have been a part of the history of the Group. Accordingly, the Financial Information reflects all of the Group's activities in doing jewellery business, including the Macau Jewellery Business for the period before 27 September 2011.

The Financial Information was prepared based on audited financial statements or management accounts of companies now comprising the Group, including financial information of Macau Jewellery Business which was prepared based on the items of assets, liabilities, income and expenses, other than certain insignificant central administrative expenses, that are related to and specifically identified for the Macau Jewellery Business. Also, the treasury and cash disbursement functions of the Macau Jewellery Business are centrally administrated by the abovementioned fellow subsidiary. The change of the net assets of the Macau Jewellery Business is shown as movements in the special reserve. The

directors of the Company believe that the method of segregation and allocation presents a reasonable basis of estimating what the operating results and financial position of the Macau Jewellery Business would have been on a stand-alone basis for the period up to 27 September 2011.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

## 2. Adoption of new and revised international financial reporting standards

For the purposes of preparing and presenting the Financial Information of the Track Record Period, the Group has adopted all IFRSs which are effective for the Group's accounting periods beginning on 1 April 2011 consistently throughout the Track Record Period.

At the date of this report, the IASB issued a number of new and revised International Accounting Standards ("IAS"s) and IFRSs, amendments and interpretations ("IFRICs") (hereinafter collectively referred to as the "new and revised IFRSs") which are not yet effective.

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets <sup>1</sup>
IFRS 9	Financial Instruments <sup>2</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 11	Joint Arrangements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>4</sup>
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>3</sup>
IAS 19 (Revised 2011)	Employee Benefits <sup>2</sup>
IAS 27 (Revised 2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
IFRIC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 January 2012.

4 Effective for annual periods beginning on or after 1 July 2012.

IFRS 10 replaces the parts of IAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its investments with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires a lot of judgement. The application of IFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The directors of the Company are currently in the process of assessing the impact of IFRS 10.

The Group has not early adopted these new and revised IFRSs in the preparation of the Group's Financial Information.

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.

### 3. Significant accounting policies

The Financial Information has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, and in accordance with the following accounting policies which conform with the IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

All intra-group transactions, balances, income and expenses are eliminated on combination.

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### Business combination under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

#### Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business and net of discounts.

Sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress) are stated at cost less accumulated depreciation and accumulated impairment losses at the end of the reporting period.

For land and buildings where the cost of land cannot be reliably allocated between the land and buildings elements, the cost of land and buildings are depreciated and amortised on a straight-line basis over the lease term or 20 years, whichever is the shorter.

Depreciation is provided to write off the cost of other property, plant and equipment, other than construction in progress and land and buildings, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Plant and machinery . . . . .	10%
Furniture, fixtures and equipment . . . . .	20% - 33 1/3%
Leasehold improvements . . . . .	over the lease term, or 20%, whichever is the shorter
Motor vehicles . . . . .	25%

Construction in progress is stated at cost less identified impairment losses which includes all construction costs and other direct costs attributable to such projects, and borrowing costs capitalised in accordance with the Group's accounting policy. It is not depreciated until completion of construction and the relevant assets are available for use. Costs of completed construction works are transferred to the appropriate category of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Prepaid lease payments

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land elements and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated financial information and is amortised over the lease term on a straight-line basis. Prepaid lease payments which are to be amortised in the next twelve months or less are classified as current assets.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

#### Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint-venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in that associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's Financial Information only to the extent of interests in the associate that are not related to the Group.

#### Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using specific identification basis for gem-set jewellery and watches; and weighted average for other inventories.

## Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

The Group's financial assets are mainly loans and receivables and financial assets at fair value through profit or loss ("FVTPL").

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than these financial assets classified as FVTPL, of which interest income is included in net gain or losses.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including amounts due from related companies, loan receivables, trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

#### *Financial assets at fair value through profit or loss*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.



Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

**Impairment of financial assets**

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Financial liabilities and equity instruments**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities including trade and other payables, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at fair value through profit or loss including gold loans and bullion forward contracts are measured at fair value, which changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

*Equity instruments*

Equity instruments issued by the Company and the group entity are recorded at the proceeds received, net of direct issue costs.

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

**Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Impairment**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or

expense that are taxable or deductible in other years, and it further excludes income or expense items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

#### Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used.

Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight line basis over the term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### Retirement benefits costs

Payments to retirement benefits plans and government-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in profit or loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation.

#### 4. Capital risk management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in the Financial Information.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank loans.

#### 5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period.

#### Useful lives, residual value and impairment of property, plant and equipment

The Group's management determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual value of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives or residual value are expected to be shorter or lower than estimated, or it will write-off or write-down obsolete assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group, which would be recognised in profit or loss in the year/period when such change occurs.

## 6. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in note 3.

## Categories of financial instruments

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Financial assets				
Loans and receivables (including cash and cash equivalents) . . . . .	4,779.3	5,640.8	9,084.0	5,802.1
Financial assets at fair value through profit or loss:				
– Convertible bonds . . . . .	–	–	–	24.8
– Derivative financial instruments . . . . .	–	–	–	164.7
	<u>4,779.3</u>	<u>5,640.8</u>	<u>9,084.0</u>	<u>5,991.6</u>
Financial liabilities				
Amortised cost . . . . .	5,160.2	5,404.9	11,468.0	18,775.9
Gold loans at fair value through profit or loss . . . . .	<u>2,060.8</u>	<u>2,189.2</u>	<u>3,931.6</u>	<u>4,960.8</u>
	<u>7,221.0</u>	<u>7,594.1</u>	<u>15,399.6</u>	<u>23,736.7</u>

## Financial risk management objectives and policies

The Group's major financial instruments include amounts due from related companies, loan receivables, trade and other receivables, convertible bonds, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, bank borrowings and gold loans. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk in trade receivables, with exposure spread over a number of counterparties.

In addition, the management considers that there is no significant credit risk on the receivables from the related companies and loan receivables given their strong financial background and good creditability. Other than concentration risk on amounts due from related companies and loan receivables, the Group does not have any other significant concentration risk.

The credit risk on pledged bank deposits and bank balances is minimal as such amounts are placed in banks with good reputation.

#### Currency risk

Certain group entities have foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 March 2009, 31 March 2010, 31 March 2011 and the six months ended 30 September 2010 and 30 September 2011, about 1.4%, 1.0%, 0.9%, 1.0% and 0.8% of the Group's sales respectively are denominated in currency other than the functional currency of the group entities. During the year ended 31 March 2009, 31 March 2010, 31 March 2011 and the six months ended 30 September 2010 and 30 September 2011, about 7.1%, 4.8%, 6.8%, 10.7% and 11.3% of the Group's purchases, respectively, are denominated in currencies other than the functional currency of the group entities making the purchase. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency for the Track Record Period are disclosed in respective notes. In addition, certain group entities also have intra-group advances which are denominated in currencies other than that respective functional currency.

The Group mainly exposes to currency of United States dollars ("US\$") and HK\$, which are arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

The following table details the Group's sensitivity to a 5% appreciation in RMB against US\$ and HK\$ for the operations in the PRC. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The management does not anticipate a depreciation for RMB against US\$ and HK\$ in the next financial year having regard to the trends. Accordingly, sensitivity analysis on a depreciation for RMB against US\$ and HK\$ is not presented.

The sensitivity analysis adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$'million	HK\$'million	HK\$'million	HK\$'million (unaudited)	HK\$'million
Increase in profit after taxation for the year/period . . . . .	8.7	6.6	7.9	8.9	18.6

#### Liquidity risk management

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short and medium-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 3 months	Over 3 months but not more than 1 year	Total undiscounted cash flows	Carrying amount
	%	HK\$million	HK\$million	HK\$million	HK\$million
Financial liabilities					
At 31 March 2009					
Trade and other payables . . . . .	—	291.9	—	291.9	291.9
Amounts due to related companies					
— Interest bearing portion . . . . .	5.0	506.5	—	506.5	506.5
— Non-interest bearing portion . . . . .	—	4,220.3	—	4,220.3	4,220.3
Amounts due to non-controlling shareholders of subsidiaries					
— Interest bearing portion . . . . .	5.3	7.2	—	7.2	7.1
— Non-interest bearing portion . . . . .	—	20.8	—	20.8	20.8
Bank borrowings . . . . .	5.5	113.9	—	113.9	113.6
Gold loans . . . . .	1.9	2,064.6	—	2,064.6	2,060.8
		<u>7,225.2</u>	<u>—</u>	<u>7,225.2</u>	<u>7,221.0</u>
At 31 March 2010					
Trade and other payables . . . . .	—	520.7	—	520.7	520.7
Amounts due to related companies					
— Interest bearing portion . . . . .	5.0	433.4	—	433.4	433.4
— Non-interest bearing portion . . . . .	—	4,206.4	—	4,206.4	4,206.4
Amounts due to non-controlling shareholders of subsidiaries					
— Interest bearing portion . . . . .	5.3	7.2	—	7.2	7.1
— Non-interest bearing portion . . . . .	—	77.0	—	77.0	77.0
Bank borrowings . . . . .	3.5	60.6	102.0	162.6	160.3
Gold loans . . . . .	1.3	2,192.8	—	2,192.8	2,189.2
		<u>7,498.1</u>	<u>102.0</u>	<u>7,600.1</u>	<u>7,594.1</u>
At 31 March 2011					
Trade and other payables . . . . .	—	589.0	—	589.0	589.0
Amounts due to related companies					
— Interest bearing portion . . . . .	5.0	380.3	—	380.3	380.3
— Non-interest bearing portion . . . . .	—	7,453.0	—	7,453.0	7,453.0
Amounts due to non-controlling shareholders of subsidiaries					
— Interest bearing portion . . . . .	6.1	9.3	—	9.3	9.1
— Non-interest bearing portion . . . . .	—	155.6	—	155.6	155.6
Bank borrowings . . . . .	2.9	1,701.0	1,198.7	2,899.7	2,881.0
Gold loans . . . . .	1.8	2,884.5	1,080.0	3,964.5	3,931.6
		<u>13,172.7</u>	<u>2,278.7</u>	<u>15,451.4</u>	<u>15,399.6</u>
At 30 September 2011					
Trade and other payables . . . . .	—	1,057.0	—	1,057.0	1,057.0
Amounts due to related companies					
— Non-interest bearing portion . . . . .	—	8,458.6	—	8,458.6	8,458.6
Amounts due to non-controlling shareholders of subsidiaries					
— Interest bearing portion . . . . .	6.1	30.4	—	30.4	29.9
— Non-interest bearing portion . . . . .	—	208.7	—	208.7	208.7
Bank borrowings . . . . .	2.5	7,358.0	1,746.0	9,104.0	9,021.7
Gold loans . . . . .	1.8	3,746.2	1,247.6	4,993.8	4,960.8
		<u>20,858.9</u>	<u>2,993.6</u>	<u>23,852.5</u>	<u>23,736.7</u>

## Notes:

- (i) The amounts included in above for variable rate bank borrowings are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.
- (ii) The amounts of gold loans are determined based on the gold price as at the end of each reporting period.



### Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables, amounts due to/from related companies and gold loans. The Group currently does not have any instruments to hedge against the fair value interest rate risk.

Also, the Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise.

In the opinion of the directors of the Company, the cash flow interest rate risk is considered insignificant and therefore no sensitivity analysis is presented.

### Commodity price risk

The Group is engaged in the sale of jewellery includes gold products. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group uses gold loans as well as derivative financial instruments, such as bullion forward contracts to reduce its exposure to fluctuations in the gold price on gold inventory. The derivative contracts are settled at maturity which usually in a few weeks from date of inception and any fair value change is immediately recognised in profit or loss.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, if the market price of gold had been higher or lower by 10%, the potential effect on the financial instruments and the resulting impact on profit after taxation for each year/period would decrease or increase approximately by HK\$206.1 million, HK\$247.7 million, HK\$460.6 million and HK\$773.5 million, respectively. This pro forma information has not taken into account potential financial impact on other financial statement line items.

### Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table provides an analysis of convertible bonds, gold loans and bullion forward contracts that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	<u>Level 1</u> HK\$ million	<u>Level 2</u> HK\$ million	<u>Level 3</u> HK\$ million	<u>Total</u> HK\$ million
<u>At 31 March 2009</u>				
Gold loans .....	<u>2,060.8</u>	—	—	<u>2,060.8</u>
<u>At 31 March 2010</u>				
Gold loans .....	<u>2,189.2</u>	—	—	<u>2,189.2</u>
<u>At 31 March 2011</u>				
Gold loans .....	<u>3,931.6</u>	—	—	<u>3,931.6</u>
<u>At 30 September 2011</u>				
Convertible bonds .....	—	24.8	—	24.8
Derivative financial instruments .....	164.7	—	—	164.7
Gold loans .....	<u>4,960.8</u>	—	—	<u>4,960.8</u>

*Notes:*

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of bullion forward contracts is determined based on Level 1 measurement, which were insignificant at 31 March 2009, 31 March 2010 and 31 March 2011, respectively.

There were no transfers between Levels 1 and 2 in the current and prior years/periods.

## 7. Turnover and segment information

Turnover 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 is the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the locations of the operations, retail and wholesale markets. This is also the basis upon which the Group is arranged and organised. The Group’s operating and reportable segments under IFRS 8 are operations located in the Group’s places of domicile in the PRC, and Hong Kong, Macau and other Asian markets. The revenue generated by each of the operating segments is mainly derived from sales of watches and jewellery products.

(a) An analysis of the Group's turnover and results by reportable segment

For the year ended 31 March 2009

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
Turnover					
External sales					
— Retail . . . . .	6,758.0	8,168.1	14,926.1	—	14,926.1
— Wholesale# . . . . .	3,247.2	237.6	3,484.8	—	3,484.8
	<u>10,005.2</u>	<u>8,405.7</u>	<u>18,410.9</u>	<u>—</u>	<u>18,410.9</u>
Inter-segment sales* . . . . .	—	775.2	775.2	(775.2)	—
	<u>10,005.2</u>	<u>9,180.9</u>	<u>19,186.1</u>	<u>(775.2)</u>	<u>18,410.9</u>

\* Inter-segment sales are charged at prevailing market rates.

# Wholesale represents sales to franchisees.

Segment profit . . . . .	<u>1,324.5</u>	<u>813.6</u>	<u>2,138.1</u>	<u>(4.5)</u>	2,133.6
Interest income . . . . .					88.6
Share of results of an associate . . . . .					1.3
Profit before taxation . . . . .					<u>2,223.5</u>

For the year ended 31 March 2010

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
Turnover					
External sales					
— Retail . . . . .	9,355.4	10,167.8	19,523.2	—	19,523.2
— Wholesale# . . . . .	3,273.6	136.8	3,410.4	—	3,410.4
	<u>12,629.0</u>	<u>10,304.6</u>	<u>22,933.6</u>	<u>—</u>	<u>22,933.6</u>
Inter-segment sales* . . . . .	—	1,207.1	1,207.1	(1,207.1)	—
	<u>12,629.0</u>	<u>11,511.7</u>	<u>24,140.7</u>	<u>(1,207.1)</u>	<u>22,933.6</u>

\* Inter-segment sales are charged at prevailing market rates.

# Wholesale represents sales to franchisees.

Segment profit . . . . .	<u>1,539.9</u>	<u>1,103.8</u>	<u>2,643.7</u>	<u>(10.6)</u>	2,633.1
Interest income . . . . .					77.0
Share of results of an associate . . . . .					8.5
Profit before taxation . . . . .					<u>2,718.6</u>

For the year ended 31 March 2011

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
Turnover					
External sales					
— Retail	14,595.1	15,438.0	30,033.1	—	30,033.1
— Wholesale#	4,876.7	132.7	5,009.4	—	5,009.4
	19,471.8	15,570.7	35,042.5	—	35,042.5
Inter-segment sales*	—	2,345.5	2,345.5	(2,345.5)	—
	<u>19,471.8</u>	<u>17,916.2</u>	<u>37,388.0</u>	<u>(2,345.5)</u>	<u>35,042.5</u>

\* Inter-segment sales are charged at prevailing market rates.

# Wholesale represents sales to franchisees.

Segment profit	<u>2,253.4</u>	<u>2,321.5</u>	<u>4,574.9</u>	<u>(20.7)</u>	4,554.2
Interest income					70.3
Share of results of an associate					(4.7)
Profit before taxation					<u>4,619.8</u>

For the six months ended 30 September 2010 (unaudited)

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
Turnover					
External sales					
— Retail	5,504.0	5,747.1	11,251.1	—	11,251.1
— Wholesale#	2,016.8	47.1	2,063.9	—	2,063.9
	7,520.8	5,794.2	13,315.0	—	13,315.0
Inter-segment sales*	—	1,167.5	1,167.5	(1,167.5)	—
	<u>7,520.8</u>	<u>6,961.7</u>	<u>14,482.5</u>	<u>(1,167.5)</u>	<u>13,315.0</u>

\* Inter-segment sales are charged at prevailing market rates.

# Wholesale represents sales to franchisees.

Segment profit	<u>755.5</u>	<u>782.7</u>	<u>1,538.2</u>	<u>(10.7)</u>	1,527.5
Interest income					34.5
Profit before taxation					<u>1,562.0</u>

For the six months ended 30 September 2011

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
Turnover					
External sales					
— Retail	9,212.8	10,398.5	19,611.3	—	19,611.3
— Wholesale <sup>#</sup>	4,158.6	104.6	4,263.2	—	4,263.2
	13,371.4	10,503.1	23,874.5	—	23,874.5
Inter-segment sales <sup>*</sup>	—	1,714.2	1,714.2	(1,714.2)	—
	<u>13,371.4</u>	<u>12,217.3</u>	<u>25,588.7</u>	<u>(1,714.2)</u>	<u>23,874.5</u>

\* Inter-segment sales are charged at prevailing market rates.

# Wholesale represents sales to franchisees.

Segment profit	<u>1,825.3</u>	<u>1,770.4</u>	<u>3,595.7</u>	<u>(15.3)</u>	3,580.4
Interest income					37.6
Profit before taxation					<u>3,618.0</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit generated from each segment without allocation of interest income and share of results of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended 31 March 2009

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Operating lease payments in respect of rented premises	37.7	251.8	289.5
Concessionaire fees	736.2	10.4	746.6
Staff costs	<u>556.1</u>	<u>519.8</u>	<u>1,075.9</u>

For the year ended 31 March 2010

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Operating lease payments in respect of rented premises	60.7	310.4	371.1
Concessionaire fees	986.5	12.2	998.7
Staff costs	<u>773.8</u>	<u>546.0</u>	<u>1,319.8</u>

For the year ended 31 March 2011

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Operating lease payments in respect of rented premises .....	98.9	403.5	502.4
Concessionaire fees .....	1,480.2	13.6	1,493.8
Staff costs .....	<u>1,024.6</u>	<u>796.4</u>	<u>1,821.0</u>

For the six months ended 30 September 2010 (unaudited)

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Operating lease payments in respect of rented premises .....	38.5	203.6	242.1
Concessionaire fees .....	584.9	5.3	590.2
Staff costs .....	<u>420.3</u>	<u>331.8</u>	<u>752.1</u>

For the six months ended 30 September 2011

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Operating lease payments in respect of rented premises .....	49.1	235.6	284.7
Concessionaire fees .....	941.0	9.2	950.2
Staff costs .....	<u>742.3</u>	<u>627.2</u>	<u>1,369.5</u>

(c) Analysis of the Group's property, plant and equipment and inventories by geographical location:

At 31 March 2009

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Property, plant and equipment .....	679.9	34.7	714.6
Inventories .....	<u>2,510.6</u>	<u>5,583.6</u>	<u>8,094.2</u>

At 31 March 2010

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Property, plant and equipment .....	774.3	60.3	834.6
Inventories .....	<u>3,888.1</u>	<u>5,386.7</u>	<u>9,274.8</u>

At 31 March 2011

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Property, plant and equipment .....	1,095.7	69.6	1,165.3
Inventories .....	<u>7,603.2</u>	<u>9,497.6</u>	<u>17,100.8</u>

At 30 September 2011

	PRC	Hong Kong, Macau and other Asian markets	Total
	HK\$million	HK\$million	HK\$million
Property, plant and equipment .....	1,503.7	114.8	1,618.5
Inventories .....	11,349.1	17,528.7	28,877.8

#### Segment assets and liabilities

Except for the above, no other assets and liabilities are included in the measures of the Group's segment reporting that are reviewed by the CODM. Accordingly, no segment assets and liabilities are presented.

(d) An analysis of the Group's turnover by products is as follows:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Sales of					
– Gem-set jewellery .....	5,488.5	6,625.7	8,962.9	3,526.4	5,642.7
– Platinum/karat gold products .....	2,688.3	3,574.5	4,869.4	2,125.3	3,713.9
– Gold products .....	9,077.9	11,124.7	18,724.7	6,517.5	12,690.4
– Watches .....	1,156.2	1,608.7	2,485.5	1,145.8	1,827.5
	<u>18,410.9</u>	<u>22,933.6</u>	<u>35,042.5</u>	<u>13,315.0</u>	<u>23,874.5</u>

No individual customer contributed over 10% of the total turnover of the Group in the respective years.

The Group's non-current assets, excluding financial instruments and interest in an associate, by geographical areas are as follows:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	HK\$million
	HK\$million	HK\$million	HK\$million	HK\$million
PRC .....	766.1	825.4	1,414.8	1,816.6
Hong Kong, Macau and other Asian markets .....	34.7	60.3	69.5	114.8
	<u>800.8</u>	<u>885.7</u>	<u>1,484.3</u>	<u>1,931.4</u>

## 8. Other income

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Interest income from					
– banks .....	21.8	14.7	13.7	4.7	11.6
– amounts due from related companies .....	60.9	56.5	51.6	27.4	23.8
– loan receivables .....	5.9	5.8	5.0	2.4	2.2
Franchise income .....	23.7	23.3	36.7	18.2	35.5
Government grants .....	2.5	15.5	12.1	6.7	13.1
Discount on acquisition (Note 32) .....	—	—	17.2	17.2	—
Gain on scrap sales .....	32.7	46.3	41.5	9.9	34.2
Others .....	13.4	14.0	16.8	3.1	4.5
	<u>160.9</u>	<u>176.1</u>	<u>194.6</u>	<u>89.6</u>	<u>124.9</u>

## 9. Other (losses) gains

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Loss on disposal of property, plant and equipment .....	(16.5)	(2.3)	(5.6)	(1.9)	(1.1)
Net foreign exchange gain .....	16.4	1.3	41.8	13.2	82.1
Others .....	(0.3)	(0.1)	3.7	(0.4)	(1.9)
	<u>(0.4)</u>	<u>(1.1)</u>	<u>39.9</u>	<u>10.9</u>	<u>79.1</u>

## 10. Finance costs

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Interest on borrowings wholly repayable within five years					
– bank loans .....	100.6	7.2	37.4	4.7	69.8
– gold loans .....	28.9	33.1	46.2	15.6	39.0
– amounts due to related companies .....	27.6	21.7	18.6	9.3	7.9
	<u>157.1</u>	<u>62.0</u>	<u>102.2</u>	<u>29.6</u>	<u>116.7</u>



## 11. Profit before taxation

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Profit before taxation has been arrived at after charging (crediting):					
Directors' remuneration (Note 12) . . . . .	23.4	25.1	25.6	11.6	16.0
Other staff's retirement benefits scheme contributions . . . . .	73.5	95.5	138.4	61.3	104.4
Other staff costs . . . . .	979.0	1,199.2	1,657.0	679.2	1,249.1
	<u>1,075.9</u>	<u>1,319.8</u>	<u>1,821.0</u>	<u>752.1</u>	<u>1,369.5</u>
Amortisation of prepaid lease payments . . .	—	—	7.9	2.3	4.6
Auditors' remuneration . . . . .	3.6	3.6	7.6	1.8	3.7
Cost of inventories recognised as expenses . . . . .	13,011.3	15,832.3	24,043.1	8,949.1	15,934.7
Depreciation . . . . .	160.5	225.8	246.8	112.6	153.6
Donations . . . . .	163.7	116.9	122.1	21.3	7.9
Fair value changes of gold loans (included in cost of goods sold) . . . . .	17.8	483.8	725.7	413.6	343.4
(Gain) loss on bullion forward contracts designated as at fair value through profit or loss (included in cost of goods sold) . .	—	(6.7)	224.6	123.0	151.7
Operating lease rentals in respect of rented premises . . . . .	289.5	371.1	502.4	242.1	284.7
Concessionaire fees . . . . .	746.6	998.7	1,493.8	590.2	950.2

## 12. Directors' and employees' emoluments

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Directors' fees . . . . .	6.0	6.0	—	—	—
Other emoluments to directors					
— salaries and other benefits . . . . .	10.9	12.0	16.2	7.0	10.1
— performance-based bonus . . . . .	5.6	6.2	8.4	4.4	5.4
— retirement benefits scheme contributions . . . . .	0.9	0.9	1.0	0.2	0.5
	<u>23.4</u>	<u>25.1</u>	<u>25.6</u>	<u>11.6</u>	<u>16.0</u>

Details of emoluments paid by the Group to the directors of the Company are as follows:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
<b>Honorary chairman and non-executive director</b>					
Dato' Dr. Cheng Yu-Tung					
– director's fee .....	3.5	3.5	–	–	–
– salaries and other benefits .....	1.7	1.6	2.0	0.9	1.2
– performance-based bonus .....	0.9	0.9	1.1	0.6	0.7
– retirement benefits scheme contributions .....	0.1	0.1	0.1	–	–
	<u>6.2</u>	<u>6.1</u>	<u>3.2</u>	<u>1.5</u>	<u>1.9</u>
<b>Chairman and executive director</b>					
Dr. Cheng Kar-Shun, Henry					
– director's fee .....	–	–	–	–	–
– salaries and other benefits .....	–	0.8	1.5	0.7	1.0
– performance-based bonus .....	–	0.7	0.8	0.4	0.5
– retirement benefits scheme contributions .....	–	–	0.1	–	–
	<u>–</u>	<u>1.5</u>	<u>2.4</u>	<u>1.1</u>	<u>1.5</u>
<b>Managing director</b>					
Mr. Wong Siu-Kee, Kent					
– director's fee .....	–	–	–	–	–
– salaries and other benefits .....	1.9	2.0	2.5	1.1	1.5
– performance-based bonus .....	1.1	1.0	1.5	0.8	1.0
– retirement benefits scheme contributions .....	0.2	0.2	0.2	0.1	0.1
	<u>3.2</u>	<u>3.2</u>	<u>4.2</u>	<u>2.0</u>	<u>2.6</u>

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million	
<b>Executive directors</b>					
Mr. Cheng Chi-Kong, Adrian					
– director's fee .....	—	—	—	—	—
– salaries and other benefits .....	—	—	—	—	—
– performance-based bonus .....	—	—	—	—	—
– retirement benefits scheme contributions .....	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Mr. Cheng Chi-Heng, Conroy					
– director's fee .....	—	—	—	—	—
– salaries and other benefits .....	0.8	0.9	1.2	0.5	0.8
– performance-based bonus .....	0.4	0.4	0.5	0.3	0.4
– retirement benefits scheme contributions .....	0.1	0.1	0.1	—	0.1
	<u>1.3</u>	<u>1.4</u>	<u>1.8</u>	<u>0.8</u>	<u>1.3</u>
Mr. Chan Sai-Cheong					
– director's fee .....	—	—	—	—	—
– salaries and other benefits .....	1.3	1.4	1.8	0.7	1.1
– performance-based bonus .....	0.6	0.6	0.8	0.4	0.5
– retirement benefits scheme contributions .....	0.1	0.1	0.1	0.1	0.1
	<u>2.0</u>	<u>2.1</u>	<u>2.7</u>	<u>1.2</u>	<u>1.7</u>
Mr. Chan Hiu-Sang, Albert					
– director's fee .....	—	—	—	—	—
– salaries and other benefits .....	1.3	1.3	1.8	0.8	1.1
– performance-based bonus .....	0.7	0.7	1.0	0.5	0.6
– retirement benefits scheme contributions .....	0.1	0.1	0.1	—	—
	<u>2.1</u>	<u>2.1</u>	<u>2.9</u>	<u>1.3</u>	<u>1.7</u>
Mr. Cheng Ping-Hei, Hamilton					
– director's fee .....	—	—	—	—	—
– salaries and other benefits .....	1.0	1.0	1.3	0.5	0.8
– performance-based bonus .....	0.4	0.4	0.5	0.3	0.3
– retirement benefits scheme contributions .....	0.1	0.1	0.1	—	0.1
	<u>1.5</u>	<u>1.5</u>	<u>1.9</u>	<u>0.8</u>	<u>1.2</u>
Mr. Suen Chi-Keung, Peter					
– director's fee .....	—	—	—	—	—
– salaries and other benefits .....	0.8	0.8	1.1	0.5	0.7
– performance-based bonus .....	0.4	0.4	0.6	0.3	0.4
– retirement benefits scheme contributions .....	0.1	0.1	0.1	—	0.1
	<u>1.3</u>	<u>1.3</u>	<u>1.8</u>	<u>0.8</u>	<u>1.2</u>

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
<b>Non-executive directors</b>					
Mr. Cheng Kam-Biu, Wilson					
– director's fee .....	2.5	2.5	—	—	—
– salaries and other benefits .....	0.8	0.9	1.2	0.5	0.8
– performance-based bonus .....	0.4	0.4	0.6	0.3	0.4
– retirement benefits scheme contributions .....	—	—	—	—	—
	<u>3.7</u>	<u>3.8</u>	<u>1.8</u>	<u>0.8</u>	<u>1.2</u>
Mr. Koo Tong-Fat					
– director's fee .....	—	—	—	—	—
– salaries and other benefits .....	1.3	1.3	1.8	0.8	1.1
– performance-based bonus .....	0.7	0.7	1.0	0.5	0.6
– retirement benefits scheme contributions .....	0.1	0.1	0.1	—	—
	<u>2.1</u>	<u>2.1</u>	<u>2.9</u>	<u>1.3</u>	<u>1.7</u>
Total	<u>23.4</u>	<u>25.1</u>	<u>25.6</u>	<u>11.6</u>	<u>16.0</u>

**Notes:**

- (i) The performance-based bonus is discretionary based on the Group's financial results and directors' performance as may be decided by the management of the Group.
- (ii) No director's fee was paid for the year ended 31 March 2011 and the six months ended 30 September 2010 and 30 September 2011 as decided by the board of directors of the Company.

Independent non-executive directors include Dr. Fung Kwok-King, Victor, Mr. Kwong Che-Keung, Gordon, Mr. Lam Kin-Fung, Jeffrey, and Mr. Or Ching-Fai, Raymond. No emoluments were paid to them during the Track Record Period.

The five highest paid individuals included one director, one director, four directors, four directors and four directors of the Company for each of the year ended 31 March 2009, 31 March 2010, 31 March 2011 and the six months ended 30 September 2010 and 30 September 2011 respectively, details of whose emoluments are included above. The emoluments of the remaining highest paid individual(s) during the Track Record Period were as follows:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
<b>Employees</b>					
– salaries and other benefits .....	20.8	24.1	10.7	5.4	10.1
– performance-based bonus .....	2.7	2.7	0.8	0.4	0.5
– retirement benefits scheme contributions .....	0.3	0.3	0.1	—	—
	<u>23.8</u>	<u>27.1</u>	<u>11.6</u>	<u>5.8</u>	<u>10.6</u>

Their emoluments were within the following bands:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	Number of employees				
HK\$4,000,001 to HK\$4,500,000 .....	1	1	—	—	—
HK\$4,500,001 to HK\$5,000,000 .....	1	1	—	—	—
HK\$5,500,001 to HK\$6,000,000 .....	—	—	—	1	—
HK\$6,500,001 to HK\$7,000,000 .....	1	1	—	—	—
HK\$8,000,001 to HK\$8,500,000 .....	1	—	—	—	—
HK\$10,500,001 to HK\$11,000,000 .....	—	—	—	—	1
HK\$11,000,001 to HK\$11,500,000 .....	—	1	—	—	—
HK\$11,500,001 to HK\$12,000,000 .....	—	—	1	—	—
	=	=	=	=	=

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Track Record Period.

### 13. Taxation

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
The taxation charge comprises:					
Current tax:					
PRC EIT .....	164.7	323.1	519.1	162.7	406.1
Hong Kong Profits Tax .....	121.0	153.2	366.5	155.0	316.2
Macau complementary tax .....	18.0	25.2	55.9	21.1	47.7
	303.7	501.5	941.5	338.8	770.0
Under-provision in prior years:					
PRC EIT .....	1.4	7.6	5.8	—	—
Hong Kong Profits Tax .....	4.0	2.7	—	—	27.1
	5.4	10.3	5.8	—	27.1
	309.1	511.8	947.3	338.8	797.1

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, while Shenzhen CTF is under progressive tax rates from 18% to 25% over 5 years from 1 January 2008.

Pursuant to relevant laws and regulations in the PRC, Shenzhen Lida and Shunde Yuda were entitled to exemption from PRC income tax for two years commencing from the year ended 31 December 2007 and 31 December 2008, their first profit-making year, followed by a 50% reduction from the year ended 31 December 2009 and 31 December 2010 for three years respectively.

For CTF Chongqing, Chongqing CTF Watch, Chongqing Fuxi and Chongqing Kaifu, they are entitled to the tax incentives in connection with the development of the western part of the PRC. The applicable tax rate is 15%, 15% and 25% for the year ended 31 December 2009, 2010 and 2011 respectively.

Macau complementary tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the Track Record Period.

No provision for taxation has been made for the operation in Taiwan as there was no assessable profit for the Track Record Period.

Taxation charge for the Track Record Period is reconciled to profit before taxation as follows:

Year ended 31 March 2009

	<u>PRC</u>	<u>Hong Kong</u>	<u>Macau</u>	<u>Total</u>
	HK\$million	HK\$million	HK\$million	HK\$million
Profit before taxation . . . . .	1,378.0	685.6	159.9	2,223.5
Tax at the applicable income tax rate (PRC: 25%; Hong Kong: 16.5%; Macau: 12%) . . . . .	344.5	113.1	19.2	476.8
Tax effect of expenses not deductible for tax purposes . . . . .	12.0	7.4	—	19.4
Tax effect of income not taxable for tax purposes . . . . .	(0.5)	(0.8)	—	(1.3)
Tax effect of tax losses not recognised . . . . .	39.4	—	—	39.4
Utilisation of tax losses previously not recognised . . . . .	—	(2.8)	—	(2.8)
Tax effect of tax exemptions granted to certain PRC subsidiaries . . . . .	(263.3)	—	—	(263.3)
Tax effect of deductible temporary differences not recognised . . . . .	38.0	2.5	—	40.5
Under-provision in prior years . . . . .	1.4	4.0	—	5.4
Others . . . . .	(5.4)	1.6	(1.2)	(5.0)
Taxation charge for the year . . . . .	<u>166.1</u>	<u>125.0</u>	<u>18.0</u>	<u>309.1</u>

Year ended 31 March 2010

	<u>PRC</u>	<u>Hong Kong</u>	<u>Macau</u>	<u>Total</u>
	HK\$million	HK\$million	HK\$million	HK\$million
Profit before taxation . . . . .	1,928.4	556.5	233.7	2,718.6
Tax at the applicable income tax rate (PRC: 25%; Hong Kong: 16.5%; Macau: 12%) . . . . .	482.1	91.8	28.0	601.9
Tax effect of expenses not deductible for tax purposes . . . . .	0.9	60.9	—	61.8
Tax effect of income not taxable for tax purposes . . . . .	(7.4)	(1.5)	—	(8.9)
Tax effect of tax losses not recognised . . . . .	0.7	—	—	0.7
Utilisation of tax losses previously not recognised . . . . .	(20.8)	—	—	(20.8)
Tax effect of tax exemptions granted to certain PRC subsidiaries . . . . .	(164.1)	—	—	(164.1)
Tax effect of deductible temporary differences not recognised . . . . .	32.1	0.3	—	32.4
Under-provision in prior years . . . . .	7.6	2.7	—	10.3
Others . . . . .	(0.4)	1.7	(2.8)	(1.5)
Taxation charge for the year . . . . .	<u>330.7</u>	<u>155.9</u>	<u>25.2</u>	<u>511.8</u>

Taxation charge for the Track Record Period is reconciled to profit before taxation as follows:

Year ended 31 March 2011

	<u>PRC</u>	<u>Hong Kong</u>	<u>Macau</u>	<u>Total</u>
	HK\$million	HK\$million	HK\$million	HK\$million
Profit before taxation . . . . .	2,510.8	1,615.6	493.4	4,619.8
Tax at the applicable income tax rate (PRC: 25%; Hong Kong: 16.5%; Macau: 12%) . . . . .	627.7	266.6	59.2	953.5
Tax effect of expenses not deductible for tax purposes . . . . .	3.0	95.2	—	98.2
Tax effect of income not taxable for tax purposes . . . . .	(22.3)	(0.1)	—	(22.4)
Tax effect of tax losses not recognised . . . . .	1.1	0.2	—	1.3
Utilisation of tax losses previously not recognised . . . . .	(18.1)	—	—	(18.1)
Tax effect of tax exemptions granted to certain PRC subsidiaries . . . . .	(141.4)	—	—	(141.4)
Tax effect of deductible temporary differences not recognised . . . . .	76.2	3.7	—	79.9
Under-provision in prior years . . . . .	5.8	—	—	5.8
Others . . . . .	(7.1)	0.9	(3.3)	(9.5)
Taxation charge for the year . . . . .	<u>524.9</u>	<u>366.5</u>	<u>55.9</u>	<u>947.3</u>

Six months ended 30 September 2010 (unaudited)

	<u>PRC</u>	<u>Hong Kong</u>	<u>Macau</u>	<u>Total</u>
	HK\$million	HK\$million	HK\$million	HK\$million
Profit before taxation . . . . .	901.6	484.1	176.3	1,562.0
Tax at the applicable income tax rate (PRC: 25%; Hong Kong: 16.5%; Macau: 12%) . . . . .	225.4	79.9	21.2	326.5
Tax effect of expenses not deductible for tax purposes . . . . .	0.3	74.5	—	74.8
Tax effect of income not taxable for tax purposes . . . . .	(16.6)	(0.4)	—	(17.0)
Tax effect of tax losses not recognised . . . . .	2.9	—	—	2.9
Utilisation of tax losses previously not recognised . . . . .	(7.6)	—	—	(7.6)
Tax effect of tax exemptions granted to certain PRC subsidiaries . . . . .	(79.8)	—	—	(79.8)
Tax effect of deductible temporary differences not recognised . . . . .	35.8	0.7	—	36.5
Others . . . . .	2.3	0.3	(0.1)	2.5
Taxation charge for the period . . . . .	<u>162.7</u>	<u>155.0</u>	<u>21.1</u>	<u>338.8</u>

Six months ended 30 September 2011

	<u>PRC</u>	<u>Hong Kong</u>	<u>Macau</u>	<u>Total</u>
	HK\$million	HK\$million	HK\$million	HK\$million
Profit before taxation .....	1,664.6	1,551.8	401.6	3,618.0
Tax at the applicable income tax rate (PRC: 25%; Hong Kong: 16.5%; Macau: 12%) .....	416.1	256.0	48.2	720.3
Tax effect of expenses not deductible for tax purposes .....	4.5	59.0	—	63.5
Tax effect of income not taxable for tax purposes .....	(38.3)	(6.3)	—	(44.6)
Tax effect of tax losses not recognised .....	0.3	—	—	0.3
Utilisation of tax losses previously not recognised .....	(0.2)	(0.1)	—	(0.3)
Tax effect of tax exemptions granted to certain PRC subsidiaries .....	(72.5)	—	—	(72.5)
Tax effect of deductible temporary differences not recognised .....	95.9	8.6	—	104.5
Under-provision in prior years .....	—	27.1	—	27.1
Others .....	0.3	(1.0)	(0.5)	(1.2)
Taxation charge for the period .....	<u>406.1</u>	<u>343.3</u>	<u>47.7</u>	<u>797.1</u>

The Group has tax losses of HK\$154.2 million, HK\$73.7 million, HK\$7.4 million and 7.8 million at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011 respectively not recognised as deferred tax assets. These unrecognised tax losses will expire as follows:

	<b>THE GROUP</b>			
	<u>At 31 March</u>			<u>At 30 September</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2011</u>
	HK\$million	HK\$million	HK\$million	HK\$million
Tax losses expiring in				
— 2013 .....	7.7	—	—	—
— 2014 .....	146.5	70.8	—	—
— 2015 .....	—	2.9	2.1	1.5
— 2016 .....	—	—	5.3	6.3
	<u>154.2</u>	<u>73.7</u>	<u>7.4</u>	<u>7.8</u>

Also, the Group has deductible temporary differences of HK\$624.4 million, HK\$854.6 million, HK\$1,430.1 million and HK\$2,100.9 million at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011 respectively not recognised as deferred tax assets.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to HK\$2,320.1 million, HK\$4,010.8 million, HK\$6,602.4 million and HK\$8,643.4 million as at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011 respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

#### 14. Earnings per share

The calculation of the basic earnings per share for the Track Record Period is based on the consolidated profits attributable to owners of the Company for each reporting period during the Track Record Period and on the 8,950,000,000 shares in issue during these periods on the assumption that



the Group Reorganisation and the capitalisation issue as detailed in Section A of Appendix V has been effective on 1 April 2008.

No dilutive earnings per share is presented as there were no potential dilutive shares during the Track Record Period.

#### 15. Dividends

Certain subsidiaries of the Company distributed interim dividends totalling of HK\$300.0 million, HK\$306.7 million, HK\$759.3 million and HK\$3,331.4 million for the year ended 31 March 2009, 31 March 2010, 31 March 2011 and six months ended 30 September 2011, respectively, of which HK\$300.0 million, HK\$300.0 million HK\$750.0 million and HK\$3,300.0 million was settled by a related company and hence included in amounts due to related companies as at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, respectively, to their then shareholders prior to the Group Reorganisation. Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or the Company since its incorporation.

The rates of dividend declared and the number of shares ranking for distribution are not presented as consolidated results are presented and such information is not meaningful having regard to the purpose of this report.

## 16. Property, plant and equipment

	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
<b>COST</b>							
At 1 April 2008	355.5	20.9	205.8	96.9	10.7	—	689.8
Currency realignment	0.9	—	0.1	0.4	—	0.1	1.5
Additions	111.9	6.3	67.4	105.4	0.7	114.0	405.7
Transfer	88.5	—	—	—	—	(88.5)	—
Disposals	—	(2.0)	(13.4)	(17.8)	(1.1)	—	(34.3)
At 31 March 2009	556.8	25.2	259.9	184.9	10.3	25.6	1,062.7
Currency realignment	0.1	—	—	0.2	—	—	0.3
Additions	19.2	9.3	119.3	179.5	2.3	25.4	355.0
Transfer	50.7	—	—	—	—	(50.7)	—
Disposals	—	(0.9)	(20.9)	—	(0.4)	—	(22.2)
At 31 March 2010	626.8	33.6	358.3	364.6	12.2	0.3	1,395.8
Currency realignment	34.2	1.8	9.0	20.7	0.6	0.6	66.9
Acquired on acquisition of a subsidiary (note 32)	—	—	0.3	—	—	—	0.3
Additions	130.8	14.3	174.7	140.7	8.5	71.6	540.6
Transfer	51.4	—	—	—	—	(51.4)	—
Disposals	—	(1.8)	(19.7)	—	(0.1)	—	(21.6)
At 31 March 2011	843.2	47.9	522.6	526.0	21.2	21.1	1,982.0
Currency realignment	25.2	1.5	8.3	17.0	0.6	3.9	56.5
Acquired on acquisition of subsidiaries (note 32)	62.7	24.9	15.4	3.4	1.2	34.9	142.5
Additions	4.8	13.2	121.2	84.8	8.3	198.3	430.6
Transfer	8.7	—	—	—	—	(8.7)	—
Disposals	(0.2)	(0.6)	(8.3)	(0.5)	(1.7)	—	(11.3)
At 30 September 2011	944.4	86.9	659.2	630.7	29.6	249.5	2,600.3
<b>DEPRECIATION</b>							
At 1 April 2008	28.2	4.8	151.7	7.2	4.7	—	196.6
Currency realignment	0.1	—	0.1	0.4	—	—	0.6
Provided for the period	21.0	2.3	43.4	91.8	2.0	—	160.5
Eliminated on disposals	—	(0.2)	(8.4)	(0.2)	(0.8)	—	(9.6)
At 31 March 2009	49.3	6.9	186.8	99.2	5.9	—	348.1
Currency realignment	—	—	—	0.1	—	—	0.1
Provided for the year	26.0	3.0	51.9	143.4	1.5	—	225.8
Eliminated on disposals	—	(0.1)	(12.4)	—	(0.3)	—	(12.8)
At 31 March 2010	75.3	9.8	226.3	242.7	7.1	—	561.2
Currency realignment	4.1	0.4	3.4	14.2	0.2	—	22.3
Provided for the year	32.6	4.1	100.4	106.7	3.0	—	246.8
Eliminated on disposals	—	(1.0)	(12.5)	—	(0.1)	—	(13.6)
At 31 March 2011	112.0	13.3	317.6	363.6	10.2	—	816.7
Currency realignment	3.5	0.4	3.4	11.8	0.2	—	19.3
Provided for the period	19.8	2.5	67.9	61.0	2.4	—	153.6
Eliminated on disposals	—	—	(6.4)	—	(1.4)	—	(7.8)
At 30 September 2011	135.3	16.2	382.5	436.4	11.4	—	981.8
<b>NET BOOK VALUES</b>							
At 31 March 2009	507.5	18.3	73.1	85.7	4.4	25.6	714.6
At 31 March 2010	551.5	23.8	132.0	121.9	5.1	0.3	834.6
At 31 March 2011	731.2	34.6	205.0	162.4	11.0	21.1	1,165.3
At 30 September 2011	809.1	70.7	276.7	194.3	18.2	249.5	1,618.5

The net book value of the Group's properties which are situated on land under medium-term leases is analysed as follows:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
In Hong Kong .....	6.5	6.2	5.9	5.7
In the PRC .....	501.0	545.3	725.3	801.5
In South Africa .....	—	—	—	1.9
	<u>507.5</u>	<u>551.5</u>	<u>731.2</u>	<u>809.1</u>

#### 17. Prepaid lease payments

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Carrying amount				
At the beginning of the year/period .....	—	—	—	97.9
Currency realignment .....	—	—	3.1	2.9
Additions .....	—	—	102.7	—
Arose from acquisition of subsidiaries (note 32) .....	—	—	—	16.7
Charged to profit or loss during the year/period .....	—	—	(7.9)	(4.6)
At the end of the year/period .....	<u>—</u>	<u>—</u>	<u>97.9</u>	<u>112.9</u>
Comprising land use rights held under medium-term leases situated in the PRC .....	<u>—</u>	<u>—</u>	<u>97.9</u>	<u>112.9</u>
Analysed for reporting purposes as:				
Current assets (included in trade and other receivables) .....	—	—	10.6	11.3
Non-current assets .....	—	—	87.3	101.6
	<u>—</u>	<u>—</u>	<u>97.9</u>	<u>112.9</u>

#### 18. Deposits

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Deposits paid for acquisitions in respect of				
— Property, plant and equipment .....	86.2	3.4	231.7	211.3
— Land use rights .....	—	47.7	—	—
	<u>86.2</u>	<u>51.1</u>	<u>231.7</u>	<u>211.3</u>

#### 19. Interest in an associate

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Cost of investment .....	7.8	7.8	7.8	7.8
Share of post-acquisition profits and other comprehensive income .....	31.5	40.0	37.4	41.0
	<u>39.3</u>	<u>47.8</u>	<u>45.2</u>	<u>48.8</u>

The cost of investment in an associate represents the Group's contribution to 25% registered capital of Wuhan Xinfu which is established in the PRC and engaged in manufacturing and sale of jewellery products and became inactive during the year ended 31 March 2011.

The summarised financial information in respect of the Group's associate is set out below:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Total assets	374.0	253.8	190.3	195.5
Total liabilities	(216.8)	(62.8)	(9.6)	(0.3)
Net assets	157.2	191.0	180.7	195.2
Group's share of associate's net assets	39.3	47.8	45.2	48.8

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million	HK\$million
				(unaudited)	
Revenue	433.6	912.6	—	—	—
Profit (loss) for the year/period	5.3	33.8	(18.9)	—	—
Other comprehensive income	9.1	—	8.6	4.0	14.5
Group's share of results of an associate	1.3	8.5	(4.7)	—	—
Group's share of other comprehensive income of an associate	2.3	—	2.1	1.0	3.6
	3.6	8.5	(2.6)	1.0	3.6

## 20. Amounts due from (to) related companies

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Amounts due from related companies:				
Chow Tai Fook Enterprises Limited ("CTF Enterprises") and its fellow subsidiaries (collectively referred to as the "CTF Enterprises Group") <sup>(i)</sup>				
— interest bearing portion <sup>(ii)</sup>	1,466.0	1,095.0	945.0	—
— non-interest bearing portion <sup>(iii)</sup>	668.7	657.3	233.3	—
Entities in which a director of certain subsidiaries of the Company has control				
— interest bearing portion <sup>(iv)</sup>	30.0	110.0	100.0	88.0
	2,164.7	1,862.3	1,278.3	88.0
Analysed for reporting purposes as:				
Non-current assets	30.0	80.0	—	—
Current assets	2,134.7	1,782.3	1,278.3	88.0
	2,164.7	1,862.3	1,278.3	88.0

### Note:

(i) CTF Enterprises is a subsidiary of CTF Holding, which is an immediate holding company of the Company.

(ii) The amounts are unsecured and expected to be settled within 12 months. As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, amounts of HK\$566.0 million, HK\$195.0 million, HK\$45.0 million and HK\$nil,

respectively, carry variable interest rates ranging from 2.5% over Hong Kong Interbank Offered Rate ("HIBOR") to prime rate in Hong Kong, while the remaining balances carry fixed interest rate at 5.0% per annum.

- (iii) As at 31 March 2009, 31 March 2010 and 31 March 2011, the amounts are unsecured, interest-free and expected to be settled within 12 months.
- (iv) The amounts are secured over the property owned by the related companies, the Group is not permitted to sell or repledge the collateral in the absence of default by the debtors. The amounts carry fixed interest rates ranging from 1.0% to 4.80% per annum.

In determining the recoverability of the amounts due from related companies, the Group monitors the changes in credit quality of the amounts due from related companies since credit was granted and up to the reporting date. The directors considered that the amounts due from related companies that are neither past due nor impaired to be of a good credit quality.

	THE GROUP			
	Year ended 31 March			Six months ended 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Maximum outstanding amounts during the year/period:				
CTF Enterprises Group . . . . .	2,205.6	2,308.1	1,765.2	1,178.3
Entities in which a director of certain subsidiaries of the Company has control . . . .	30.0	110.0	110.0	100.0
	<u>2,235.6</u>	<u>2,418.1</u>	<u>1,875.2</u>	<u>1,278.3</u>

The amounts due from related companies are made by subsidiaries in Hong Kong. The directors of the Company are of the opinion that such advances would be ceased upon listing of shares of the Company on the Stock Exchange.

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Amounts due to related companies:				
CTF Enterprises Group				
– interest bearing portion . . . . .	506.5	433.4	380.3	–
– non-interest bearing portion . . . . .	4,220.3	4,206.4	7,453.0	8,435.8
A close family member of a director of the Company . . . . .	–	–	–	14.5
An entity with a common director of the Company . . . . .	–	–	–	8.3
	<u>4,726.8</u>	<u>4,639.8</u>	<u>7,833.3</u>	<u>8,458.6</u>

The interest bearing portion of amounts due to CTF Enterprises Group are unsecured, carries fixed interest rate at 5.0% per annum and repayable on demand, while the remaining balances are unsecured, interest free and repayable on demand.

## 21. Loan receivables

Loan receivables carry fixed interest rates ranging from 2.50% to 3.75% per annum at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011. All loan receivables are made by a subsidiary in Hong Kong and are secured over the property owned by the debtors. The Group is not permitted to sell or repledge the collateral in the absence of default by the debtors.

Loan receivables are classified as current or non-current assets based on contractual terms or the timing of recovery as expected by the management.

In determining the recoverability of the loan receivables, the Group monitors the changes in credit quality of the loan receivables since credit was granted and up to the reporting date. Loan receivables under current assets as at 31 March 2010 included a loan to two private entities of HK\$130.0 million for the purpose of generating interest income, and such amount which was past due since March 2010 but not impaired. The term of such loan was further extended to March 2012 according to the renewed agreement entered into in March 2011. The directors of the Company expect that they are recoverable within 12 months from the date of the respective reporting period. The loan was pledged with certain properties in Hong Kong with market values in excess of the loan amount of HK\$130.0 million. The directors of the Company are of the opinion that such loan would be ceased subsequent to the listing of shares of the Company on the Stock Exchange.

All loan receivables are denominated in functional currency of the relevant group entity.

## 22. Inventories

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Raw materials for:				
Gem-set jewellery .....	1,477.5	1,225.8	2,972.6	8,399.3
Platinum/karat gold products .....	76.1	135.1	103.3	207.7
Gold products .....	490.7	818.8	1,874.0	2,492.2
	<u>2,044.3</u>	<u>2,179.7</u>	<u>4,949.9</u>	<u>11,099.2</u>
Finished goods:				
Gem-set jewellery .....	3,353.8	3,566.5	6,327.0	7,981.6
Platinum/karat gold products .....	457.3	996.9	1,251.4	2,140.2
Gold products .....	1,572.2	1,713.6	3,336.9	5,821.5
Watches .....	664.8	808.8	1,223.6	1,822.9
	<u>6,048.1</u>	<u>7,085.8</u>	<u>12,138.9</u>	<u>17,766.2</u>
Packing materials .....	1.8	9.3	12.0	12.4
	<u>8,094.2</u>	<u>9,274.8</u>	<u>17,100.8</u>	<u>28,877.8</u>

## 23. Trade and other receivables

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Trade receivables .....	540.2	1,053.9	1,632.4	1,956.4
Prepayments to suppliers .....	389.0	861.6	881.1	759.9
Deposits .....	75.7	102.8	107.9	122.8
Prepaid lease payments charged within one year .....	—	—	10.6	11.3
Other tax recoverables .....	215.3	196.8	334.8	438.9
Others .....	145.7	220.7	260.9	216.2
	<u>1,365.9</u>	<u>2,435.8</u>	<u>3,227.7</u>	<u>3,505.5</u>

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, trade receivables of HK\$24.7 million, HK\$49.6 million, HK\$68.6 million and HK\$55.3 million respectively are from entities in which certain directors of the Company have control.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, prepayments of HK\$202.3 million, HK\$585.4 million, HK\$485.8 million and HK\$nil, respectively, are prepayments for

purchase of raw materials to an entity in which certain directors of the Company and their close family members have control.

The Group's sales to retail customers are mainly on cash basis while sales to wholesale customers are mainly on a prepayment basis. For sales through concessionaire counters in department stores, the Group usually allow 30 days credit period to the department stores. The following is an aged analysis of trade receivables at the end of each reporting period based on the invoice date:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
0 to 30 days .....	453.4	941.2	1,376.4	1,733.1
31 to 90 days .....	24.4	70.2	216.8	159.1
91 to 180 days .....	40.9	19.0	3.0	38.7
Over 180 days .....	21.5	23.5	36.2	25.5
	<u>540.2</u>	<u>1,053.9</u>	<u>1,632.4</u>	<u>1,956.4</u>

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the trade receivables that are neither past due nor impaired to be of a good credit quality.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, included in the trade receivable balances are trade receivables with aggregate carrying amount of HK\$68.0 million, HK\$70.7 million, HK\$45.6 million and HK\$79.0 million respectively which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

#### Ageing of trade receivables which are past due but not impaired

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
61 to 90 days .....	5.6	28.2	6.4	14.8
91 to 180 days .....	40.9	19.0	3.0	38.7
Over 180 days .....	21.5	23.5	36.2	25.5
	<u>68.0</u>	<u>70.7</u>	<u>45.6</u>	<u>79.0</u>

#### 24. Convertible bonds

During the six months ended 30 September 2011, the Group invested in an unlisted convertible bonds with principal amount of AUS\$3,000,000, bearing interest at 8% per annum and a maturity date of 31 December 2014 (the "Maturity Date"), issued by a private entity (the "Issuer") which is principally engaged in the agriculture and wholesale of pearls in Australia. The Group is entitled at any time after the date of issue up to the Maturity Date to redeem the convertible notes in cash or pearls or combination of both or convert the convertible notes into ordinary shares of the Issuer. The convertible notes comprised of debt component and embedded derivatives being the conversion option and the Issuer's redemption option. Such convertible bonds are designated as at fair value through profit or loss and in the opinion of the directors of the Company, the fair value of the convertible notes on initial recognition and 30 September 2011 is substantially the same as the carrying amount.

## 25. Derivative financial instruments

The Group uses bullion forward contracts to reduce its exposure to fluctuations in the gold prices on gold inventory. The Group does not currently designate any hedging relationship on the bullion forward contracts for the purpose of hedge accounting.

The bullion forward contracts are measured at fair value at the end of the reporting period. The fair values are determined based on the market prices for equivalent instruments from banks at the end of the reporting period. The notional value of the outstanding bullion forward contracts as at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011 amounted to HK\$nil, HK\$287.7 million, HK\$674.4 million and HK\$2,939.2 million, respectively. As the fair values of outstanding bullion forward contracts as at 31 March 2009, 31 March 2010 and 31 March 2011 were negligible, such amounts were not recognised as at those dates. As at 30 September 2011, the fair value of outstanding bullion forward contracts was HK\$164.7 million.

## 26. Pledged bank deposits/bank balances and cash

The bank deposits carry interest at the prevailing market rate of about 0.01% to 0.36%, 0.01% to 0.36%, 0.01% to 0.36% and 0.36% to 0.50% per annum for the years ended 31 March 2009, 2010, 2011 and the six months ended 30 September 2011 respectively.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, the Group's cash and cash equivalents denominated in RMB were HK\$548.6 million, HK\$1,174.8 million, HK\$2,058.6 million and HK\$1,636.4 million, respectively. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	2011
	HK\$million	HK\$million	HK\$million	HK\$million
US\$ .....	631.1	454.1	428.9	271.4

## 27. Trade and other payables

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	2011
	HK\$million	HK\$million	HK\$million	HK\$million
Trade payables .....	212.3	380.8	384.1	755.1
Deposits received from customers .....	404.1	522.6	1,137.6	1,208.1
Other tax payables .....	10.6	8.3	24.2	188.7
Accruals .....	40.4	134.5	131.1	289.8
Accrued staff costs .....	68.7	120.6	167.7	394.8
Consideration payable for acquisition of a subsidiary (Note 32) .....	—	—	—	150.0
Others .....	79.6	139.9	204.9	151.9
	<u>815.7</u>	<u>1,306.7</u>	<u>2,049.6</u>	<u>3,138.4</u>



The Group normally receives credit terms of 7 to 180 days from its suppliers. The following is an aged analysis of trade payables at the end of each reporting period based on the invoice date:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
0 to 30 days	132.6	102.8	154.1	462.5
31 to 90 days	14.1	222.0	7.0	267.9
91 to 180 days	30.5	33.5	198.1	24.7
Over 180 days	35.1	22.5	24.9	—
	<u>212.3</u>	<u>380.8</u>	<u>384.1</u>	<u>755.1</u>

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, included in the trade payables of HK\$58.7 million, HK\$206.9 million, HK\$187.2 million and HK\$nil, respectively, are amount due to an associate.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, included in the deposits received from customers of HK\$14.5 million, HK\$22.2 million, HK\$28.5 million and HK\$1.9 million, respectively, are in relation to entities in which certain directors of the Company have control.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, included in deposits received from customers of HK\$28.7 million, HK\$60.1 million, HK\$52.8 million and HK\$13.0 million, respectively, are from non-controlling shareholders of subsidiaries.

#### 28. Amounts due to non-controlling shareholders of subsidiaries

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Amounts due to non-controlling shareholders of subsidiaries:				
— Interest bearing portion	7.1	7.1	9.1	29.9
— Non-interest bearing portion	<u>20.8</u>	<u>77.0</u>	<u>155.6</u>	<u>208.7</u>
	<u>27.9</u>	<u>84.1</u>	<u>164.7</u>	<u>238.6</u>

The interest bearing portion is unsecured, carries interest rates of 5.31%, 5.31%, 6.06% and 6.06% per annum at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, respectively, and repayable on demand, while the remaining balances are unsecured, interest free and repayable on demand.

#### 29. Bank borrowings

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Bank loans	<u>113.6</u>	<u>160.3</u>	<u>2,881.0</u>	<u>9,021.7</u>
Secured	—	—	700.0	1,950.0
Unsecured	<u>113.6</u>	<u>160.3</u>	<u>2,181.0</u>	<u>7,071.7</u>
	<u>113.6</u>	<u>160.3</u>	<u>2,881.0</u>	<u>9,021.7</u>

The bank borrowings carry variable interest rates ranging from 0.30% to 1.25% over HIBOR per annum, or 90% to 110% of The People's Bank of China Standard Loan Interest Rate per annum.

As at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, the range of interest rates on the bank borrowings were 5.51%, 2.0% to 4.37%, 0.77% to 5.60% and 0.97% to 6.89% per annum, respectively.

Certain banking facilities were supported by corporate guarantee and/or secured by certain assets owned by CTF Enterprises Group which would be released upon listing of the Company on the Stock Exchange.

All bank borrowings are denominated in functional currency of relevant group entities.

### 30. Gold loans

The amounts represent borrowings from banks and the amounts payable are pegged with gold prices.

Certain gold loans are secured by pledged bank deposits of the Group, corporate guarantee and/or certain listed securities owned by CTF Enterprises which would be released upon listing of the Company on the Stock Exchange. The gold loans carry fixed interest rates of 1.25% to 2.30%, 1.25% to 1.30%, 1.25% to 3.50% and 1.25% to 3.50% per annum as at 31 March 2009, 31 March 2010, 31 March 2011 and 30 September 2011, respectively, with original maturity of 1 to 12 months from date of inception.

Gold loans were borrowed to reduce the impact of fluctuations in gold prices on gold inventories. However, the criteria for hedge accounting were not fully met. Gold loans were designated as financial liabilities at fair value through profit or loss.

Included in gold loans are the following amounts denominated in currencies other than functional currency of the relevant group entities:

	<b>THE GROUP</b>			
	<b>At 31 March</b>			<b>At 30 September</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011</b>
	<b>HK\$million</b>	<b>HK\$million</b>	<b>HK\$million</b>	<b>HK\$million</b>
US\$ .....	<u>1,740.2</u>	<u>1,590.9</u>	<u>2,024.0</u>	<u>2,645.1</u>

### 31. Paid-in/share capital

The Company was incorporated and registered as an exempted company in the Cayman Islands on 20 July 2011 with an authorised share capital of US\$50,000 divided into 50,000 shares of a nominal or par value of US\$1 each. Upon incorporation of the Company, one share of US\$1 was issued at US\$1.

The paid-in capital of the Group at 1 April 2008 represented the paid-in capital of CTF Jewellery, Gold Kind, East Concept, Texon, Techni, Shanghai Fulong, Wuhan Hanfu, Shunde CTF, Shenzhen CTF, Fook Kwan, Hong Ieng and CTF Taiwan.

The paid-in capital of the Group at 31 March 2009 represented the paid-in capital of CTF Jewellery, Solomon Watch, Gold Kind, East Concept, Texon, CTF Diamond, Techni, Markson, Shanghai Fulong, Wuhan Hanfu, Shunde CTF, Shenzhen CTF, Sky Creator, Fook Kwan, CTF Macau, Hong Ieng and CTF Taiwan.

The paid-in capital of the Group at 31 March 2010 represented the paid-in capital of CTF Jewellery, Solomon Watch, Gold Kind, East Concept, Texon, CTF Diamond, Techni, Shanghai Fulong, Wuhan Hanfu, Shunde CTF, Shenzhen CTF, Fook Kwan, CTF Macau, Hong Ieng and CTF Taiwan.

The paid-in capital of the Group at 31 March 2011 represented the paid-in capital of CTF Jewellery, Gold Kind, East Concept, Texon, Aesthetics, CTF Diamond, Techni, Shanghai Fulong, Wuhan Hanfu, Shunde CTF, Shenzhen CTF, Fook Kwan, CTF Macau, Hong Ieng and CTF Taiwan.

The share capital of the Group at 30 September 2011 represented the share capital of the Company.

32. Acquisition of subsidiaries

In May 2010, the Group acquired 50% of registered capital of Beijing Dade Xinfu for a consideration of HK\$5.7 million from an associate. After the acquisition and pursuant to the terms of the supplementary joint-venture agreement, the Group obtained the control over the operating and financing activities of Beijing Dade Xinfu. This acquisition has been accounted for using the acquisition method. The amount of discount on acquisition is HK\$17.2 million. Beijing Dade Xinfu is engaged in sale of jewellery products and acquired for continuous expansion of the Group's business in the PRC.

In September 2011, for the purpose of enhancing the Group's vertical integration, the Group acquired the entire equity interests of the following three entities, using acquisition method:

- (a) American Overseas, a company incorporated in Delaware, for a consideration of HK\$14.5 million from a close family member of a director of the Company. American Overseas is an investment holding company and owns 84% equity interests of Zlotowski, a company incorporated in South Africa and is engaged in diamond cutting and polishing;
- (b) Lun Jiao, a company incorporated in Hong Kong, for a consideration of HK\$150.0 million. Lun Jiao is an investment holding company and owns entire equity interests of Yushunfu, a company established in the PRC and is engaged in manufacturing of jewellery products;
- (c) Bojuehang, a company incorporated in the PRC, for a consideration of HK\$24.4 million, from an entity with common director of the Company and is engaged in manufacturing of jewellery products.

Details of consideration of each acquisition during the Track Record Period are as follows:

	Year ended 31 March 2011	Six months ended 30 September 2011		
	Beijing Dade Xinfu HK\$million	American Overseas HK\$million	Lun Jiao HK\$million	Bojuehang HK\$million
Consideration satisfied by cash .....	<u>5.7</u>	<u>14.5</u>	<u>150.0</u>	<u>24.4</u>

The consideration for acquisition of American Overseas and Bojuehang are not yet paid as at 30 September 2011 and is included in amounts due to related companies, while consideration payable for acquisition of Lun Jiao is included in other payables as at 30 September 2011.

Assets acquired and liabilities recognised at the respective dates of acquisition are as follows:

	Year ended	Six months ended		
	31 March 2011	30 September 2011		
	Beijing Dade Xinfu	American Overseas	Lun Jiao	Bojuehang
	HK\$million	HK\$million	HK\$million	HK\$million
Property, plant and equipment .....	0.3	16.4	122.6	3.5
Prepaid lease payment .....	—	—	16.7	—
Amount due from a related company .....	—	—	—	16.1
Inventories .....	35.2	168.7	—	—
Trade and other receivables .....	6.7	24.2	2.3	0.6
Bank balances and cash .....	8.7	7.6	29.8	6.1
Trade and other payables .....	(1.1)	(3.7)	(21.2)	(1.7)
Taxation payable .....	—	(1.1)	(0.4)	(0.2)
Amount due to a group company .....	—	(197.9)	(0.5)	—
Bank borrowings .....	(4.0)	—	—	—
	<u>45.8</u>	<u>14.2</u>	<u>149.3</u>	<u>24.4</u>

In the opinion of the directors of the Company, the fair value of the receivables acquired (which principally comprised trade and other receivables) approximates to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables are expected to be collected.

	Year ended	Six months ended		
	31 March 2011	30 September 2011		
	Beijing Dade Xinfu	American Overseas	Lun Jiao	Bojuehang
	HK\$million	HK\$million	HK\$million	HK\$million
Consideration transferred .....	5.7	14.5	150.0	24.4
Plus: Non-controlling interests (Note a) .....	22.9	2.3	—	—
Less: Fair values of identified net assets acquired .....	(45.8)	(14.2)	(149.3)	(24.4)
(Discount) goodwill arising on acquisitions (Note b) .....	(17.2)	2.6	0.7	—
Net cash inflow on acquisition				
Cash and cash equivalent balances acquired .....	8.7	7.6	29.8	6.1
Less: Cash considerations paid .....	(5.7)	—	—	—
	<u>3.0</u>	<u>7.6</u>	<u>29.8</u>	<u>6.1</u>

Notes:

- (a) The non-controlling interests are measured at their proportionate share of the fair value of net assets acquired.  
(b) Discount on acquisition was recognised as other income for the year ended 31 March 2011. Goodwill arising on acquisitions were written off to other expenses upon recognition.

Profit and turnover attributable to the respective acquisitions during Track Record Period are as follows:

	Year ended	Six months ended		
	31 March 2011	30 September 2011		
	Beijing Dade Xinfu	American Overseas	Lun Jiao	Bojuehang
	HK\$million	HK\$million	HK\$million	HK\$million
Profit .....	<u>14.6</u>	—	—	—
Turnover .....	<u>79.3</u>	—	—	—

Had the acquisition of Beijing Dade Xinfu been completed on 1 April 2010, total group turnover and profit for the year ended 31 March 2011 would have been HK\$35,063.1 million and HK\$3,675.3 million, respectively. Had the acquisition of American Overseas, Lun Jiao and Bojuehang been completed on 1 April 2011, total group turnover and profit for the six months ended 30 September 2011 would have been HK\$23,884.2 million and HK\$2,836.7 million, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the above acquisitions been completed on 1 April 2010 and 1 April 2011, respectively, nor is it intended to be a projection of future results.

### 33. Operating lease commitments

#### The Group as lessee

At the end of each reporting period, the Group was committed to make the following future minimum lease payments which represent lease payments of its rented premises and loyalty fees of certain trademarks, under non-cancellable operating leases which fall due as follows:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
HK\$million	HK\$million	HK\$million	HK\$million	
Within one year . . . . .	229.6	362.6	380.0	508.3
In the second to fifth year inclusive . . . . .	301.6	451.8	437.4	606.6
Over five years . . . . .	3.4	49.4	29.8	19.8
	<u>534.6</u>	<u>863.8</u>	<u>847.2</u>	<u>1,134.7</u>

Included in above are commitments to entities in which certain directors of the Group have control:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
HK\$million	HK\$million	HK\$million	HK\$million	
Within one year . . . . .	3.6	6.4	2.6	3.6
In the second to fifth year inclusive . . . . .	—	7.9	6.5	5.6
	<u>3.6</u>	<u>14.3</u>	<u>9.1</u>	<u>9.2</u>

Majority of leases are negotiated and rentals are fixed for lease term ranging from 1 year to 4 years. Operating leases in respect of loyalty fees are fixed for lease term ranging from 2 years to 5 years.

There are certain lease arrangements, according to which the Group are committed to pay either minimum guaranteed amounts or monthly payments equivalent to a prescribed percentage of monthly sales as rented, whichever the higher.

## 34. Capital commitments

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	2011
	HK\$million	HK\$million	HK\$million	HK\$million
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for .....	—	—	—	302.4
Capital expenditure contracted for but not provided in the financial statements in respect of the:				
— acquisition of property, plant and equipment .....	28.5	22.2	30.0	71.8
— acquisition of land use rights .....	—	43.4	—	—
	<u>28.5</u>	<u>65.6</u>	<u>30.0</u>	<u>71.8</u>

## 35. Retirement benefits scheme

## Defined contribution scheme

The Group participates in defined contribution schemes which are registered under the Hong Kong Occupational Retirement Scheme Ordinance (the "ORSO" Scheme) and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefit cost charged to the consolidated statement of comprehensive income represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The maximum monthly amount of contribution is limited to HK\$1,000 per employee.

The eligible employees of the Company's subsidiaries in the PRC and Macau are members of pension schemes operated by PRC local government and the Macau government, respectively. The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of the payroll of these employees to the pension schemes to fund the benefits. The subsidiary in Macau is required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contribution under the schemes.

## Defined benefit scheme

Certain subsidiaries of the Company provide defined pension benefits to the employees, who joined to these subsidiaries before 1995. The amount payable is dependent on the employees' final salary and years of services. The Group does not set aside any assets to fund such obligations.

Under the scheme, the employees are entitled to a pension between 25% and 40% of final salary for each year of pensionable service at an age of 65. No other post-retirement benefits are provided.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out in June 2011 and September 2011 respectively by Towers Watson Hong Kong Limited ("Towers Watson"), Fellow of the Institute of Actuaries, using the projected unit credit method. The principal place of business of Towers Watson is 27/F and 29/F, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong. The assumptions which have the most significant effect on the results of the valuation are discount rate, retirement rate, turnover rate, mortality rate and the rate of increase in salaries.

The main actuarial assumptions used were as follows:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
Discount rate .....	2.0%	2.9%	2.9%	2.4%	1.4%
Expected rate of salary increase .....	3.5%	3.5%	3.5%	3.5%	3.5%
Turnover rate .....	0%	0%	0%	0%	0%

Amounts recognised in profit or loss in respect of the defined benefit pension scheme are as follows:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
Current service cost .....	2.9	3.1	2.6	0.6	1.1
Interest on obligation .....	4.6	3.6	4.6	1.3	2.3
Actuarial loss (gain) .....	12.6	(19.6)	(1.7)	9.7	28.5
	<u>20.1</u>	<u>(12.9)</u>	<u>5.5</u>	<u>11.6</u>	<u>31.9</u>

The charge for the Track Record Period has been included in consolidated statement of comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit contribution obligations is as follows:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
Present value of defined benefit contribution obligations .....	183.8	164.0	162.6	190.9

Movements in the present value of the defined benefit contribution obligations are as follows:

	THE GROUP			
	At 31 March			At 30 September 2011
	2009	2010	2011	
	HK\$million	HK\$million	HK\$million	HK\$million
At beginning of the year/period .....	170.5	183.8	164.0	162.6
Service costs .....	2.9	3.1	2.6	1.1
Interest costs .....	4.6	3.6	4.6	2.3
Actuarial loss (gain) .....	12.6	(19.6)	(1.7)	28.5
Benefits paid .....	(6.8)	(6.9)	(6.9)	(3.6)
At end of the year/period .....	<u>183.8</u>	<u>164.0</u>	<u>162.6</u>	<u>190.9</u>

## 36. Related party transactions

- (i) Other than the transactions and balances disclosed elsewhere in the Financial Information, the Group had entered into the following related party transactions during the Track Record Period:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$million	HK\$million	HK\$million	HK\$million (unaudited)	HK\$million
<u>Continuing related party transactions:</u>					
Advertising expenses paid to entities in which certain directors of the Company have control .....	6.3	5.6	7.0	2.5	2.1
Concessionaire fees paid to entities in which certain directors of the Company have control .....	73.8	81.8	114.2	39.2	66.2
Concessionaire fees paid to non-controlling shareholders of subsidiaries .....	6.1	10.2	13.6	5.8	9.9
Engineering services fee paid to entities in which certain directors of the Company have control .....	5.0	12.4	8.6	3.7	3.6
Rental expenses paid to entities in which certain directors of the Company have control .....	50.6	57.5	79.6	36.5	44.9
Sales of goods to non-controlling shareholders of subsidiaries .....	23.2	55.6	36.8	16.4	30.0
<u>Discontinued related party transactions:</u>					
Interest income received from					
– CTF Enterprises Group .....	58.5	53.2	46.7	24.3	22.6
– Entity in which a director of certain subsidiaries of the Company has control .....	1.2	3.3	4.7	3.0	1.2
Sub-contracting fee paid to the companies in which the key management personnel of the Company has significant voting power .....	119.6	137.8	182.2	90.1	126.2
Purchase of raw materials from an entity in which certain close family members of certain directors of the Company have control .....	418.9	356.0	482.7	292.3	304.6
Purchase of goods from an associate .....	492.2	909.2	—	—	—
Sales of goods to an associate .....	73.4	4.9	—	—	—
Interest expense paid to CTF Enterprises Group .....	27.6	21.7	18.6	9.3	7.9
Consideration paid for acquisition of a subsidiary to an associate .....	—	—	5.7	5.7	—
Consideration paid for acquisition of a subsidiary to a close family member of a director of the Company .....	—	—	—	—	14.5
Consideration paid for acquisition of a subsidiary to an entity with common director of the Company .....	—	—	—	—	24.4
Consideration paid for acquisition of properties from companies in which certain directors of the Company have control .....	—	11.8	—	—	—
Donation paid to charities in which certain directors of the Company have control .....	158.7	112.8	38.5	20.3	6.5



- (ii) Remuneration paid for key management personnel includes the directors of the Company and key executives as disclosed in note 12.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

- (iii) Save as disclosed in notes 29 and 30, CTF Enterprises Group provided guarantee and pledged certain of its assets in favour of the Group as securities to certain banks for the bank borrowings and gold loans of the Group during the Track Record Period.

#### **F. IMMEDIATE AND ULTIMATE HOLDING COMPANY**

The Company's immediate holding company is CTF Holding, a company which is incorporated in the BVI. The ultimate holding company of the Company is Chow Tai Fook Capital Limited, a company which is incorporated in the BVI.

#### **G. DIRECTORS' REMUNERATION**

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2012, excluding discretionary bonus, is approximately HK\$40.4 million.

#### **H. SUBSEQUENT EVENTS**

The following events took place subsequent to 30 September 2011:

- (a) Pursuant to a resolution of the Company dated 16 November 2011, an interim dividend of HK\$1,200.0 million per share amounting to HK\$1,200.0 million was declared to the then shareholder of the Company.
- (b) The Group obtained an additional bank loan facility of HK\$5.1 billion in November 2011. The loan is supported by corporate guarantee from CTF Holding, which will be released upon listing of shares of the Company on the Stock Exchange, and personal guarantee from Dr. Cheng Kar-Shun, Henry, and secured by certain listed securities owned by CTF Enterprises. The loan carries interest rate at 1.6% over HIBOR per annum and is repayable in 2 years.
- (c) Pursuant to the shareholders' resolutions which were passed on 17 November 2011 and 29 November 2011 to approve the matters set out in the paragraph headed "Resolutions in Writing of Our Shareholders Passed on 17 November 2011 and 29 November 2011" in Appendix V to the Prospectus:
  - (i) the authorised share capital of the Company was increased by HK\$50,000,000,000 by the creation of an additional 50,000,000,000 shares with nominal value of HK\$1.00 each. The Company allotted and issued 780 Shares to CTF Holding (the "New Shares") for aggregate cash consideration of HK\$780. The Company repurchased and cancelled the one issued share of US\$1.00 in the capital of the Company in issue immediately prior to the issue of the New Shares. The authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares with a nominal value US\$1.00 each in the capital of the Company;
  - (ii) conditional on the share premium account of the Company being credited as a result of the allotment and issue of the offer shares pursuant to the global offering of the

Company, the directors of the Company were authorised to capitalise an amount of HK\$8,949,999,220 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 8,949,999,220 shares for allotment and issue to the sole member of the Company whose name appeared in the register of members of the Company at close of business on 15 November 2011 (or as it may direct); and

- (iii) principal terms of the share option scheme were conditionally approved and adopted by the shareholder of the Company. Details are set out in Section D of Appendix V to the prospectus.

#### **I. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 30 September 2011.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong