Chow Tai Fook Jewellery Group Limited

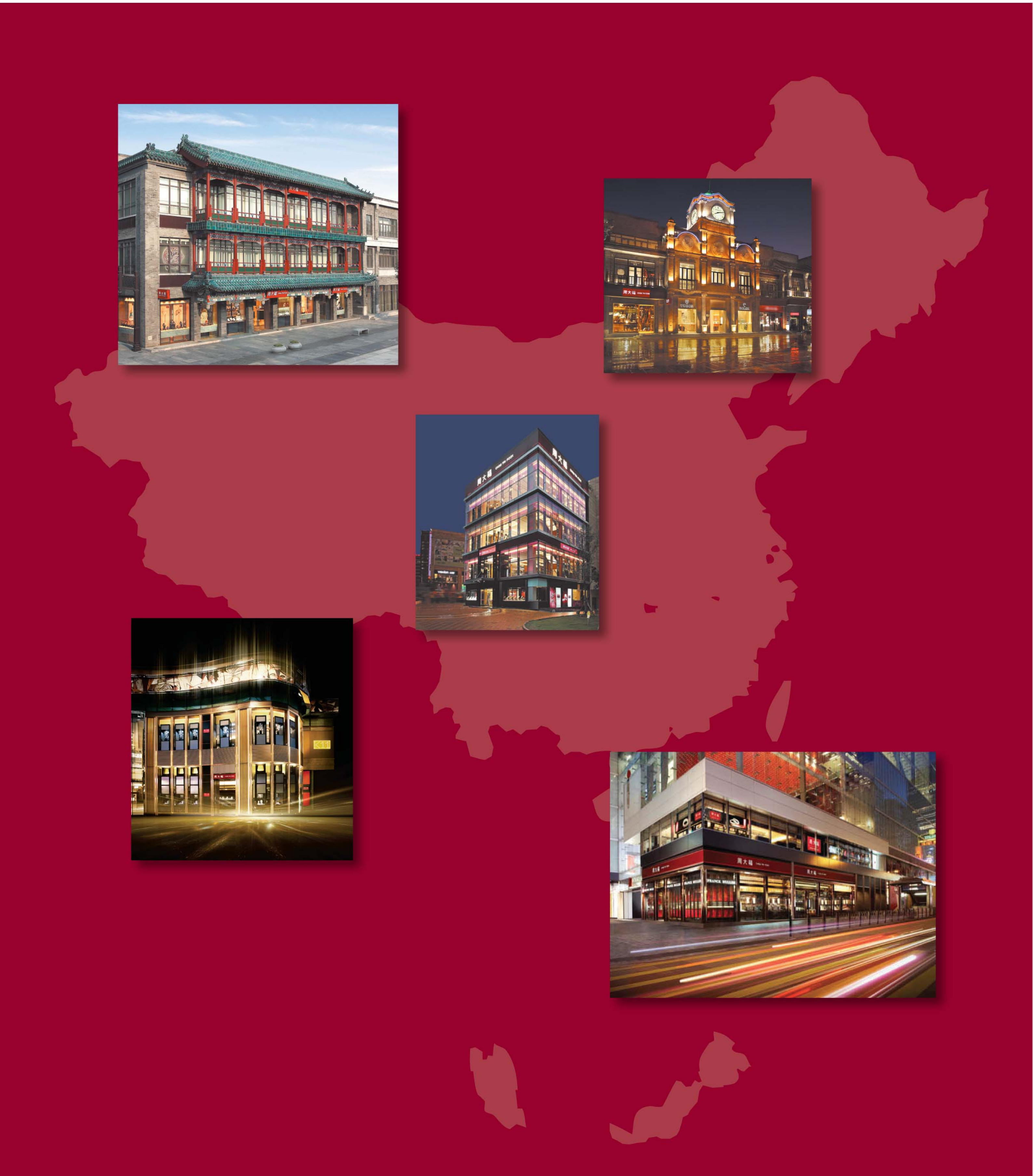
(Incorporated in the Cayman Islands with limited liability)

Stock code: 1929

Global Offering

Joint Global Coordinators	Goldman Sachs · HSBC · J.P.Morgan · Deutsche Bank
Joint Sponsors (In alphabetical order)	Goldman Sachs · HSBC · J.P.Morgan
Joint Bookrunners (In alphabetical order)	citi · Credit Suisse · Deutsche Bank · Goldman Sachs · HSBC · J.P.Morgan · UBS
Financial Advisers	ROTHSCHILD · VMS

Chow Tai Fook has over 1,500 points of sale in the Greater China region and other Asian markets



IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

周大福

CHOW TAI FOOK

CHOW TAI FOOK JEWELLERY GROUP LIMITED

周大福珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**1,050,000,000 Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**52,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of International Offer Shares	**:**	**997,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$21.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$1.00 per Share**
Stock code	**:**	**1929**

Joint Global Coordinators

Goldman Sachs HSBC J.P.Morgan Deutsche Bank

Joint Sponsors
(in alphabetical order)

Goldman Sachs HSBC J.P.Morgan

Joint Bookrunners
(in alphabetical order)

citi CREDIT SUISSE Deutsche Bank Goldman Sachs HSBC J.P.Morgan UBS

Financial Advisers

ROTHSCHILD VMS

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

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (i) to QIBs in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act or (ii) outside the United States in offshore transactions in accordance with Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination".

5 December 2011

EXPECTED TIMETABLE[1]

Latest time for lodging **PINK** Application Forms	12:00 noon on Wednesday, 7 December 2011
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Thursday, 8 December 2011
Application lists open[3]	11:45 a.m. on Thursday, 8 December 2011
Latest time for (i) lodging **WHITE** and **YELLOW** Application Forms, (ii) completing payment under **HK eIPO White Form** service and (iii) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, 8 December 2011
Application lists close[3]	12:00 noon on Thursday, 8 December 2011
Expected Price Determination Date	Friday, 9 December 2011
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Employee Preferential Offer and the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Wednesday, 14 December 2011
(2) Results of allocations in the Hong Kong Public Offering and the Employee Preferential Offer to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares—Publication of Results")	Wednesday, 14 December 2011
(3) A full announcement of the Hong Kong Public Offering and the Employee Preferential Offer containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on our Company's website at **www.chowtaifook.com** from	Wednesday, 14 December 2011
Results of allocations in the Hong Kong Public Offering and the Employee Preferential Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from	Wednesday, 14 December 2011
Despatch of Share certificates on or before[5]	Wednesday, 14 December 2011
Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before	Wednesday, 14 December 2011
Dealings in the Shares expected to commence on	Thursday, 15 December 2011

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 December 2011, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Effect of Bad Weather on the Opening of the Application Lists".

(4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Applying By Giving Electronic Application Instructions to HKSCC via CCASS".

(5) Share certificates for the Hong Kong Offer Shares and the Employee Reserved Shares are expected to be issued on Wednesday, 14 December 2011 but will only become valid if the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Thursday, 15 December 2011. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Employee Reserved Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares", respectively.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering.

This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide whether to invest in the Offer Shares.

OVERVIEW OF OUR BUSINESS

We are the leading jeweller by market share in the PRC as well as in the Hong Kong and Macau jewellery markets, with a market share of 12.6% and 20.1%, respectively, in 2010, according to the Frost & Sullivan Report. Our principal products are mass luxury and high-end luxury jewellery products, including gem-set jewellery, platinum/karat gold products, gold products and watches.

We believe that our iconic brand "周大福" (CHOW TAI FOOK) and our long-standing history of over 80 years of operations represent key competitive advantages of our business. We believe that our brand is recognised for its trustworthiness and authenticity, and that our products are known for their design, quality and value. Our wide range of jewellery products encompasses different raw materials as well as a range of product designs from classic to contemporary and spans the mass luxury market to high-end luxury market.

We have an extensive retail network, with 1,421 jewellery points of sale and 85 watch points of sale as at 30 September 2011. Our self-operated and franchised POS are strategically located in densely populated areas and prime shopping districts, thereby efficiently maximising our brand exposure and recognition. As at 30 September 2011, we had 453 franchised POS which were operated by over 150 franchisees, and amongst our self-operated POS, we had 189 joint-venture POS which were operated by over 20 joint-venture partners. We select our franchisees carefully and require our franchisees to operate the franchised POS according to our standards and consistent with our branding and marketing guidelines. We monitor the sales performance and inventory level of our franchised POS and also provide staff training. As at 30 September 2011, 862 out of 1,053 of our self-operated POS were operated as Concessionaire Counters.

We have an effective vertically integrated business model that gives us centralised and tight control over our processes, from raw material procurement, design, production and marketing to sales through our extensive retail network. We have an award-winning in-house design team, two specialised procurement departments and a total of twelve factories, nine jewellery factories and three diamond cutting and polishing factories. Our design team, procurement departments and factories employ over 6,000 employees. Our vertically integrated business model allows us to monitor and control the quality of our products, gives us the ability to respond quickly to our customers' needs and preferences, and serves as the backbone for our future growth. We also benefit from operational efficiencies that often translate into more competitive pricing for our products, which benefits our customers as well as attracts more customers, both new and repeat customers, to buy our products.

The following table sets forth our turnover by distribution channel and the percentage contribution to our total turnover for the years and periods indicated.

	Year ended 31 March							
	2009	**% of total**	**2010**	**% of total**	**(2009-2010) Growth**	**2011**	**% of total**	**(2010-2011) Growth**
	HK$million		***HK$million***			***HK$million***		
Retail	14,926.1	81.1%	19,523.2	85.1%	30.8%	30,033.1	85.7%	53.8%
Wholesale(1)	3,484.8	18.9%	3,410.4	14.9%	(2.1)%	5,009.4	14.3%	46.9%
Total	**18,410.9**	**100%**	**22,933.6**	**100%**	**24.6%**	**35,042.5**	**100%**	**52.8%**

Note:

(1) Turnover from our wholesale channel refers to sales revenue derived from products sold to our franchisees.

	Six months ended 30 September				
	2010	% of total	2011	% of total	Growth
	HK$million (unaudited)		*HK$million*		
Retail	11,251.1	84.5%	19,611.3	82.1%	74.3%
Wholesale[(1)]	2,063.9	15.5%	4,263.2	17.9%	106.6%
Total	**13,315.0**	**100%**	**23,874.5**	**100%**	**79.3%**

Note:

(1) Turnover from our wholesale channel refers to sales revenue derived from products sold to our franchisees.

The following table sets forth turnover by geographical segments and the percentage contribution of each segment to our total turnover for the years and periods indicated.

	Year ended 31 March							
	2009	% of total	2010	% of total	(2009-2010) Growth	2011	% of total	(2010-2011) Growth
	HK$million		*HK$million*			*HK$million*		
PRC	10,005.2	54.3%	12,629.0	55.1%	26.2%	19,471.8	55.6%	54.2%
Hong Kong, Macau and other Asian markets[(1)]	8,405.7	45.7%	10,304.6	44.9%	22.6%	15,570.7	44.4%	51.1%
Total	**18,410.9**	**100%**	**22,933.6**	**100%**	**24.6%**	**35,042.5**	**100%**	**52.8%**

Note:

(1) For Hong Kong, Macau and other Asian markets, approximately 31.4%, 38.6% and 43.6% of our retail turnover were settled through China UnionPay or in RMB (cash) for FY2009, FY2010 and FY2011, respectively.

	Six months ended 30 September				
	2010	% of total	2011	% of total	Growth
	HK$million (unaudited)		*HK$million*		
PRC	7,520.8	56.5%	13,371.4	56.0%	77.8%
Hong Kong, Macau and other Asian markets[(1)]	5,794.2	43.5%	10,503.1	44.0%	81.3%
Total	**13,315.0**	**100%**	**23,874.5**	**100%**	**79.3%**

Note:

(1) For Hong Kong, Macau and other Asian markets, approximately 42.2% and 49.3% of our retail turnover were settled through China UnionPay or in RMB (cash) for the 1HFY2011 and 1HFY2012, respectively.

The following table sets forth turnover by product types and the percentage contribution of each product type to our total turnover for the years and periods indicated.

	Year ended 31 March							
	2009	% of total	2010	% of total	(2009-2010) Growth	2011	% of total	(2010-2011) Growth
	HK$million		*HK$million*			*HK$million*		
Gem-set jewellery	5,488.5	29.8%	6,625.7	28.9%	20.7%	8,962.9	25.6%	35.3%
Platinum/karat gold products	2,688.3	14.6%	3,574.5	15.6%	33.0%	4,869.4	13.9%	36.2%
Gold products	9,077.9	49.3%	11,124.7	48.5%	22.5%	18,724.7	53.4%	68.3%
Watches	1,156.2	6.3%	1,608.7	7.0%	39.1%	2,485.5	7.1%	54.5%
Total	**18,410.9**	**100%**	**22,933.6**	**100%**	**24.6%**	**35,042.5**	**100%**	**52.8%**

	Six months ended 30 September				
	2010	% of total	2011	% of total	Growth
	HK$million (unaudited)		*HK$million*		
Gem-set jewellery	3,526.4	26.5%	5,642.7	23.6%	60.0%
Platinum/karat gold products	2,125.3	16.0%	3,713.9	15.6%	74.7%
Gold products	6,517.5	48.9%	12,690.4	53.1%	94.7%
Watches	1,145.8	8.6%	1,827.5	7.7%	59.5%
Total	**13,315.0**	**100%**	**23,874.5**	**100%**	**79.3%**

We have grown rapidly during the Track Record Period. Our turnover increased by 24.6% from HK$18,410.9 million in FY2009 to HK$22,933.6 million in FY2010, and further increased by 52.8% to HK$35,042.5 million in FY2011 (representing a CAGR of 38.0%). Our turnover increased from HK$13,315.0 million for 1HFY2011 to HK$23,874.5 million for 1HFY2012, representing an increase of HK$10,559.5 million or 79.3%. Correspondingly, our profit for the year increased by 15.3% from HK$1,914.4 million in FY2009 to HK$2,206.8 million in FY2010, and further increased by 66.4% to HK$3,672.5 million in FY2011 (representing a CAGR of 38.5%). Our profit increased from HK$1,223.2 million for 1HFY2011 to HK$2,820.9 million for 1HFY2012 representing an increase of HK$1,597.7 million or 130.6%.

COMPETITIVE STRENGTHS — HIGHLIGHTS

(i) Iconic and trusted brand with over 80 years of heritage

We have an iconic and trusted brand in the Greater China region. With over 80 years of heritage and our corporate values of "sincerity • eternity", our customers' trust in our brand has stood the test of time. We believe we were one of the first in Hong Kong and Macau to launch 999.9 gold jewellery products in 1956. In 1990, we implemented the "一口價" (Fixed Price) Policy, a policy that implements a suggested retail price for every product. According to an independent market survey on jewellery brands in the PRC by Bain & Company in November 2010, we were ranked along with "Tiffany" and "Cartier" as the "Top Three Brands Most Likely to be Purchased in 2010".

(ii) Loyal, experienced and dynamic management team

The trust which our Company places on our core management team, the bond and comradeship built amongst the team members and their loyalty to our Company set important cultural tones and corporate values for the rest of our workforce. These inspire allegiance towards the Company amongst the new and existing management members and employees.

(iii) Strong growth underpinned by favourable macro and industry backdrop

According to the Frost & Sullivan Report, the forecast CAGR of the PRC's nominal GDP for 2010 to 2015 is 13.5%. During the same period, the retail value of the PRC jewellery market is forecasted to grow at an even faster CAGR of 38.6%. We focus on the mass luxury segment in the PRC which, according to the Frost & Sullivan Report, represented approximately 56.7% of the total jewellery market in the PRC in 2010. The mass luxury segment in the PRC is also forecasted to exhibit the strongest growth prospect (forecasted CAGR for 2010 to 2015 of 39.1%) relative to the rest of the jewellery retail industry in the PRC.

During the Track Record Period, our turnover growth had been higher than that of the jewellery and watch markets in the PRC, and in the Hong Kong, Macau and other Asian markets.

Growth rate comparison	FY2010	FY2011	Six months ended 30 September 2011
The PRC			
The Group	26.2%	54.2%	77.8%
Jewellery and watch markets(1)	24.3%	37.9%	44.7%
Hong Kong, Macau and other Asian markets			
The Group(2)	22.6%	51.1%	81.3%
Jewellery and watch markets(1)	16.9%	39.1%	48.8%
Total			
The Group(2)	24.6%	52.8%	79.3%
Jewellery and watch markets(1)	22.6%	38.1%	45.5%

Source: Data of jewellery and watch markets from the Frost & Sullivan Report as of November 2011.

Notes:

(1) Industry data calendarised to March year end.

(2) The Group's turnover for FY2010 and FY2011 included turnover contribution from our self-operated Taiwan POS which was insignificant. Our POS in Singapore and Malaysia are franchised POS and the corresponding wholesale turnover was recorded in Hong Kong.

We achieved Same Store Sales Growth of 33.8% and 61.9% in FY2011 and 1HFY2012, respectively. We also recorded a net increase of 179 POS on average annually from 1 April 2008 to 31 March 2011, representing a CAGR of 18.3%, and a net increase of 148 POS from 1 April 2011 to 30 September 2011.

BUSINESS STRATEGIES

(i) Continue to recruit, develop and retain talent

We actively pursue a strategy to recruit, develop and retain talented employees by (a) providing them with tailored training programmes and instilling our corporate values of "sincerity • eternity" into them, (b) aligning employees' compensation and incentives with their performance and (c) providing them with a clear career path with opportunities for additional responsibilities and promotions.

(ii) Increase Same Store Sales and continue to encourage repeat customer purchases

We target to achieve this by (a) strengthening our customer loyalty programme, (b) optimising the product mix at our POS and stepping up our efforts to promote higher value products and (c) reinforcing our corporate values to strengthen customers' confidence in the "周大福" (CHOW TAI FOOK) brand.

(iii) Further expand our jewellery POS network and geographical footprint in the Greater China region

We will continue to expand our jewellery business coverage in the Greater China region, particularly in Tier II cities, Tier III cities and Tier IV cities in the PRC. Currently, we have penetrated into only less than half of the 712 cities (including municipalities, prefecture-level cities and county-level cities) in the PRC and envision huge potential in the Greater China market. With plans to reach over 2,000 jewellery POS by 2016, we aim to open a net of approximately 200 jewellery POS per year, by opening wholly-owned POS and collaborating with joint-venture partners and franchisees to leverage on their local relationships.

(iv) Focus on diversifying our sales channels to broaden our customer base

We will focus on diversifying our sales channels, such as e-commerce channels, jewellery auctions and strategic distribution partnerships with prominent companies, to increase our access to a broader base of customers.

(v) Further enhance our upstream vertical integration business model

We will continue to strengthen our status as a preferred business partner with key suppliers such as the DTC and Rio Tinto, and explore additional opportunities in procuring high quality raw materials. We will also invest in and continue to improve our design and production capabilities.

(vi) Further enhance the synergy between our jewellery business and our watch business

We intend to expand our watch brand portfolio through increased cooperation with international watch suppliers and brands to retail additional mid- to high-end watch brands. For those POS which sell both jewellery products and watches, we aim to increase cross-selling in order to maximise Same Store Sales.

We believe the above measures, building on our competitive strengths, will allow us to achieve substantial growth. We aim to sustain our growth through, among others, POS expansion, Same Store Sales growth and continual enhancement of our product portfolio.

RISK FACTORS

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors". You should read that entire section carefully before you decide to invest in the Offer Shares.

We manage commodity price risks mainly by hedging gold price fluctuations through gold loan arrangements and bullion forward contracts, and passing on price increases to our customers through higher selling prices. The fair value changes of our gold loans for FY2009, FY2010, and FY2011, 1HFY2011 and 1HFY2012 were HK$17.8 million, HK$483.8 million, HK$725.7 million, HK$413.6 million and HK$343.4 million, respectively. Changes in the fair value of gold loans and bullion forward contracts affect the cost of goods sold as they reflect our methods to hedge the risk of price changes in our gold inventory. Please see the sections headed "Risk Factors — Risks Related to Our Business — Fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition", "Financial Information — Indebtedness — Gold Loans" and "Financial Information — Quantitative and Qualitative Analysis about Market Risk — Commodity price risk management".

Our sales may be affected by seasonality as a result of the event-driven nature of the jewellery retail business. Please see the sections headed "Risk Factors — Risks Related to our Business — Our sales may be affected by seasonality" and "Financial Information — Principal Factors Affecting our Results of Operations — Seasonality".

SUMMARY

SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND STATEMENTS OF FINANCIAL POSITION LINE ITEMS

	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	18,410.9	22,933.6	35,042.5	13,315.0	23,874.5
Gross profit	5,326.0	6,555.0	9,927.6	3,701.2	7,140.9
Profit for the year/period	1,914.4	2,206.8	3,672.5	1,223.2	2,820.9
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

	As at 31 March			As at 30 September
	2009	2010	2011	2011
	HK$million	HK$million	HK$million	HK$million
Current assets	13,504.3	15,961.6	27,503.2	36,186.8
Current liabilities	7,783.8	8,510.9	17,213.2	26,575.0
Net current assets	5,720.5	7,450.7	10,290.0	9,611.8
Net assets	6,441.9	8,335.4	11,672.9	11,416.6
Total assets	14,409.5	17,010.3	29,048.7	38,182.5

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	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 cash flows before movements in working capital	2,505.6	3,394.1	5,630.7	2,081.9	4,070.3
Change in working capital usage	(1,036.7)	(1,771.1)	(7,513.4)	(5,784.7)	(10,685.1)
Income tax paid	(365.5)	(399.0)	(729.6)	(216.8)	(403.9)
Net cash from (used in) operating activities	1,103.4	1,224.0	(2,612.3)	(3,919.6)	(7,018.7)
Net cash (used in) from investing activities	(2,851.1)	308.2	(75.9)	(229.7)	812.0
Net cash from (used in) financing activities	1,217.4	(716.1)	6,107.3	4,412.9	3,753.0
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 financial 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 financial year/period, representing bank balances and cash	1,289.9	2,106.7	5,604.8	2,390.3	3,205.4

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following the completion of the Global Offering and the Capitalisation Issue, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, CTF Holding, in which CTF Capital holds an approximate 74.1% interest, will hold 8,950,000,000 Shares (representing 89.5% of the enlarged issued share capital of the Company). CYT Family Holdings and CYT Family Holdings II in turn hold approximately 49.0% and 40.2% interest in CTF Capital, respectively. Please refer to the section headed "Relationship with our Controlling Shareholders" for details.

OFFERING STATISTICS

Market capitalisation at Listing	:	HK$150.0 billion to HK$210.0 billion
Offer size	:	Initially 10.5% (excluding Shares to be offered pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option) of the enlarged issued share capital of the Company
Offer Size Adjustment Option	:	Up to 2.1% of the enlarged issued share capital of the Company
Over-allotment Option	:	Up to 1.58% (assuming the Offer Size Adjustment Option is not exercised) and up to 1.89% (assuming the exercise of the Offer Size Adjustment Option in full) of the enlarged issued share capital of the Company
Offer Price per Share	:	HK$15.00 to HK$21.00 per Share
Board lot	:	200 Shares
Offering structure	:	95% International Offering and 5% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option) Employee Preferential Offer (7% of Hong Kong Public Offering)
Use of proceeds (assuming the Offer Size Adjustment Option and Over-allotment Option are not exercised and assuming an Offer Price of HK$18.00 per Share (being the mid-point of the indicative Offer Price range))	:	Net proceeds to the Company from the issue of new Shares: HK$18,336.8 million, after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and estimated expenses payable by the Company • Approximately 50.0% of the net proceeds will be used for sourcing and procurement of raw materials and inventory, which include rough and polished diamonds, gemstones, precious metals and watches to support the expansion of our operations

- Approximately 18.5% of the net proceeds will be used for the repayment of the remaining portion of the Related Party's Loans

- Approximately 18.0% of the net proceeds will be used for repayment in full of the HK$3,300.0 million Pre-IPO Bank Loan Facility, which is the funding facility for the purpose of the Pre-IPO Dividend

- Approximately 5.0% of the net proceeds will be used for the refurbishment of our new and existing POS and the acquisition of properties as wholly-owned POS

- Approximately 5.0% of the net proceeds will be used to purchase production and research and development equipment and for the construction of our new office building in Shenzhen

- The remaining amount will be used for working capital and other general corporate purposes

As each of the Offer Size Adjustment Option and the Over-allotment Option is granted by the Selling Shareholder, and not the Company, the Company will not receive any proceeds from any exercise of the Offer Size Adjustment Option or the Over-allotment Option.

PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2012

On the bases and assumptions set out in "Appendix III — Profit Forecast" and, in the absence of unforeseen circumstances, certain profit forecast data of the Group for the year ending 31 March 2012 are set out below:

Forecast consolidated profit attributable to the owners of the Company for the year ending 31 March 2012(1)	not less than HK$6,300.0 million
Unaudited forecast earnings per Share on a pro forma basis for the year ending 31 March 2012(2)	not less than HK$0.63

Notes:

(1) Please also see the section headed "Risk Factors — Risks Related to our Business — The potential impact of any future fluctuation in the prices of gold and platinum on our profit forecast is unclear".

(2) The unaudited forecast earnings per Share on a pro forma basis is calculated by dividing the forecast consolidated profit attributable to the owners of the Company for the year ending 31 March 2012 by 10,000,000,000 Shares as if such Shares had been issued on 1 April 2011. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Global Offering but excludes any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the issue mandate, or any Shares which may be repurchased pursuant to the repurchase mandate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share(1):	
Based on an Offer Price of HK$15.00 per Offer Share	HK$2.62
Based on an Offer Price of HK$21.00 per Offer Share	HK$3.24

Note:

(1) Please see "Appendix II—Unaudited Pro Forma Financial Information" for further details regarding the assumptions used and the calculation method.

PRE-IPO DIVIDEND AND INTERIM DIVIDEND

During 1HFY2012, a dividend in the amount of HK$3,300.0 million (the **"Pre-IPO Dividend"**) was declared and distributed to CTF Holding, our Controlling Shareholder. The Pre-IPO Dividend was fully financed by a term loan of HK$3,300.0 million from the Joint Global Coordinators and their affiliated entities (the **"Pre-IPO Bank Loan Facility"**). The Pre-IPO Bank Loan Facility is subject to an interest rate which is HIBOR (Hong Kong Interbank Offer Rate) plus 0.85% per annum for the first six months after signing and 1.4% per annum thereafter. Interest shall accrue upon utilisation of the Pre-IPO Bank Loan Facility. For more details of the Pre-IPO Dividend, our historical dividends and the Pre-IPO Bank Loan Facility, please refer to the sections headed "Financial Information — Indebtedness — Bank borrowings — Pre-IPO Bank Loan Facility" and "Financial Information — Dividends and Dividend Policy".

In addition, on 16 November 2011, our Board declared an interim dividend in the amount of HK$1,200.0 million for 1HFY2012 (the **"Interim Dividend"**) to CTF Holding, our Controlling Shareholder. The Interim Dividend will be paid out of our distributable profits and will be financed by our cash flows from our operations or available internal cash resources. We are satisfied, after due and careful inquiry, that after the payment of the Interim Dividend, we will have sufficient working capital available to satisfy our requirements for at least 12 months after the Listing. Please refer to the section headed "Financial Information — Dividends and Dividend Policy" for further details of the Interim Dividend.

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, the discussions of our business strategies and expectations concerning future operations, margins, profitability, liquidity and capital resources, the future development of our industry and the future development of the general economy of our key markets and any statements preceded by, followed by or that include words and expressions such as "expect", "seek", "believe", "plan", "intend", "estimate", "project", "anticipate", "may", "will", "would" and "could" or similar words or statements, as they relate to the Group or our management, are intended to identify forward-looking statements.

These statements are based on many assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflect our current views with respect to future events are not a guarantee of future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, among others, the risks associated with:

- the strength of our brand;
- economic conditions and consumer confidence, especially those of the PRC, Hong Kong and Macau;
- a decrease in the number of tourists travelling to Hong Kong and Macau;
- changes in market trends and consumer preferences;
- competition from our competitors as well as new entrants to the markets in which we operate;
- securing suitable locations for our new POS;
- our ability to renew all our existing leases or concessionaire agreements for our POS;
- fluctuations in prices, or any unavailability, of the raw materials that we use in our products; and
- the other factors referenced in this prospectus, including, without limitation, under the sections headed "Risk Factors", "Business" and "Financial Information".

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in this Global Offering (the "**Relevant Parties**"). No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Shares. No responsibility is accepted by us or by any of the Relevant Parties for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

An investment in our Shares involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the Shares. The occurrence of any of the following events could harm us. If any of these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

We depend on the strength of our "周大福" (CHOW TAI FOOK) brand, and any deterioration in our brand could have an adverse effect on our sales, profitability and the implementation of our growth strategy.

We consider our "周大福" (CHOW TAI FOOK) brand to be one of our most important assets. We derive substantially all of our turnover from sales of our jewellery products, which rely on the strength of our brand. The strength of our brand is based on our reputation for providing authentic and high quality products with superior craftsmanship, complemented by consistent customer service across all of our POS. Our image is also built on our ability to control the perception of our brand, our product designs, the materials used to make our products, the presentation and quality of our products, the image of the stores in which our products are sold and the effectiveness of our brand messaging.

Failure to manage any of the above factors or the failure of our promotion and other activities to distinguish and further strengthen our brand could adversely affect the value and perception of our brand and image, as well as our ability to maintain existing or attract new customers. In addition, any failure to maintain effective quality control over our products could adversely affect our reputation and brand. Should our brand or image deteriorate, we may not be able to maintain our current prices and/or sales volumes or introduce new products or enter new markets, which may materially and adversely affect our business, results of operations, financial condition and our growth strategies.

Challenging economic conditions and economic uncertainty over a prolonged period of time could adversely affect our sales or growth.

We are a retailer of discretionary products and our turnover is particularly sensitive to changes in economic conditions and consumer confidence, especially those in the PRC, Hong Kong and Macau, where most of our turnover is generated. Consumer confidence is affected by, among other factors, general business conditions, stock market and real estate market conditions, as well as by current and expected future global or regional macroeconomic conditions such as employment rates, inflation and interest rates. Due partly to the economic slowdown in 2008 and 2009, our sales for FY2010 grew at a slower pace than our historical sales growth rate. For FY2010, our turnover grew 24.6% while our turnover grew at a CAGR of 38.0% between FY2009 and FY2011. Moreover, our Same Store Sales Growth for FY2010 was 15.6%, which was lower than the 33.8% recorded for FY2011 due to the impact of the global financial crisis on the economy in 2009.

Although recent data have not shown any deterioration in consumer purchases, we cannot assure you that consumer demand will not be impacted by the continuing weakness in the global economic condition or any future deterioration of economic condition in the PRC. In the event that our competitors react to any declines in consumer confidence by reducing retail prices, our ability to maintain our market share may be adversely impacted, and we may have to intensify our marketing efforts in order to compete effectively. Such efforts, such as more aggressive promotions, or reduction of our retail prices to respond to price competition, may materially and adversely affect our business, results of operations and financial condition.

A decrease in the number of tourists travelling to Hong Kong and Macau could negatively impact our sales, profitability and financial position.

PRC tourists constitute the largest single customer group for our sales in Hong Kong and Macau, as evidenced by the fact that approximately 43.6% and 49.3% of our retail turnover in Hong Kong and Macau were settled via China UnionPay or in RMB (cash) during FY2011 and 1HFY2012, respectively. The growth in travel from the PRC to Hong Kong and Macau has contributed to increased sales of our products in Hong Kong and Macau over the past decade. A significant portion of our customers from the PRC who make purchases in Hong Kong and Macau are tourists, and the travel industry is highly susceptible to certain kinds of events that can negatively affect demand for travel to Hong Kong and Macau, including changes in PRC government policies on granting tourist visas to enter Hong Kong and Macau; outbreaks of contagious diseases such as SARS, avian flu, swine flu or similar epidemics; or natural disasters. Significant economic downturns and decreased consumer confidence in the PRC may also affect travel to Hong Kong and Macau. To the extent that the travel industry is impacted by events that adversely affect tourism to Hong Kong and Macau, our product sales in Hong Kong and Macau could decline significantly, which could have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition.

Our raw materials, which amounted to HK$11,099.2 million as at 30 September 2011, include, among others, diamonds, gemstones, platinum and gold. Our purchases of gold, diamonds and platinum together represents the largest component of our cost of sales, and fluctuations in the prices of these raw materials can have a significant effect on our business, results of operations and financial condition. In particular, gold and diamond prices have significantly increased over the Track Record Period. Over the period from 2007 to October 2011, the price of gold commodity has risen from an annual/period average of US$695.0 per ounce to approximately US$1,632.0 per ounce, according to the Frost & Sullivan Report. For polished diamonds, the average price in 2009 decreased by 15.5% compared to 2008, but the average price in 2010 increased by 13.9% compared to 2009 and the average price for the first ten months of 2011 increased by 26.3% compared to 2010. For more details on the commodity prices, please see the section “Industry Overview — Overview of Raw Materials Prices”.

We manage commodity price risks mainly by hedging gold price fluctuations through gold loan and bullion forward contracts, and by passing on price increases to our customers through higher selling prices. Changes in the fair value of gold loans and bullion forward contracts affect cost of goods sold as they reflect our methods to hedge the risk of price changes in our gold inventory. The fair value changes of gold loans included in the cost of goods sold for FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012 were HK$17.8 million, HK$483.8 million, HK$725.7 million, HK$413.6 million and HK$343.4 million, respectively. The (gain)/loss on bullion forward contracts included in cost of goods sold for FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012 were HK$nil, HK$(6.7) million, HK$224.6 million, HK$123.0 million and HK$151.7 million, respectively. For more details on our gold loan and bullion forward contracts, please see the sections headed “Financial Information — Indebtedness — Gold Loans” and “Financial Information — Quantitative and Qualitative Analysis about Market Risk — Commodity Price Risk Management”. We do not conduct hedging of our other raw materials as no established hedging instruments are available for certain raw materials, such as diamonds, that we use in our products.

Gold prices have increased significantly over the past few years. Although we hedge the risks of price fluctuations in gold through gold loan arrangements and bullion forward contracts, there is no guarantee that we will be able to continue to do so in the future at a reasonable cost or at all.

Gold prices may be affected by a number of factors, such as (i) industrial and jewellery demand, (ii) lending, sales and purchases of gold by government agencies (including central banks) and multilateral institutions that hold gold, and other proprietary trading and (iii) sales of recycled gold, levels of gold production, production costs and supply disruptions in major gold-producing nations, such as South Africa, the United States and Australia. Gold prices may also be affected by factors resulting from how gold markets are structured, such as non-concurrent trading hours of gold markets and, at times, rapid short-term changes in supply and demand because of speculative trading activities. Other factors affecting the price of gold include the structure of, and confidence in, the global monetary system, expectations of the rate of inflation, the relative strength of, and confidence in, the US dollar (the currency in which the price of gold is generally quoted), interest rates, gold borrowing and lending rates, and global or regional economic, political, regulatory, judicial or other events, as well as wars and other upheavals.

While a significant percentage of our raw materials are commodities, which are obtainable through a variety of sources, if the (i) availability of, (ii) our access to, or (iii) the cost of purchasing certain raw materials that we need for our products is adversely affected (for example, due to a decrease in the number of suppliers of such raw materials, or a reduction in the overall availability of such raw materials — whether due to a lack of supply, the loss of a supply contract, increased demand from our competitors or fluctuations in world market prices), we may have to pay more for, or may be unable to source, these raw materials. For instance, we use diamonds in our jewellery production and a majority of the world's supply of rough diamonds is controlled by a limited number of diamond mining firms. While we have supply agreements with the DTC and Rio Tinto, any decisions made by this limited number of diamond mining firms to restrict the supply of rough diamonds could substantially impair our ability to source diamonds at commercially acceptable prices, if at all.

In addition, as we are currently a DTC Sightholder and a Rio Tinto Select Diamantaire under our supply agreements with the DTC and Rio Tinto, respectively, the DTC and Rio Tinto have agreed to supply us with rough diamonds at a stipulated minimum quality, up to a stipulated value, for a specified period. We cannot assure you that we will be able to maintain our status as a DTC Sightholder or a Rio Tinto Select Diamantaire or we will be able to continue to renew our supply agreements on the same terms or on commercially acceptable terms, if at all. Any such adverse changes, or similar changes in the supply of other raw materials, may require us to increase prices or reduce the production of certain products and could materially and adversely impact our business, results of operations or financial condition.

We also face supplier concentration risks. Our largest single supplier relates to our purchases of gold and platinum in the PRC through the Shanghai Gold Exchange which represented around 27% to 31% of our total purchases each year/period over the Track Record Period, while purchases from our next four largest suppliers (for purchases of various raw materials and merchandise) represented approximately 20% to 24% of our total purchases each year/period over the Track Record Period. Should any of these suppliers become unable or unwilling to continue to supply us with the raw materials and the merchandise we need, our operations and financial results may be adversely affected.

If we are unable to respond effectively to changes in market trends and customer preferences, our market share and result of operations could be adversely affected.

The success of our business in the regions in which we operate is dependent on our ability to identify market trends and customer preferences in those regions, and then to design and bring to market in a timely manner products that satisfy the current preferences of a broad range of customers in each respective region, by either enhancing existing products or developing new product offerings. For example, in addition to conducting market research, our customer loyalty programmes enhance our ability to understand the spending behaviour of our customers, which in turn helps us gain customer loyalty as well as gauge market trends and customer preferences. However, any change to our customer loyalty programmes may not be well received by all customers and may adversely affect our reputation. In addition, customer preferences differ across and within each of our regions, and shift over time in response to changing aesthetics and economic circumstances. We cannot assure you that we will anticipate or respond to changes in customer preferences in one or more of the regions in which we operate. Even if we do anticipate and respond to such changes, we cannot assure you that we will bring to market in a timely manner enhanced or new products that meet these changing preferences. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy new preferences, our market share and our sales and profitability could be adversely affected.

The jewellery business is highly competitive. If we are unable to remain competitive, we will lose market share to our competitors as well as to new entrants in the markets in which we operate.

The jewellery and watch markets are highly competitive, and we face competition from many competitors who compete against us on a national or local level, including those high-end luxury brands that do not exclusively focus on jewellery or watches but whose product offerings include jewellery or watch product lines. We face strong competition from national and local competitors in jewellery, while we face competition from retailers of all scales with respect to watches. Local retailers, in particular, tend to have lower cost bases. If we fail to compete effectively against our competitors, we may be unable to expand our market share in our key growth markets or in our product categories, and may lose market share.

We may not be able to find suitable locations for new POS on commercially acceptable terms, if at all.

Our performance depends, to a significant extent, on the location of our new POS. When selecting a site for a POS, we take into account various factors, including:

- whether it is located in a central or prime shopping district, or in a shopping centre with significant consumer traffic;
- the risk of cannibalisation of existing POS sales by the new POS opening;
- its convenience and accessibility to our target consumer group;
- the expected pedestrian flow;
- the size of the available space;
- the availability of supplementary facilities including parking lots; and
- the level of surrounding competition.

Except for our self-operated Concessionaire Counters which are typically located within department stores, we generally lease the premises of our self-operated POS, with a small number of our self-operated POS occupying self-owned properties. Going forward, as we open more POS, we will need to secure more retail locations through leases or ownership, as determined on a case-by-case basis. The supply of prime locations for new POS is scarce and the competition to secure these locations is intense. As a result, we may not be able to identify and lease or acquire suitable locations for our new POS.

In the past few years, the overall cost of securing prime locations in the PRC through leasing or acquisition arrangements has increased significantly. This is particularly the case for prime retail locations. As a result, we expect our cost of securing new retail locations for our new POS, whether through leases or ownership, to increase in the near future. Our ability to purchase or lease suitable properties on terms acceptable to us is critical to the success of our business and expansion strategy. We cannot assure you that we will be able to lease or acquire suitable locations on terms commercially acceptable to us, as we have been able to do so in the past. In the event that we encounter difficulties in securing suitable sites for POS in the localities we plan to expand into, our business and growth prospects will be adversely affected.

We may not be able to renew all of our existing leases or concessionaire agreements for our POS when they expire, or if they are terminated, on terms acceptable to us.

As at 30 September 2011, we leased the premises for 182 out of 1,053 of our self-operated POS. The term of a significant majority of our leases ranges from one year to four years. It is important to our business that the existing leases for our POS are maintained and renewed. In recent years, property prices and rental related expenses in the PRC, Hong Kong and Macau have fluctuated, but overall have increased significantly. In the event we are unable to renew our leases on terms acceptable to us or such leases are terminated for any reason prior to their expiration, we will need to relocate the relevant POS to alternative premises. Relocation of any POS may cause disruptions to our business and may require significant expenditures, and we cannot assure you that in such a case, we will be able to find alternative premises that are suitable or on commercially acceptable terms, in a timely manner, if at all.

As at 30 September 2011, 862 out of 1,053 of our self-operated POS were operated as Concessionaire Counters within department stores through concessionaire agreements. Most of our concessionaire agreements related to POS in the PRC need to be renewed every one to two years. In consideration for maintaining our Concessionaire Counter within a department store, the host department store takes a commission of our sales in terms of concessionaire fees. Expenses for our host department stores, such as rental expenses, may increase in the future. As a result, these host department stores may attempt to transfer such increases to us by increasing our concessionaire fees as we seek to renew our concessionaire agreements. In any event, we cannot assure you that we will be able to renew our concessionaire agreements on the same terms or on commercially acceptable terms, in a timely manner, if at all. Consequently, our business, results of operations, financial condition and growth strategies may be materially and adversely affected.

Our new POS may not achieve our expected level of profitability within our desired time frame, or at all.

As part of our growth strategy, we plan to establish more POS within the geographical areas where we currently operate and in new areas where we currently have no presence. With plans to reach over 2,000 jewellery POS by 2016, we aim to open a net of approximately 200 jewellery POS per year. Opening new POS requires significant capital outlays upfront, including with respect to the price of acquisition or rental for the premises, the renovation and decoration of the premises, the purchase of inventory, and the hiring and training of managers and sales staff. Although a new POS generally yields an operating profit within the first year of its operation, it may not achieve our expected level of profitability for a prolonged period of time, or at all, due to a variety of factors, including, among others, (i) our ability to properly position our new POS and to execute our business strategy in the locality, (ii) actions by our existing or new competitors in the same locality and (iii) the effectiveness of our marketing activities in the locality. Some of these factors are not entirely within our control. If our new POS do not break even or achieve our expected level of profitability within our expected timeframe, or at all, our expansion plan and profitability may be adversely affected.

We purchase watches from suppliers of international brands on an order-by-order basis, and as a result we rely on their continuing cooperation with us.

Our sales of watches accounted for 6.3%, 7.0%, 7.1%, 8.6% and 7.7% of our total turnover for FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, respectively. Although we have entered into framework agreements with certain of our watch suppliers, such agreements do not guarantee that they will necessarily supply us with their watches. It is a customary industry practice to source watches from suppliers of international brands on an order-by-order basis. While we have well-established business relationships with reputable watch suppliers, including affiliates of LVMH Group, Richemont Group, Rolex group and Swatch Group, these international suppliers of watches (among others) may reduce or cease their cooperation with us, or they may opt for dealerships or retail arrangements in their own respective names and thereby compete against us. Should any of these circumstances arise, we may not be able to source watches from other brands of comparable quality, image or prestige. As a result, our watch business could be adversely affected. Furthermore, our brand, reputation and business strategy to cross-sell our jewellery products through our watch POS network may be negatively affected, which may materially and adversely affect our overall business.

We may face reputational damage as well as lost sales opportunities if we are not able to adequately provide oversight and control of our franchisees.

We rely on local expertise and the decision-making of the managers and staff of our local franchisees. As at 30 September 2011, we work with over 150 franchisees, most of which are in the PRC. The terms of our franchise agreements regulate various facets of the operations of the local franchisees, which aim to ensure a uniform shopping experience and consistent high-quality customer service across all our POS. At the same time, we give our franchisees a certain amount of autonomy to make use of their local knowledge and expertise to develop our business, and while our franchisees source their products from us and are required to adhere to the various terms of our franchise agreements, they are ultimately responsible for the end-customer's shopping experience, including the customer service they deliver.

We cannot assure you that our franchisees will not make decisions or take actions that are not in our best interests, thereby harming our business, and cause the diversion of management resources or litigation exposure from third parties. Furthermore, should any of our franchisees fail to comply with the terms of our franchise agreements, or fail to exercise sound business judgment in operating their respective POS, we may be unable to capitalise on growth opportunities in certain markets if we rely on such franchisees with respect to our entrance into or expansion in these markets. Such actions by our franchisees may also lead to uneven shopping experiences and inconsistent customer service for our customers, which would harm our reputation and brand.

We may be exposed to counterparty risks in connection with our hedging transactions.

We enter into hedging transactions in order to protect against movements in the price of gold. For details on our maximum potential exposure for gold loans and derivative financial instruments as at each of the year/period end during the Track Record Period, please see the section headed "Financial Information — Commodity price risk management". We choose only reputable banks that are active in the gold hedging market and have well-capitalised financial positions. We diversify our portfolio of hedging transactions across many counterparties. For details about our internal control for hedging transactions, please see the section headed "Financial Information — Commodity price risk management — Internal control". After entering into a hedging transaction, we monitor gold prices closely and remain alert as to any news concerning our counterparties and any changes in their financial position. Our management also holds regular meetings to review the effectiveness of our hedging strategies. However, we cannot assure you that our counterparties will not default or otherwise fail to perform their obligations under those gold hedging transactions. Any such event may materially and adversely affect our business, results of operations and financial condition.

We may not be successful in utilising hedging instruments to manage the fluctuations in gold price.

We enter into gold loans and bullion forward contracts as part of our commodity price risk management policy to seek to reduce our exposure to fluctuations in gold price. We enter into hedging transactions whenever our net gold inventory balance changes. On a daily basis, a comparison is made between the long position (being our gold inventory balance) and short position (being our gold loan balance and outstanding bullion forward contracts). The fair value changes of gold loans, which were included in cost of goods sold, were HK$17.8 million, HK$483.8 million, HK$725.7 million and HK$343.4 million for FY2009, FY2010, FY2011 and 1HFY2012, respectively. The (gain)/loss on bullion forward contracts, which are included in cost of goods sold, were HK$nil, HK$(6.7) million, HK$224.6 million and HK$151.7 million for FY2009, FY2010, FY2011 and 1HFY2012, respectively.

The changes in the value of our hedging instruments are primarily the result of the changes in gold price. Any potential gain or loss from our hedging instruments will be largely offset by the inherent effect arising from our business. Please see the section headed "Financial Information — Quantitative and Qualitative Analysis About Market Risk — Commodity Price Risk Management". We intend to continue using gold loans and bullion forward contracts to hedge gold price fluctuations in the future. However, we cannot assure you that our hedging instruments will continue to be effective in hedging gold price movements and that our hedging strategy will be able to protect us from unfavourable gold price movements. Failure to utilise our hedging instruments effectively in managing our exposure to gold price movements could have a material and adverse effect on our business, financial condition and results of operations.

Interruption or security breaches to our information systems, especially with respect to our POS and inventory management systems, may have a material adverse effect on our business, results of operations or financial condition.

We rely on information technology systems, such as the Order and Production System (OPS2) and the Inventory Control System (ICS), for the timely exchange of business information between our headquarters and individual POS, and these systems are critical to our day-to-day business operations. We cannot assure you that our information systems will always operate without interruption or malfunction. Any breakdown for an extended period of time, or other failure of our information systems from, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. Although we have disaster recovery systems and have back-up systems in place, we cannot assure you that these systems will be adequate to support our operations in the event of a prolonged breakdown of our primary system, or that our back-up systems will not be damaged simultaneously with our primary system, in which case our business operations will be materially and adversely affected. In addition, the increasing business complexity of our operations due to our growth strategies may place additional requirements on our systems, controls, procedures, and management and, as a result, may strain our ability to manage our future growth.

Our processing and production plants are concentrated in the Pearl River Delta.

A majority of our jewellery products are processed and produced in our production facilities located in Hong Kong, Shenzhen and Shunde, which are all located in the Pearl River Delta. The concentration of our production facilities and our raw material warehouses in a single geographical region, the Pearl River Delta, means that our business and results of operations are dependent on the degree to which we are able to continue to import raw materials into, manufacture products in, and export products from, this region. Our ability to do so with respect to Shenzhen and Shunde, both of which are in Guangdong province, could be particularly adversely impacted due to unfavourable changes in PRC government rules and regulations, such as foreign investment policies or tax policies, political unrest or the adoption of more restrictive import and export policies in Guangdong province or within the PRC in general.

More generally, our operations in the Pearl River Delta could also be adversely impacted due to changes in local economic conditions, increases in wage levels, trade issues, strikes or other labour unrest in, or affecting, our production facilities, widespread public health problems in the Pearl River Delta (such as a renewed outbreak of SARS, avian flu, swine flu or similar epidemics), delays in shipments to or from the Pearl River Delta, or other disruptions due to power outages, theft, robbery, fire or natural disasters. Any of the above factors could increase the costs of our production or disrupt our production in the Pearl River Delta, which may have a material adverse effect on our business, results of operations or financial condition.

In addition, our operations depend significantly on our ability to manage our inventory efficiently and deliver products to our POS network in a timely and efficient manner. The warehousing of our raw materials and finished products are concentrated in a select number of warehouses in the Pearl River Delta. Power outages, theft, robbery, fire, flood, natural disasters or other factors affecting these concentrated warehousing facilities would lead to disruptions in the supply of raw materials to our processing and production facilities and supplies of finished products to our POS network.

Our insurance coverage may not cover all losses.

We maintain different types of insurance policies to cover our operations, including public liability, business interruption, marine cargo, intellectual property, property damage, trade credit, crime insurance (including theft or other criminal damage), political risks, general umbrella liability, employee compensation, product warranty, group life and personal accident insurance. However, there may be circumstances under which certain types of losses, damages and liabilities are not covered by our insurance policies. In addition, although we have crime insurance, the amount of coverage may not be sufficient in covering all losses.

We rely upon certain key personnel. If they leave or become unable or unwilling to fulfil their roles, this may have an adverse effect on our business and future growth.

Our success depends significantly on the efforts and abilities of key individuals who have valuable experience and knowledge of our products and industry, and who have made substantial contributions to the development of our operations, the design and craftsmanship of our products, and raw material procurement. For example, jadeite procurement and selection require technical expertise that is difficult to find, develop and replicate. If we were to lose such personnel, including those from our senior management team, design and production team, or raw material procurement team, or other key employees, or if these individuals fail to devote the same amount of time and effort to our business as they have done in the past, we cannot assure you that we would be able to replace such individual or individuals with new personnel capable of making the same contribution in the near term or at all. As such, the loss of the services of one or more of these key individuals, or any negative market or industry perception arising from such loss, could have a material adverse effect on our business, results of operations and financial condition.

We rely on short-term borrowings to fund our operations.

We use external financing to support the growth and expansion of our business. As at 30 September 2011, our current liabilities include bank borrowings of HK$9,021.7 million and gold loans from various banks of HK$4,960.8 million. These borrowings are used mainly to finance our inventories and have increased over the Track Record Period as we expanded our POS and product selection. Although we have maintained good relationships with our banks that provide us with such financing and have not experienced any difficulties in repaying our borrowings, our ability to continue to obtain financing is subject to a variety of factors. Such factors include our future financial condition, operating results and cash flows, as well as the general condition of global and domestic financial markets, and changes in monetary policies, interest rates and lending policies. Should we be unable to refinance our short-term borrowings upon maturity, we may have to reduce our inventories and capital expenditures and delay our expansion plans, which in turn may materially and adversely affect our business and results of operations.

Our sales may be affected by seasonality.

In the PRC, Hong Kong, Macau and other Asian markets, the demand of our products is event-driven due to the Chinese tradition of jewellery gift-giving at ceremonial and festive events such as Christmas, Chinese New Year, Valentine's Day, weddings and newborn arrivals. As a result, our sales are subject to seasonal fluctuations. The peak seasons for our sales include the PRC National Day holiday which is a seven-day public holiday around 1 October every year in the PRC (the "**Golden Week**") and the period from Christmas through Chinese New Year till Valentine's Day, and the amounts of our inventory and the use of working capital increase between September and February in anticipation of and during periods of higher sales. Due to these seasonal factors, comparison of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. In addition, these seasonal consumption patterns may cause our operating results and financial condition to fluctuate from period to period.

The Group's past intra-group loan advancing activities may be subject to penalties.

The Group's past intra-group loan advancing activities may be subject to penalties. During the Track Record Period, Shenzhen CTF and certain non-controlling shareholders of certain subsidiaries in the PRC had made advances to certain of the Group's subsidiaries in the PRC. As advised by our PRC legal adviser, these advances contravened certain provisions of the Lending General Provisions (貸款通則) promulgated by the PBOC in 1996. According to the Lending General Provisions and other relevant regulations, the PBOC may suppress the activity and impose a fine which may be equivalent to one to five times of the income generated from such advances on the lenders. Our PRC legal adviser has advised that the risk of PBOC imposing a penalty on the Group is remote on the basis that (i) as at the Latest Practicable Date, the Group has not received any notice of non-compliance of the Lending General Provisions, (ii) as at 31 March 2011 and 30 September 2011, there was no outstanding amount due to Shenzhen CTF from the Group's subsidiaries relating to such past loan advancing activities during the Track Record Period and (iii) the Group has ceased making such past loan advancing activities and will not make such advances going forward.

With respect to the amount of HK$238.6 million due from the Group's subsidiaries to the non-controlling shareholders of such subsidiaries as at 30 September 2011, the Group has commenced converting such relevant amounts to registered capital of the Group's subsidiaries. For details of such amounts due to non-controlling shareholders, please see the section headed "Financial Information — Related Party Balances". The Group's subsidiaries were borrowers in such transactions, and as such, any possible penalty imposed by the PBOC is neither relevant nor applicable to the Group because the non-controlling shareholders, being the lenders, are not part of the Group. The Lending General Provisions do not provide for any penalty on borrowers and the Group is not aware of any plans of the PBOC to levy such a fine or other penalty on either the lenders or the borrowers in the PRC. Our PRC legal adviser has advised that the risk of the PBOC imposing a penalty on the Group as a result of the past loan advancing activities between the non-controlling shareholders and the Group's subsidiaries is remote. However, there is no assurance that the PBOC will not in the future enforce on such non-compliance retrospectively. If the PBOC interprets the Lending General Provisions differently to impose penalty on borrowers and imposes a fine on our subsidiaries, our results of operations may be adversely affected.

We may not be able to successfully identify, acquire or integrate businesses in pursuing our growth and expansion plans.

We may expand our business operations through selective acquisitions. Acquisitions and expansion involve numerous risks and uncertainties, including:

- inability to identify suitable acquisition targets or complete acquisitions at commercially acceptable terms or prices;

- the availability, terms and costs of any financing required to fund acquisitions or complete expansion plans;
- inability to secure necessary governmental approvals, third party consents or land use rights;
- the costs of and difficulties in integrating acquired businesses, managing a larger and growing business or operating in new markets and geographic regions;
- potential ongoing financial obligations and unforeseen, hidden or latent liabilities of our acquisition targets and other unidentified risks;
- failure to capitalise on the expected synergies arising from acquisitions and to achieve other intended objectives or benefits, or to generate sufficient turnover to recover the costs or expenses, of an acquisition or expansion plan;
- acquired business' failure to perform as expected and impairment costs;
- the decrease in our overall margins due to the lower margins of our acquired businesses;
- potential negative effect on our liquidity position due to the net cash outflow of an acquired business;
- failure to retain the management teams of the acquired businesses and their expertise, and;
- the diversion of resources and management attention from our existing businesses.

Any failure to address these risks may have a material adverse effect on our business, financial condition and results of operations.

The potential impact of any future fluctuation in the prices of gold and platinum on our profit forecast is unclear.

The profit forecast data of the Group for the year ending 31 March 2012 as set out in the sections headed "Summary — Profit Forecast for the Year Ending 31 March 2012" and "Financial Information — Profit Forecast for the Year Ending 31 March 2012" has been prepared based on the market prices of gold and platinum at the time of the preparation of such data. While the prices of gold and platinum are subject to fluctuation in the future, the potential impact of any such future fluctuation on such data is unclear. We are a retailer of a broad range of discretionary products and our sales and profitability are not affected by the prices of gold and platinum alone. Our sales and profitability are affected by, among other things, a wide range of other factors which may influence discretionary spending decisions, including the prices of other raw materials such as diamonds and gemstones, celebrations, special occasions, consumer preferences, market trends, sales and marketing strategies, economic conditions and seasonality. The prices of gold and platinum therefore may not have a strong or direct correlation with consumers' demand for gold or platinum products or with our sales and profitability. Accordingly, it is difficult to ascertain the impact of any future fluctuation in the prices of gold and platinum on such data.

While we expect to meet our growth rate reflected in our profit forecast for the year ending 31 March 2012, we cannot assure you that our growth rate is sustainable in the long term.

Based on our performance for 1HFY2012, we expect to be able to meet our growth rate as reflected in our profit forecast for the year ending 31 March 2012. During the Track Record Period, we have expanded our operations rapidly in the PRC, Hong Kong and Macau. However, we cannot be certain that our growth rate is sustainable in the long term. Our revenues and results are impacted by changing economic conditions. Jewellery products are discretionary and are dependent on consumers' perception of general economic conditions, particularly as jewellery is often perceived to be a luxury purchase. Adverse changes in the economy and periods when discretionary spending by consumers may be under pressure could unfavourably impact sales and earnings. Accordingly, our long-term outlook is dependent on economic conditions, which could adversely affect our business, financial condition, results of operations and prospects in ways that we cannot predict. We therefore cannot be certain that our growth rate will be sustainable in the long run.

Our business depends on our intellectual property, particularly our trade name and trademarks, which we may not be able to protect against infringement and unauthorised use in counterfeit products.

We believe that the "周大福" (CHOW TAI FOOK) trade name and related trademarks are critical to our success and competitive advantage. Our policy is to register and protect our trade name, trademarks and other intellectual property rights in the jurisdictions where we operate, to the extent we are able to under relevant local law. We are not aware of any material violations, infringements or unauthorised use in relation to our trade name or trademarks within the PRC or elsewhere. During the Track Record Period and up to the Latest Practicable Date, there has not been any litigation against us arising from the use of any of our trademarks or trade name. However, we are aware of infringements by other parties of our trade name or trademarks and we take action against such other parties from time to time. We cannot assure you that the steps we have taken to protect our trade name or trademarks are sufficient or will be sufficient to protect our trade name or trademarks, or that our trade name or trademarks will not be subject to any infringement in the future. Any unauthorised use of our trade name or trademarks could harm our brand, market image and reputation, which could adversely affect our financial condition and results of operations. In addition, we may incur additional costs as a result of any trade name or trademarks infringement claims we initiate, which may divert management's attention from our business and impact our operating results.

Trade names that are identical or similar to our trade name may have been registered or used by third parties in other markets we may decide to enter. As a result, we may incur significant expenses should we decide to acquire the right to use our trade name in these markets. If we are unable to acquire these rights on acceptable terms, or at all, we may be unable to enter these markets using our trade name. Furthermore, others may attempt to counterfeit our products, sell "周大福" (CHOW TAI FOOK) brand look-a-likes or make unauthorised use of our trademarks and proprietary information, including the content on our website. The unauthorised use of our trade name and trademarks in counterfeit products could harm our market image and reputation, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have successfully in the past deterred and taken actions in cooperation with the relevant PRC authorities in several counterfeiting cases. However, we cannot assure you that counterfeiting of our products will not occur in the future in the PRC or elsewhere and that we will be able to effectively deter or address counterfeiting or other types of infringement of our intellectual property rights in a timely manner. Any occurrence of counterfeiting of our products, or other types of infringement of our intellectual property rights, could negatively affect our reputation and brand image, which will lead to loss of consumer confidence in our brands and in turn adversely affect our results of operations. In addition, any litigation in respect of infringements of our intellectual property rights and products may be costly and will divert the management's attention as well as other resources away from our business. As a result, such litigation may have a material adverse effect on our business, financial condition and results of operations.

Some of our landlords have not registered the lease agreements for properties leased to us, which may adversely affect our right to use such properties.

As at 30 September 2011, we had entered into 103 lease agreements for our POS for which the relevant landlords have not registered the lease agreements with the relevant governmental agencies. We cannot assure you that the rights relating to these POS under these lease agreements will be fully protected. Our turnover derived from POS located on properties with defective leasehold interests accounted for 4.1%, 3.9%, 4.0% and 3.5% of our total turnover for FY2009, FY2010, FY2011 and 1HFY2012, respectively.

The operations we conduct on these properties may be adversely affected as a result of the absence of legal registration of these leases. In particular, we may be required to relocate such operations temporarily or permanently, and such business interruption could adversely affect our business, results of operations and financial condition.

We could be exposed to penalties or other liabilities in the United States if it were determined that our business activities resulted in prohibited transactions with countries and entities that are the subject of U.S. economic sanctions.

As a result of our international activities, we may be subject to the laws and regulations of the various countries in which we do business. Certain such countries, including Myanmar (Burma), are subject to economic sanctions imposed by the United States. While we purchase jadeite from wholesalers based in the PRC who source it from Myanmar and a small proportion of our jadeite is sourced through jadeite auctions organised by the Myanmar government, we do not buy from the Myanmar government and do not believe U.S. economic sanctions are applicable to any of our activities with these suppliers or in Myanmar. In addition, we do not believe that any of our business is restricted by U.S. economic sanctions as administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") because neither we nor any of our subsidiaries are a United States person as defined under the U.S. sanctions regulations. Furthermore, we do not sell our products into the United States.

However, we cannot predict U.S. enforcement policy with respect to economic sanctions, and it is possible that the relevant authorities will take a different view regarding our status. If it were determined that any of our transactions violated the OFAC regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with United States persons could be adversely affected. In addition, investors in the United States in particular could be restricted from investing in, and be required to divest any investments in, issuers that are associated even indirectly with sanctioned activities.

RISKS RELATED TO THE PRC

Changing economic, political and social conditions or government policies in the PRC could affect our business and prospects.

A significant portion of our turnover is derived from the PRC. Our turnover in the PRC accounted for 56.0% of our total turnover for 1HFY2012. In addition, PRC tourists constitute the largest single customer group for our sales in Hong Kong and Macau, as evidenced by the fact that approximately 49.3% of our retail turnover in Hong Kong and Macau were settled via China UnionPay or in RMB (cash), for 1HFY2012. Accordingly, our financial condition and results of operations as well as the growth of our business will be affected to a significant extent by economic, political and legal developments in the PRC.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reforms, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified, or applied inconsistently from industry to industry, or across different regions of the country. We cannot predict whether changes in the PRC economic, political and social conditions and government policies will have any material adverse effect on our business or industry.

In addition, changing PRC laws and government policies may materially affect our business and operations. For example, existing environmental regulations require us to establish an environmental protection and management system, which includes adopting effective measures to prevent and control the discharge of waste. If the PRC government introduces more stringent environmental requirements, we will need to incur additional costs to meet these requirements.

Inflation in the PRC may inhibit our ability to conduct some aspects of our operations in the PRC.

Substantially all of our manufacturing operations are located within the PRC. In the future, we expect that labour costs in the PRC will continue to increase, and, as a result, it may become increasingly difficult for us to maintain the profit margins achieved in previous years. In order to maintain our current margins, we may be required either to increase our pricing or to locate our manufacturing elsewhere. If we increase our prices, our sales could fall and we could lose market share if our competitors do not do the same. On the other hand, should we locate our manufacturing operations in areas of the PRC with lower labour costs, it may be difficult to find employees that meet our requirements in terms of training, experience and technical capability, which could affect our manufacturing operations and our ability to meet customer demand. In either instance, our business and results of operations could be adversely affected.

Dividends payable by us to our foreign investors and gains on the sales of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) and the Implementation Regulations on the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法實施條例) (collectively the "**New Tax Law**"), unless otherwise stipulated in a relevant tax treaty with the PRC, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (i.e. those that do not have an establishment or place of business in the PRC, or that have such establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, unless otherwise stipulated in a relevant tax treaty with the PRC, any gain realised on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

If we are considered to be a "resident enterprise", the dividends we pay with respect to your holding of our Shares would be treated as income derived from sources within the PRC, and would thus be subject to PRC income tax. In the event we are considered a "resident enterprise", it is unclear whether the gain you may realise from the transfer of our Shares would be treated as income derived from sources within the PRC and be subject to PRC income tax. If you are required to pay PRC income taxes on the transfer of your holding of our Shares, the value of your investment in our Shares may be materially and adversely affected.

We face taxation uncertainty with respect to the indirect transfer of equity interest in our PRC resident enterprises through transfers made by our non-PRC holding companies.

The State Administration of Taxation issued the Circular on Strengthening the Administration of Enterprise Income Tax on Income Derived from the Equity Transfer of Non-resident Enterprises (Guo Shui Han (2009) No.698) (《關於加強非居民企業股權轉讓所得企業所得税管理的通知》) (the "**Circular**") on 10 December 2009, which was made retrospectively effective from 1 January 2008. Pursuant to the Circular, where a non-PRC investor (the actual controlling party) indirectly transfers the equity interests of a PRC resident enterprise through disposing of its equity interests (the "**Indirect Transfer**") in a non-PRC holding company, and such non-PRC holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-PRC investor shall report the Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the non-PRC holding company if it lacks a reasonable commercial purpose and is established for the purpose of avoiding PRC tax. The Circular also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

In connection with our Reorganisation, we conducted, or were involved in, a series of indirect transfers of equity interests in our PRC subsidiaries. If the relevant PRC tax authorities hold that our overseas holding company to be transferred does not have substance or the Indirect Transfer does not have any bona fide commercial purpose and was conducted for the purpose of avoiding PRC tax, or any such transfers are otherwise taxable under the Circular, we may be required to pay enterprise income taxes for the Indirect Transfers. However, since further detailed implementation rules of the Circular have not been issued by the State Administration of Taxation and in practice the views of the implementation of the Circular vary across different local tax authorities, it remains unclear how the PRC tax authorities will use the "substance over form" principal to examine the substance of the non-PRC holding companies and the bona fide commercial purpose of the Indirect Transfer.

Uncertainties in the PRC legal system may have a material adverse effect on us.

A significant portion of our business and operations is conducted in the PRC and is therefore subject to PRC laws, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in PRC and, in particular, laws, rules and regulations applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference by the courts but have limited value as legal precedents. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system, and recently-enacted laws and regulations may not sufficiently address all relevant aspects of economic activities in the PRC, or may even conflict with other new laws and regulations. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions.

The implementation of the PRC Labour Contract Law and other labour-related regulations may increase our operating expenses and may adversely affect our business and results of operations.

On 29 June 2007, the PRC National People's Congress enacted the PRC Labour Contract Law (the "**Labour Contract Law**"), which became effective on 1 January 2008. The Labour Contract Law formalises, among others, workers' rights concerning overtime hours, social insurance and layoffs, the execution, performance, modification and termination of labour contracts, the clauses of the labour contracts and the role of trade unions therein. In particular, it provides for specific standards and procedures for entering into non-fixed-term labour contracts as some of our employees do.

As the Labour Contract Law has been enforced for only a short period, substantial uncertainty remains as to its potential impact on our business and results of operations. The implementation of the Labour Contract Law may increase our operating expenses, in particular our costs of human resources and our administrative expenses. In the event that we decide to significantly modify our employment or labour policy or practice, or reduce the number of our employees or otherwise, the Labour Contract Law may also limit our ability to effect the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business and results of operations.

In addition, Social Insurance Law of the People's Republic of China (the "**Social Insurance Law**"), was promulgated on 28 October 2010 and became effective on 1 July 2011. The implementation of the Social Insurance Law could increase our staff costs and expenses associated with social insurance payable in the PRC. As the Social Insurance Law is a newly enacted law, substantial uncertainty remains as to its implementation and interpretation by governmental authorities in the PRC and its potential impact upon our business, financial condition and results of operations.

Future fluctuations in foreign exchange rates and government control in currency conversion may adversely affect our financial condition and results of operations as well as our ability to remit dividends.

A substantial proportion of our turnover and expenditure is denominated in RMB, which is currently not a freely convertible currency. We will require Hong Kong dollars for dividend payments (if any) to our Shareholders. In addition, the price at which we purchase raw materials from our suppliers may be affected to the extent our suppliers' raw materials are imported or otherwise subject to foreign currency fluctuations. The value of the RMB is subject to changes in the PRC government's policies and depends to a large extent on the domestic and international economic and political developments, as well as supply and demand in the local market. For instance, in the PRC, since 1994, the conversion of the RMB into foreign currencies, including the Hong Kong and US dollars, has been based on rates set by the PBOC.

Since 1994, the official exchange rate for the conversion of RMB to US dollars has generally been stable. The PRC government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 21 July 2005, this revaluation resulted in the RMB appreciating against the US dollar and Hong Kong dollar by approximately 2% on that date. On 23 September 2005, the PRC government widened the daily trading band for the RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On 20 June 2010, the PBOC announced that it intends to further reform the RMB exchange rate regime by enhancing the flexibility of the RMB exchange rate.

Should there be significant changes in the exchange rates of the Hong Kong dollar against the RMB, our ability to make dividend payments in Hong Kong dollars may be adversely affected, and our purchase price from suppliers may also increase. This may in turn adversely affect our financial condition and results of operations. In addition, any significant change in the exchange rates of the RMB against the Hong Kong dollar could adversely affect the value of our dividends, which would be funded by RMB but paid in Hong Kong dollars.

Natural disasters and public health and public security hazards in the PRC may severely disrupt our business and operations and may have a material adverse effect on our business, financial condition and results of operations.

In 2009, there were reports of occurrences of H1N1 flu in certain regions of the world, including the PRC. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods, landslides and droughts in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. In 2010, severe droughts occurred in southwestern parts of the PRC, resulting in significant economic losses in these areas. In early 2008, parts of the PRC, in particular its eastern, southern and central regions, experienced what was reportedly the most severe winter weather in the country in half a century, which resulted in significant and extensive damage to factories, power lines, homes, automobiles, crops, and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters and public health and public security hazards may, among other things, significantly disrupt our ability to adequately staff our business or distribute our products, and may generally disrupt our operations. Furthermore, such natural disasters and public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects.

RISKS RELATED TO THE GLOBAL OFFERING

The interests of the Company's Controlling Shareholders may conflict with the best interests of its other Shareholders.

Upon completion of the Global Offering and the Capitalisation Issue (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, no Shares are issued upon the exercise of any options which may be granted under the Share Option Scheme and an Offer Price of HK$18.00 per Share, being the mid-point of the indicative Offer Price range of HK$15.00 to HK$21.00 per Share), the Controlling Shareholders will in the aggregate beneficially own approximately 89.5% of our issued Shares. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise a controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. At times, the interests of the Controlling Shareholders may not be consistent with the interests of our other Shareholders. There can be no assurance that the Controlling Shareholders will always take actions that will benefit our other Shareholders.

We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition.

We are a holding company incorporated in the Cayman Islands, and our business operations are to a significant extent conducted through our PRC subsidiaries. Dividends and other distributions paid by our PRC subsidiaries fund a large part of our future cash needs, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses.

Our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund at 10% of its after-tax profit based on PRC GAAP, up to a maximum of 50% of the registered capital of such PRC subsidiary. Our PRC subsidiaries, as foreign invested enterprises, may also be required to set aside individual funds for staff welfare, bonuses and development, at the discretion of such PRC subsidiaries and as stipulated in their articles of association. These reserves or funds are not distributable as dividends. Contributions to such reserves or funds are made from each of our PRC subsidiaries' net profit after taxation.

In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policies or regulations, or because they cannot generate sufficient cash flow, we may not be able to pay dividends, service our debt, or pay our expenses, which may have a material adverse effect on our business, results of operations and financial condition.

Investors will experience dilution in the pro forma adjusted consolidated net tangible asset value per Share because the Offer Price is higher than our net tangible asset value per Share.

As the Offer Price of our Shares is higher than the net tangible asset value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value to HK$2.93 per Share (assuming an Offer Price of HK$18.00, being the mid-point of the indicative Offer Price range of HK$15.00 to HK$21.00 per Share). If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their ownership percentage.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our Shares by those Shareholders that are currently subject to contractual and/or legal restrictions on share transfers, could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Certain amounts of our Shares currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering" for details of certain restrictions on the sale of our Shares by our Controlling Shareholders. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares could negatively impact the market price of our Shares and our ability to raise capital in the future.

Due to a gap of up to four business days between pricing and trading of our Shares, and given that our Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of our Shares could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is generally expected to be four business days, more or less, after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during such period, and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

An active trading market in our Shares may not develop, which could have a material adverse effect on our Share price and your ability to sell your Shares.

Prior to the Global Offering, no public market existed for our Shares. The initial offering price for our Shares will be determined by us after, and based on, consultation with the Joint Bookrunners (on behalf of the Underwriters) and may differ significantly from the market price for our Shares following the completion of the Global Offering. We have applied to list our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the completion of the Global Offering or in the future. If an active public market for our Shares does not develop, the Shares could trade at a price lower than the Offer Price, and you may not be able to resell your Shares for an extended period of time, if at all.

Certain facts and statistics in this prospectus relating to the PRC, Hong Kong and Macau economies and the industry in which we operate are derived from official government publications generally believed to be reliable.

This prospectus contains information relating to the PRC, Hong Kong and Macau economies and the industry in which we operate. The information and statistics contained in this prospectus have been derived partly from publicly available government and official sources. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Such information and statistics have not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to their correctness or accuracy.

While we have taken reasonable care to reproduce such information, we cannot guarantee the accuracy and reliability of the information contained in such sources. Those facts and statistics may not be consistent with other information compiled within or outside the PRC, Hong Kong and Macau and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may be elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

Issuer	Chow Tai Fook Jewellery Group Limited
The Offering	Global Offering of initially 1,050,000,000 Shares (excluding the Shares to be offered pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) comprising (i) the Hong Kong Public Offering of initially 52,500,000 Shares (subject to reallocation and excluding the Shares to be offered pursuant to the exercise of the Offer Size Adjustment Option) and (ii) the International Offering of initially 997,500,000 Shares (subject to reallocation and excluding the Shares to be offered pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option). Employee Preferential Offer of 3,675,000 Shares to be offered out of the Hong Kong Offer Shares. The Company is offering 1,050,000,000 new Shares. If the Offer Size Adjustment Option is exercised, the Selling Shareholder will be offering up to 210,000,000 existing Shares. If the Over-allotment Option is exercised, the Selling Shareholder will be offering up to 157,500,000 existing Shares (assuming that the Offer Size Adjustment Option is not exercised) and up to 189,000,000 existing Shares (assuming that the Offer Size Adjustment Option is exercised in full).
Selling Shareholder	CTF Holding
Offer price range	HK$15.00 to HK$21.00
Share borrowing arrangements in connection with settlement	The Stabilising Manager or any person acting for it may borrow from the Selling Shareholder up to 189,000,000 Shares (assuming the exercise of the Offer Size Adjustment Option in full) and up to 157,500,000 Shares (assuming the Offer Size Adjustment Option is not exercised).
Over-allotment Option	Up to 189,000,000 additional Shares (assuming the exercise of the Offer Size Adjustment Option in full) and up to 157,500,000 Shares (assuming the Offer Size Adjustment Option is not exercised) to be offered by the Selling Shareholder.
Offer Size Adjustment Option	Up to 210,000,000 Shares to be offered by the Selling Shareholder.
Shares outstanding after the Offering	10,000,000,000
Lock-up undertakings by the Company and the Controlling Shareholders	See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering".
Dividend policy	Subject to certain limitations, we currently intend to pay not less than 20% of our annual profits after tax as dividends. There can be no assurance that in any given year a dividend will be proposed or declared. See the section headed "Financial Information — Dividend Policy".

Voting rights

Each Share entitles its holder to one vote at our Shareholders' meeting. See the section headed "Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law".

Stamp duty

Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Application for listing on the Stock Exchange

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Share Option Scheme. No part of our share or loan capital of our Company is listed on or dealt in on any other stock exchange nor is there at present any proposal to do so.

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

DIRECTORS

Name	Residential address	Nationality
Honorary Chairman and Non-executive Director		
Dato' Dr. Cheng Yu-Tung (鄭裕彤)	12 Repulse Bay Road Hong Kong	Chinese
Chairman and Executive Director		
Dr. Cheng Kar-Shun, Henry (鄭家純)	12 Repulse Bay Road Hong Kong	Chinese
Managing Director		
Mr. Wong Siu-Kee, Kent (黃紹基)	Flat F, 20/F, Palatial Crest 3 Seymour Road Hong Kong	Chinese
Executive Directors		
Mr. Cheng Chi-Kong, Adrian (鄭志剛)	12 Repulse Bay Road Hong Kong	Chinese
Mr. Cheng Chi-Heng, Conroy (鄭志恒)	12 Repulse Bay Road Hong Kong	Chinese
Mr. Chan Sai-Cheong (陳世昌)	Unit G, 7/F, Tower 6, Sausalito 1 Yuk Tai Street, Ma On Shan Shatin, New Territories Hong Kong	Chinese
Mr. Chan Hiu-Sang, Albert (陳曉生)	Flat 2B, 438 Victoria Road Hong Kong	Chinese
Mr. Cheng Ping-Hei, Hamilton (鄭炳熙)	Flat 47D, Tower 2 Hampton Place 11 Hoi Fan Road Kowloon Hong Kong	Chinese
Mr. Suen Chi-Keung, Peter (孫志強)	Flat 4B, 20/F Mei Foo Sun Chuen Humbert Street Kowloon Hong Kong	Chinese
Non-executive Directors		
Mr. Cheng Kam-Biu, Wilson (鄭錦標)	10/F, 14 Tai Hang Road Hong Kong	Chinese
Mr. Koo Tong-Fat (古堂發)	Room 05, 21/F, Block A Kornhill, Quarry Bay Hong Kong	Chinese

DIRECTORS AND HONORARY ADVISERS

Name	Residential address	Nationality
Independent Non-executive Directors		
Dr. Fung Kwok-King, Victor (馮國經)	32A, The Harbourview 11 Magazine Gap Road Hong Kong	American
Mr. Kwong Che-Keung, Gordon (鄺志強)	28 Ng Fai Tin Clearwater Bay Kowloon Hong Kong	Chinese
Mr. Lam Kin-Fung, Jeffrey (林健鋒)	Flat 26A, Block 2 Cavendish Heights 33 Perkins Road Jardines Lookout Hong Kong	Chinese
Mr. Or Ching-Fai, Raymond (柯清輝)	Flat 25A, Block 10 Provident Centre 39 Wharf Road North Point Hong Kong	British
Honorary Advisers		
Mr. Cheng Sek-Hung, Timothy (鄭錫鴻)	Flat 44A, Block 2 Illumination Terrace 7 Tai Hang Road Hong Kong	Chinese
Mr. Cheng Yu-Wai (鄭裕偉)	7/F, 7 Magazine Gap Road Hong Kong	Chinese
Mr. Ho Pak-Tao (何伯陶)	F2-18F, Villa Monte Rosa 41A Stubbs Road Wanchai Hong Kong	Chinese
Mr. Wong Kwok-Ting (黃國庭)	D1-4/F, Villa Monte Rosa 41A Stubbs Road Wanchai Hong Kong	Chinese

Joint Global Coordinators	Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited Deutsche Bank AG, Hong Kong Branch
Joint Sponsors	Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited
Joint Bookrunners	*Hong Kong Public Offering:* Citigroup Global Markets Asia Limited Credit Suisse (Hong Kong) Limited Deutsche Bank AG, Hong Kong Branch Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited UBS AG, Hong Kong Branch *International Offering:* Citigroup Global Markets Asia Limited Credit Suisse (Hong Kong) Limited Deutsche Bank AG, Hong Kong Branch Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities Ltd. UBS AG, Hong Kong Branch
Financial Advisers to the Company	Rothschild (Hong Kong) Limited VMS Securities Limited
Legal Advisers to the Company	*as to Hong Kong and US laws:* Freshfields Bruckhaus Deringer *as to Cayman Islands laws:* Conyers Dill & Pearman *as to PRC laws:* Commerce & Finance Law Offices
Legal Advisers to the Joint Sponsors and the Underwriters	*as to Hong Kong and US laws:* Linklaters *as to PRC laws:* Haiwen & Partners
Legal Advisers to the Controlling Shareholders	*as to Hong Kong laws:* Iu, Lai & Li

Auditors and Reporting Accountants	Deloitte Touche Tohmatsu
Receiving Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong
Registered Office in the Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and Place of Business in Hong Kong Registered under Part XI of the Companies Ordinance	38/F, New World Tower 16-18 Queen's Road Central Hong Kong
Company's Website	**www.chowtaifook.com** *(The information on the website does not form part of this prospectus)*
Company Secretary	Mr. Cheng Ping-Hei, Hamilton *(HKICPA, ACCA)*
Authorised Representatives	Mr. Cheng Ping-Hei, Hamilton Mr. Suen Chi-Keung, Peter
Audit Committee	Mr. Kwong Che-Keung, Gordon *(Chairman)* Mr. Lam Kin-Fung, Jeffrey Mr. Or Ching-Fai, Raymond
Nomination Committee	Dr. Fung Kwok-King, Victor *(Chairman)* Dr. Cheng Kar-Shun, Henry Mr. Wong Siu-Kee, Kent Mr. Lam Kin-Fung, Jeffrey Mr. Or Ching-Fai, Raymond

Remuneration Committee	Mr. Or Ching-Fai, Raymond *(Chairman)* Dr. Cheng Kar-Shun, Henry Mr. Wong Siu-Kee, Kent Dr. Fung Kwok-King, Victor Mr. Kwong Che-Keung, Gordon
Cayman Islands Unlisted Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Listed Share Registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Compliance Adviser	Rothschild (Hong Kong) Limited
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Industrial and Commercial Bank of China Limited North Block, Financial Centre Shennan Road East Shenzhen The People's Republic of China Agricultural Bank of China Limited No. 5008 Shennan Road East Shenzhen The People's Republic of China

GENERAL

Our Company was incorporated on 20 July 2011 in the Cayman Islands and, as part of the Reorganisation, became the holding company of our Group with our business being conducted through our subsidiaries. Our business model is vertically integrated from raw material procurement, design, production and marketing to sales through our extensive retail network.

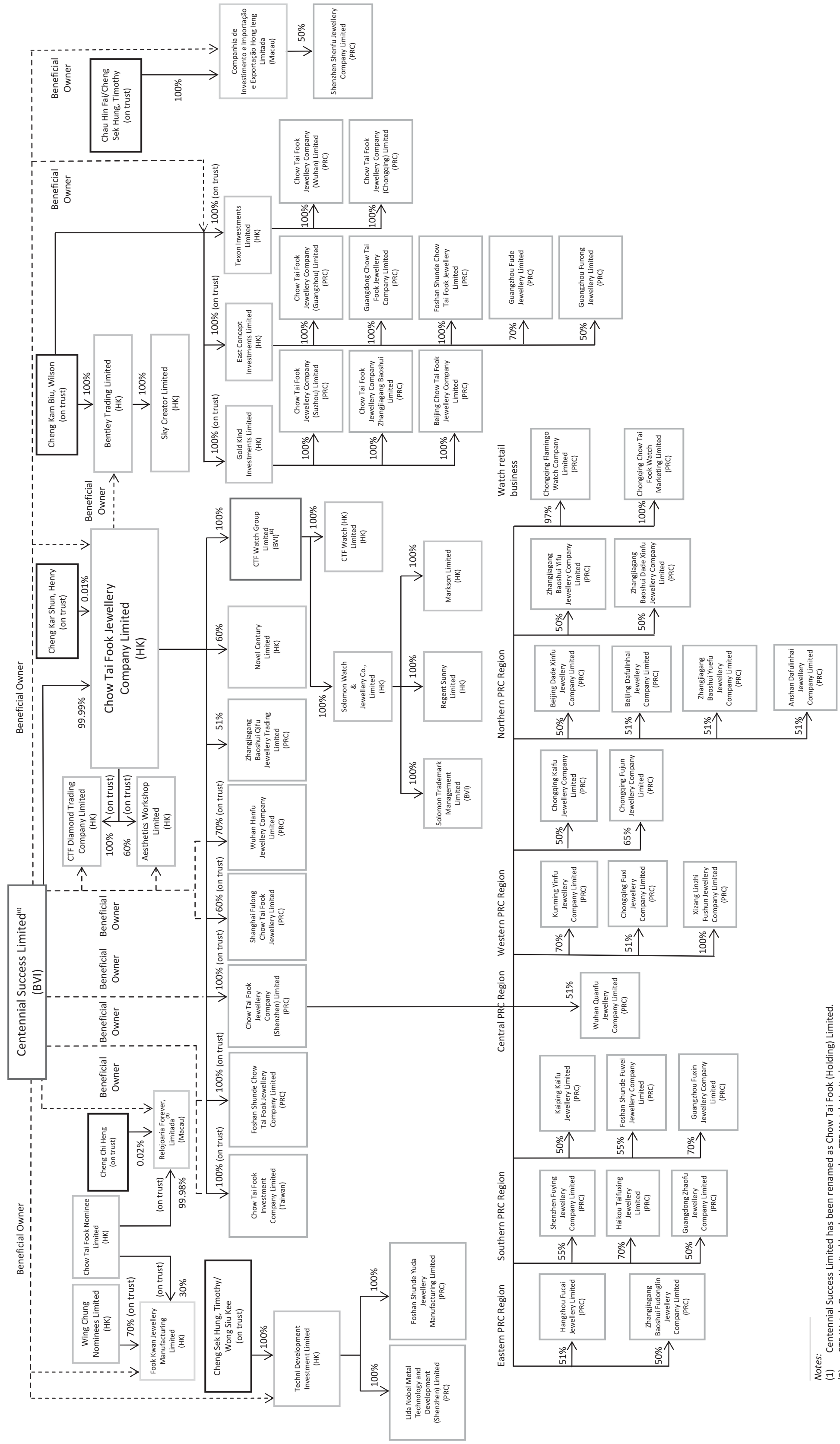
HISTORY

Our origins trace back to 1929, when we started engaging in the jewellery business in the PRC. Since then, we have expanded and diversified our business. Set out below are the key milestones in our over 80 years of heritage:

1938	We opened our first jewellery POS in Macau on Avenida De Almeida Ribeiro.
1939	We opened our first jewellery POS in Hong Kong on Queen's Road Central, Hong Kong.
1956	We launched 999.9 gold jewellery products in Hong Kong and Macau and we believe we were one of the first in promoting such gold jewellery fineness in Hong Kong and Macau.
1973	Zlotowski's, a DTC Sightholder in Johannesburg, South Africa, which procured rough diamonds from DTC, became our related party. As part of the Reorganisation, Zlotowski's became a subsidiary of our Group in 2011.
1988	Foshan Yushunfu Jewellery and Diamond Company Limited ("**Foshan Yushunfu**"), a then related party, opened its first diamond processing and jewellery manufacturing factory in Shunde, PRC, thereby strengthening the vertical integration of the Group's business model. As part of the Reorganisation, Foshan Yushunfu became a subsidiary of our Group in 2011.
1990	We implemented a "一口價" (Fixed Price) Policy, which increased pricing transparency and greatly improved customer shopping experience as it removed the need for extensive price negotiations, which was customary then.
1993	CTF HK qualified as a DTC Sightholder, which gave it the right to source rough diamonds from DTC.
1998	We opened our first "周大福" (CHOW TAI FOOK) branded jewellery POS in the PRC, which was located in Beijing, PRC.
2003	We centralised our PRC operations with the establishment of our PRC headquarter in Shenzhen, PRC.
2008	We expanded our watch business to the PRC.
2009	We celebrated our 80th anniversary and became a Select Diamantaire of Rio Tinto Diamonds.
2010	We opened our 1,000th jewellery POS in the PRC, which was located in Beijing, PRC.
	Zlotowski's purchased the 507 carat Cullinan Heritage rough diamond for US$35.3 million.

REORGANISATION

Prior to the Reorganisation, the structure of our Group (as of 19 June 2011) was as follows:



Notes:

(1) Centennial Success Limited has been renamed as Chow Tai Fook (Holding) Limited.

(2) CTF Watch Group Limited has been renamed as CTF Watch Limited.

(3) As part of the Reorganisation, Relojoaria Forever, Limitada has been renamed as Ourivesaria e Relojoaria Chao Tai Fok, Limitada.

- - - - Indicates beneficial interest in an entity

The major subsidiaries of our Group are (i) Chow Tai Fook Jewellery Company Limited, (ii) Chow Tai Fook Jewellery Company (Shenzhen) Limited, (iii) Chow Tai Fook Jewellery Company (Suzhou) Limited, (iv) Chow Tai Fook Jewellery Company (Wuhan) Limited, (v) Chow Tai Fook Jewellery Company (Chongqing) Limited, (vi) Beijing Chow Tai Fook Jewellery Company Limited, (vii) Guangdong Chow Tai Fook Jewellery Company Limited, (viii) Lida Nobel Metal Technology and Development (Shenzhen) Limited and (ix) Foshan Shunde Yuda Jewellery Manufacturing Limited (collectively, the "**Major Subsidiaries"**).

The Major Subsidiaries were determined by our Directors on the basis of their revenue contribution to our Group. During the Track Record Period, the Major Subsidiaries were wholly-owned by our Group and there were no significant changes in the shareholding of our Company and/or the Major Subsidiaries.

In preparation for the Global Offering, we took a series of restructuring steps beginning in June 2011 for the purpose of consolidating the companies comprising our Group into the following four principal subsidiaries:

(a) Majestic Project Limited ("**Majestic**") — all of the subsidiaries held directly or indirectly by Majestic are involved in the procurement and manufacturing aspect of our business;

(b) CTF HK — most of the subsidiaries held directly or indirectly by CTF HK are involved in our jewellery business in the PRC, Hong Kong and Taiwan;

(c) CTF Watch Limited ("**CTF Watch**") — all of the subsidiaries held directly or indirectly by CTF Watch are involved in our watch business; and

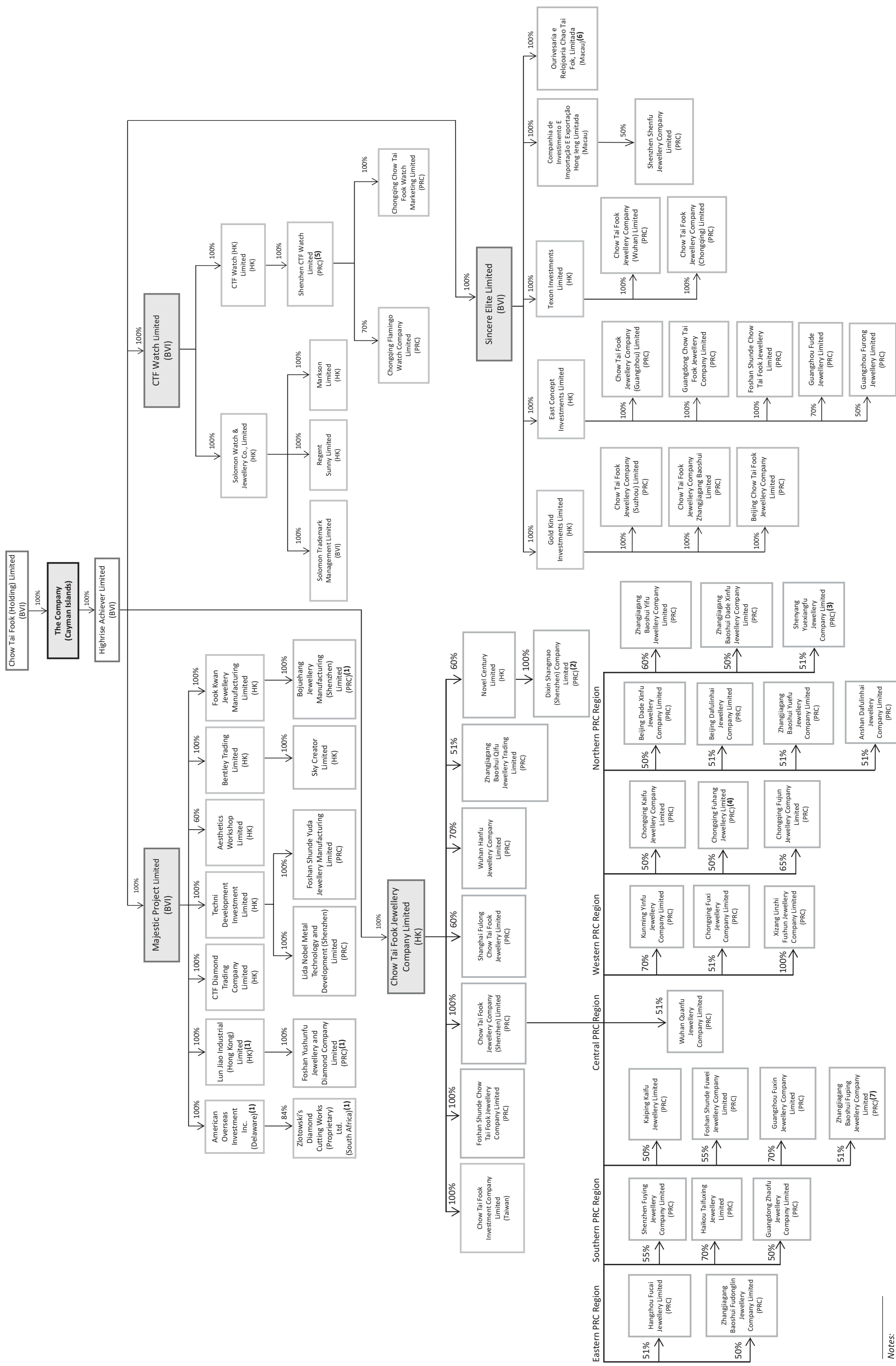
(d) Sincere Elite Limited ("**Sincere**") — most of the subsidiaries held directly or indirectly by Sincere are involved in our jewellery business in the PRC and Macau.

(collectively, the "**Principal Subsidiaries**")

Historically, all of our Group's businesses were held, directly or indirectly, by CTF Holding and any changes made to the corporate structure of our Group immediately prior to, and immediately following, the Reorganisation were akin to an intra-group transfer. As CTF Holding is the holding company of all of our Group's businesses, it has historically been the sole beneficial owner of our Group's subsidiaries which were held on trust for it. The rationale behind the trust arrangements, which were formed in Hong Kong, was to facilitate our Group's ability to set up, and invest in, our PRC subsidiaries. The trust arrangements have always been for the benefit of CTF Holding.

As part of the Reorganisation, our Group's trust arrangements have been terminated and the legal and beneficial interests of the relevant subsidiaries of our Group, which were previously held on trust, have been transferred to, and are now held by, subsidiaries which are legally and beneficially wholly-owned by our Company (namely Majestic, CTF HK and Sincere).

All four Principal Subsidiaries are held by the Company indirectly through Highrise Achiever Limited ("**Highrise**"). The Reorganisation was completed prior to the date of this prospectus. Immediately following the completion of the Reorganisation and prior to the Listing, the structure of our Group is as follows:



Notes:

(1) American Overseas Investment Inc., Zlotowski's Diamond Cutting Works (Proprietary) Ltd., Lun Jiao Industrial (Hong Kong) Limited, Foshan Yu Shun Fu Jewellery & Diamond Company Limited and Bojuehang Jewellery Manufacturing (Shenzhen) Limited were injected into the Group after 19 June 2011.

(2) Dixin Shangmao (Shenzhen) Company Limited is a new company incorporated on 25 July 2011.

(3) Shenyang Yuexiangfu Jewellery Company Limited is a new company incorporated on 19 July 2011.

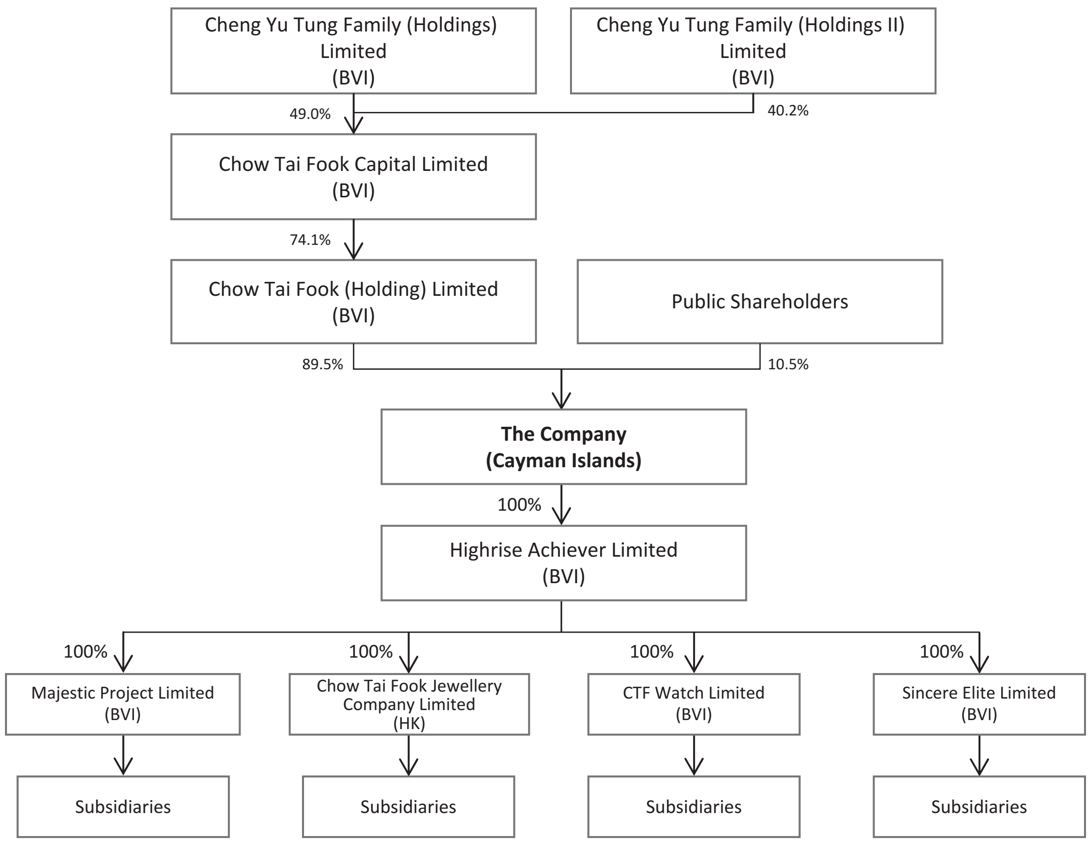
(4) Chongqing Fuhang Jewellery Company Limited is a new company incorporated on 2 July 2011.

(5) Shenzhen CTF Watch Limited is a new company incorporated on 27 June 2011.

(6) Ourivesaria e Relojoaria Chao Tai Fok, Limitada was formerly known as Relojoaria Forever, Limitada.

(7) Zhangjiagang Baoshui Fuping Jewellery Company Limited is a new company incorporated on 2 September 2011.

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), a simplified structure of our Group will be as follows:



This and other sections of this prospectus contain information relating to the PRC, Hong Kong and Macau economies and the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan, an independent market research agency, which we commissioned. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Such information and statistics have not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to their correctness or accuracy. Accordingly, you should not place undue reliance on such information or statistics.

OVERVIEW OF THE PRC ECONOMY

Rapid economic and consumption growth in the PRC

The PRC has experienced strong growth since the introduction of economic liberalisation policies by the PRC government in the late 1970s, which led to increased international trades and foreign direct investments. According to the Frost & Sullivan Report, the PRC is one of the world's largest consumer markets and its population increased from approximately 1,330.0 million as at 31 December 2006 to approximately 1,360.0 million as at 31 December 2010. At the same time, the urbanisation rate in the PRC increased from 43.9% as at 31 December 2006 to 49.7% as at 31 December 2010. The urban population of middle-income class people in the PRC is expected to increase from approximately 235.3 million in 2010 to approximately 330.0 million by 2025. The PRC's GDP is the second highest in the world, exceeded only by that of the United States as of December 2010.

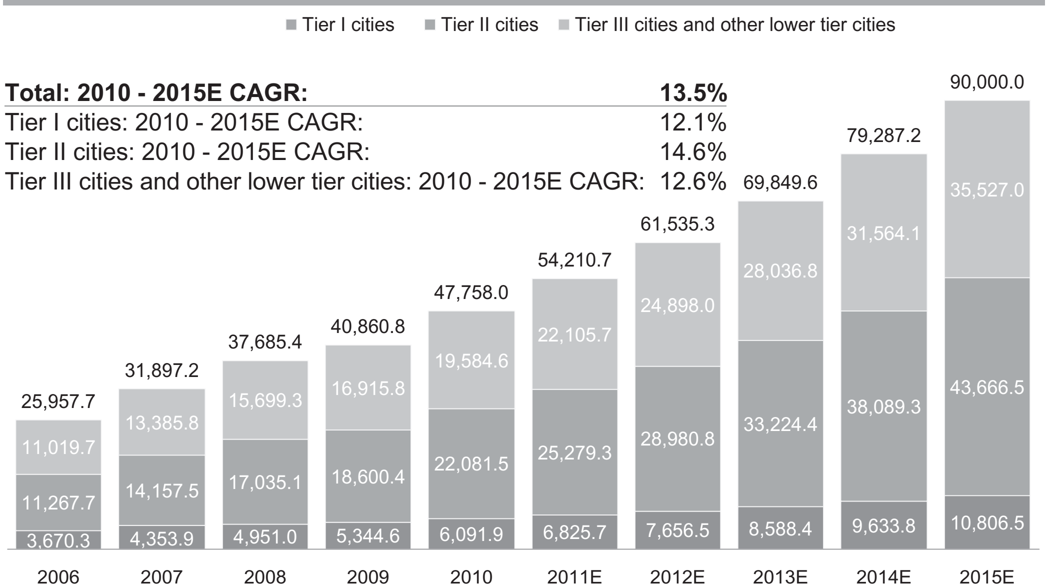
According to the Frost & Sullivan Report, the PRC's nominal GDP totalled HK$47,758.0 billion in 2010. By 2015, PRC's nominal GDP is forecasted to grow to HK$90,000.0 billion, representing a CAGR of 13.5% between 2010 and 2015, making it one of the fastest-growing developing economies in the world.

Strong demographics and proliferation of wealth in Tier II cities and Tier III cities in the PRC

From a GDP distribution perspective, Tier I cities accounted for approximately 12.8% of PRC's total GDP in 2010 and is forecasted to demonstrate a CAGR of 12.1% from 2010 to 2015 according to the Frost & Sullivan Report.

According to the PRC's 12th Five Year Plan, the PRC government aims to reform the country's income distribution, enhance social security, and in turn stimulate domestic consumption. These programmes could also drive the developmental focus and consumption growth in Tier II cities, Tier III cities and other lower tier cities.

PRC's nominal GDP by city tier (in HK$ billion)



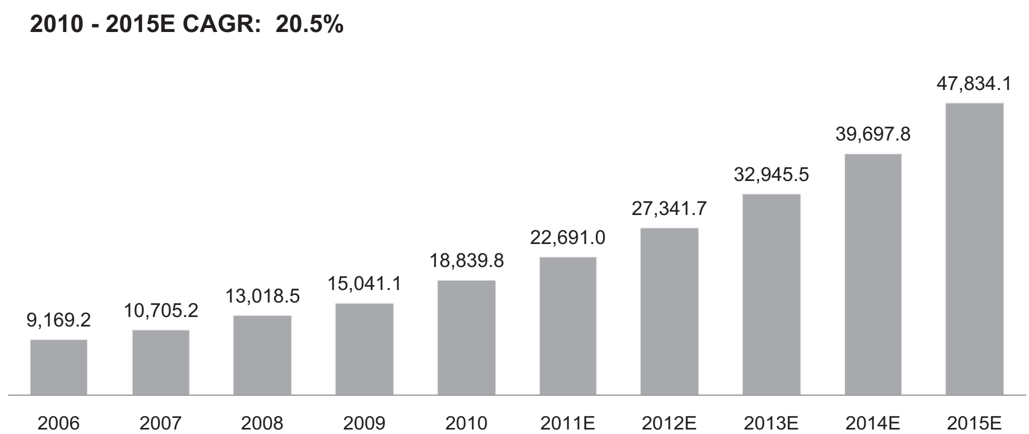
Source: Frost & Sullivan Report
Data was originally presented in RMB; RMB/HK$ exchange rate of 1.2 was applied to all figures.

According to the Frost & Sullivan Report, nominal GDP in Tier II cities, Tier III cities and other lower tier cities is estimated to grow at an average CAGR of 13.7% (compared to a CAGR of 12.1% from Tier I cities) from 2010 to 2015, further reinforcing the belief that these lower tier cities may represent relatively new and under-penetrated markets with strong growth potential for nationwide jewellery retailers.

Continuing increase in spending on consumer goods in the PRC

In line with the growing affluence, rising disposable income, and Chinese consumers' increasing demand for quality products, spending on consumer goods in the PRC has increased. In 2010, retail sales of consumer goods reached HK$18,839.8 billion, up from HK$9,169.2 billion in 2006, representing a CAGR of 19.7%. Going forward, the value of retail sales is expected to further increase, reaching HK$47,834.1 billion by 2015 at a CAGR of 20.5%.

Retail sales of consumer goods in the PRC (in HK$ billion)



Source: Frost & Sullivan Report
Data was originally presented in RMB; RMB/HK$ exchange rate of 1.2 was applied to all figures.

RAW MATERIAL SUPPLY OF JEWELLERY

Transactions of jewellery raw materials generally occur on government-organised platforms such as the Shanghai Gold Exchange and Shanghai Diamond Exchange in the PRC. The DTC is the rough diamond distribution arm of the De Beers Family of Companies and is the world's largest supplier of rough diamonds by value. DTC sightholders are entitled to procure rough diamonds directly from DTC, while other diamond traders and buyers can purchase diamonds from the sightholders or on secondary markets.

Despite the rising demand for precious stones and metals, notably within the jewellery markets of the PRC, Hong Kong and Macau, the respective global supply remained at a relatively stable level historically. For example, from 2006 to 2010, global gold mine tonnage production grew at a CAGR of only 2.0%, while the tonnage demand for gold jewellery manufacturing in the PRC increased at a CAGR of 15.3%. In 2010, the demand for gold in the PRC was estimated at approximately 700 tonnes, of which roughly 65% or 452 tonnes came from the jewellery industry. Comparatively, the domestic gold production in the PRC was only approximately half the level of demand. Similar instances of supply and demand mismatch are also observed in other raw materials markets, such as that for diamond, which in turn could drive the scarcity value of precious stones and metals.

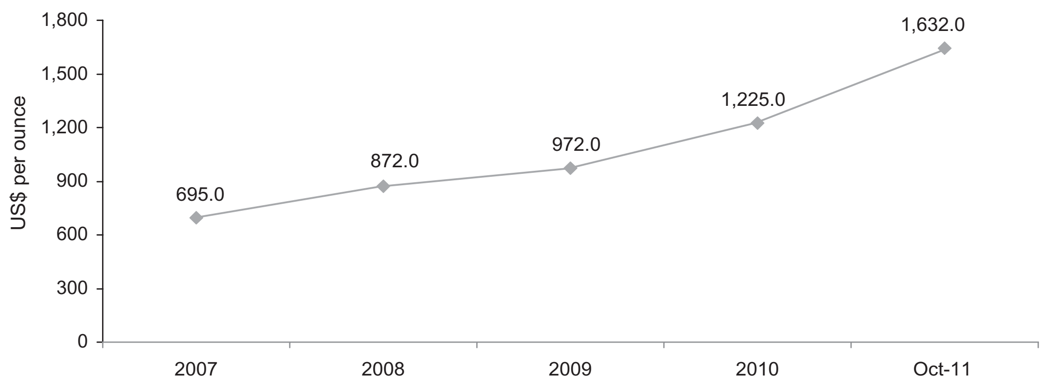
OVERVIEW OF RAW MATERIALS PRICES

The below subsections analyse the historical prices of gold commodity, platinum commodity and polished diamond which we consider are the primary and relevant precious metals and stones whose prices are publicly monitored. These three sectors are not indicative of their relative importance to our business and are by no means fully comprehensive or exhaustive of the raw materials used within the jewellery industry.

Gold commodity prices

Over the period from 2007 to October 2011, the price of gold commodity has risen from an annual/period average of US$695.0 per ounce to approximately US$1,632.0 per ounce. While there exists various theories and systems aimed to explain the movement in gold prices, the increase over the aforementioned period was believed to be driven, among others, by the volatility in the global political and economic environment as well as the strong demand for gold, particularly within the jewellery industry. The following graph depicts the evolution of gold prices over 2007 and October 2011.

Historical annual/period average price evolution of gold commodity (in US$ per ounce)

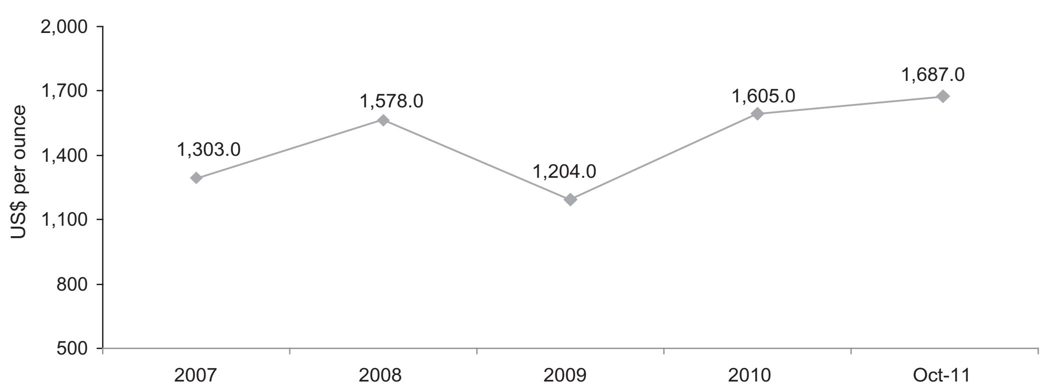


Source: Frost & Sullivan Report

Platinum commodity prices

Relative to gold, the price of platinum commodity has historically followed a more volatile path. Over the period from 2007 to October 2011, the price of platinum commodity soared approximately 29% from an annual/period average of US$1,303.0 per ounce to US$1,687.0 per ounce. Toward the end of 2008, the price of platinum was negatively affected due to the global financial crisis, as demand from industrial use decreased. The recovery in the demand for platinum from automobile manufacturing and jewellery consumption led to the subsequent increase in platinum prices.

Historical annual/period average price evolution of platinum commodity (in US$ per ounce)

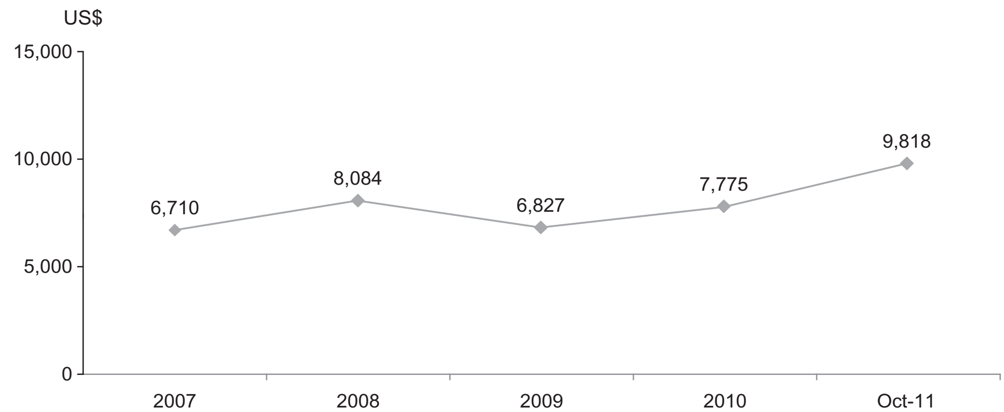


Source: Frost & Sullivan Report

Polished diamond prices

The price of polished diamond has historically been price elastic to economic conditions as a result of polished diamond being a predominately consumer-oriented commodity. Over 2009, the average price of polished diamond decreased by 15.5% from an annual average of US$8,084 to US$6,827 as a result of compressed consumer demands due to the global financial crisis. Stimulated by a subsequent strong demand recovery, rising mining cost and limited supply, both 2010 and the first ten months of 2011 witnessed a high growth rate in the average price of polished diamond. The following chart shows the change in annual/period average price of polished diamond with specification of D-H, IF-VS2, VG+, and 1 carat in weight from 2007 to October 2011.

Historical change in annual/period average price evolution of polished diamond(1)



Source: Frost & Sullivan Report
Note:
(1) Polished diamond with specification of D-H, IF-VS2, VG+, and 1 carat in weight.

KEY INDUSTRY TRENDS AND CHARACTERISTICS

- *Event-driven jewellery purchases of PRC consumers*

Event-driven purchases are an important driver of jewellery retail sales in the PRC, Hong Kong and Macau due to the Chinese tradition of jewellery gift-giving (including gold ornaments and diamond jewellery) at ceremonial and festive events such as weddings, Mid-Autumn Festival, Chinese New Year, birthday celebrations and newborn arrivals. The growth and sustainability of the PRC jewellery market is widely acknowledged to have been and will continue to be driven by event-driven demands.

In addition, Chinese people often plan discretionary celebrations such as weddings around dates delineated by various systems of aesthetics, almanac and auspicious beliefs. These related purchase decisions are generally inelastic to economic conditions and commodity prices. Frost & Sullivan has estimated that over 12 million marriages were registered in the PRC in 2010, and over 30% of the population was at the marriage age of 20 to 39. During the period from 2007 to 2009, despite the global financial crisis, the number of registered marriages continued to increase at a CAGR of 9.8%, further substantiating the non-cyclical nature of event-driven purchases in the PRC jewellery industry. Going forward, the number of registered marriage is forecasted to continue its growth at a CAGR of 9.2% from 2010 to 2015.

- *Cultural significance of gold, diamond and other gemstone products in the PRC*

As a result of its long history, the Chinese culture has been ingrained with a set of distinctive values, beliefs and conducts. For the Chinese, gold, diamond and other gemstone products carry a cultural connotation that represents eternity, dignity, prosperity, blessing and fortune, manifesting the importance and popularity of jewellery as gifts for festive events and celebrations.

In addition, the durability and tangibility of the aforementioned jewellery products carry a pragmatic and sentimental value as both preservation and transfer of wealth across generations. To the Chinese, the decision to purchase gold, diamond and gemstone products is not only triggered by their decorative and symbolic purposes, but also substantiated by their ability to provide comfort as a tangible preservation of wealth as well as to pass on fortune to the next generation. Building on the cultural foundation of pragmatism, wealth accumulation and conservatism, the Chinese demand for jewellery is expected to demonstrate strong growth going forward, according to the Frost & Sullivan Report.

- *Demand for authenticity and quality*

Due to the attractive margins and imitable semblance of certain jewellery, the PRC jewellery market has attracted fraudulent market players retailing imitation jewellery that is falsely advertised as real, authentic products made from precious metals and stones. With the rising education level, increasing sophistication and rising affluence of PRC consumers at large, the demand for authentic, high quality and genuine jewellery products with strong design elements is expected to experience further growth. As a result, jewellery retailers with trusted brands are expected to gain market share and experience strong repeat purchases.

- *Increasing demand for differentiated and well-designed products*

Due to enhanced media influence, rising per capita disposable income and stronger desire to differentiate, PRC consumers have generally shifted their perception of jewellery as a homogenous product to an article that can complement their self-expression. This perception shift has stimulated jewellery retailers to focus not only on quality, but also on the design and production of fashion-oriented jewellery ornaments. This industry trend has created opportunities for industry players that are able to develop strong brand identities across a broad price range because consumers tend to be more willing to associate themselves with these brands through the loyal adoption of a wider array of their jewellery products.

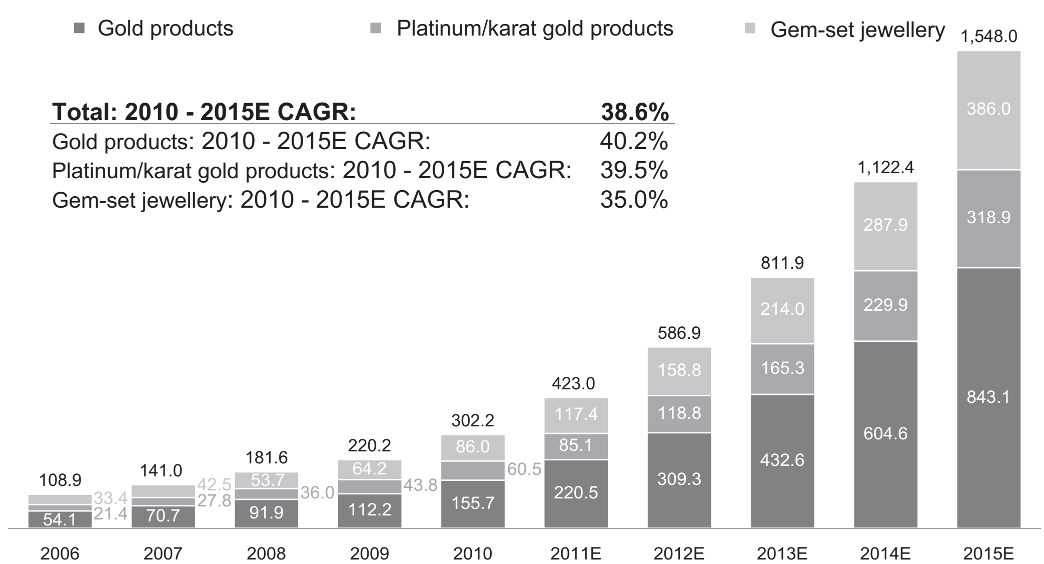
- *Aspiration to purchase higher value jewellery products*

Consumers traditionally seek to purchase higher value jewellery pieces as they progress through their consumer life cycle. For many Chinese consumers, their first jewellery purchase is typically gold products, which many Chinese consumers believe to be the entry points of their jewellery customer life cycle. However, as discretionary income increases in China, many consumers will seek to purchase higher priced jewellery items such as diamond and platinum products. This phenomenon is also expected to be influenced by event-driven purchases where aspirational consumers may purchase the higher value diamond rings in lieu of or in addition to gold products for weddings, for example.

THE JEWELLERY RETAILING INDUSTRY IN THE PRC

According to the Frost & Sullivan Report, as of 2010, the jewellery market in the PRC was the second largest in the world with total retail sales value of HK$302.2 billion, exceeded only by the United States (in 2010, total retail sales value of jewellery in the United States was greater than HK$600.0 billion). Driven primarily by the favourable demographics, increasing disposable income and the performance of the overall economy at large, going forward, the PRC jewellery market is forecasted to grow at a significantly faster rate than GDP with a CAGR of 38.6% from 2010 to 2015, according to the Frost & Sullivan Report. By 2015, the market is estimated to reach HK$1,548.0 billion, making the PRC the largest jewellery market globally based on Frost & Sullivan's forecast.

Retail value of jewellery market in the PRC with breakdown by product (in HK$ billion)



Source: Frost & Sullivan Report
Data was originally presented in RMB; RMB/HK$ exchange rate of 1.2 was applied to all figures.

Product segmentation in the PRC

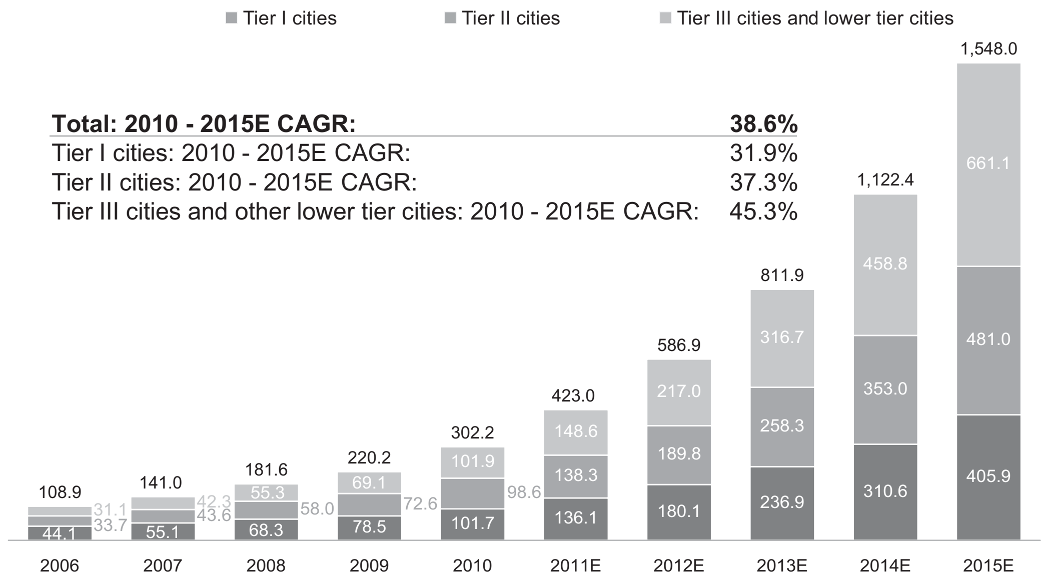
- *Gold products*. Customarily, PRC consumers regard gold products as one of the most popular congratulatory gifts due to gold's appeal as a symbol of prosperity as well as a display wealth and social status. Gold products are estimated to maintain their leading position by both growth rate and market share, with a CAGR of 40.2% from 2010 to 2015, accounting for nearly 54.5% of the total PRC jewellery market by 2015.

- *Platinum/karat gold products.* For platinum jewellery, due primarily to its higher average selling price, it remains relatively under-penetrated compared to other jewellery products. Karat gold jewellery has a strong consumer appeal in the PRC due to its relatively low average selling price compared to gold jewellery. Platinum/karat gold products are forecasted to record a stronger-than-average CAGR of 39.5% from 2010 to 2015, reaching HK$318.9 billion by 2015.

- *Gem-set jewellery.* Gem-set jewellery represented the second largest product category by retail value in the PRC. This category is forecasted to grow at a CAGR of 35.0% from 2010 to 2015, reaching HK$386.0 billion by 2015.

City-tier segmentation in the PRC

Retail value of jewellery market in the PRC with breakdown by city tier (in HK$ billion)



Source: Frost & Sullivan Report
Data was originally presented in RMB; RMB/HK$ exchange rate of 1.2 was applied to all figures.

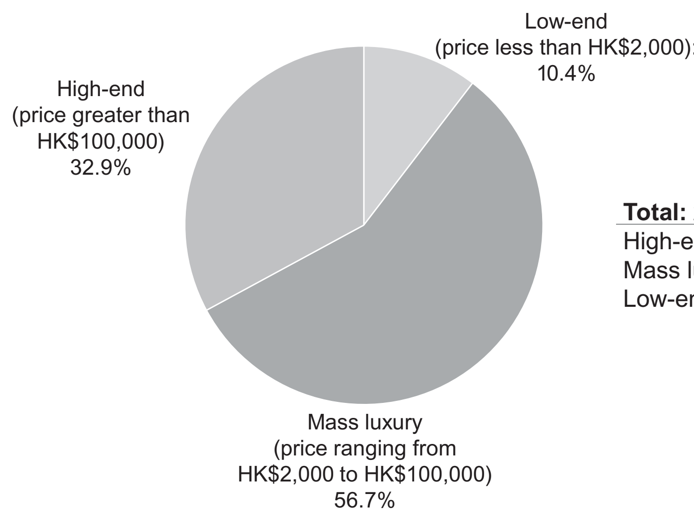
In 2010, sales from Tier I cities and Tier II cities accounted for approximately 66.3% of total retail sales in the PRC jewellery market. Retail sales from Tier I cities and Tier II cities are forecasted to grow at a CAGR of 34.7% from 2010 to 2015. However, as a result of rising affluence, increasing demand for quality products and lower operational costs in Tier III cities and other lower tier cities, many large-scale jewellery retailers are shifting focus to these cities for growth opportunities. As such, jewellery retail sales from Tier I cities and Tier II cities, which have already experienced significant growth historically, are expected to grow at a slower rate than Tier III cities and other lower tier cities from 2010 to 2015, and contribute to 57.3% of the total PRC jewellery market by 2015, according to the Frost & Sullivan Report.

Comparatively, in 2010, sales from Tier III cities and other lower tier cities accounted for approximately 33.7% of the total PRC jewellery market. Over the period from 2010 to 2015, however, their contribution is expected to increase significantly, representing over 42.7% of the total market by 2015 with a CAGR of 45.3% from 2010 to 2015.

Price range segmentation in the PRC

Mass luxury, defined as jewellery products with retail price ranging from HK$2,000 to HK$100,000, is estimated to represent approximately 56.7% of the total jewellery market in the PRC in 2010, with retail sales value of HK$171.4 billion, according to the Frost & Sullivan Report. As jewellery retailers continue to emphasise growth opportunities in Tier II cities, Tier III cities and other lower tier cities, the mass luxury segment is forecasted to experience the strongest growth relative to the industry. From 2010 to 2015, mass luxury jewellery retail sales in the PRC is forecasted to grow at a CAGR of 39.1%, reaching HK$891.6 billion, or approximately 57.6% of the total market, by 2015, according to the Frost & Sullivan Report.

Retail value of jewellery market in the PRC with breakdown by price range (2010)



Total: 2010-2015E CAGR:	**38.6%**
High-end: 2010-2015E CAGR:	39.1%
Mass luxury: 2010-2015E CAGR:	39.1%
Low-end: 2010-2015E CAGR:	34.6%

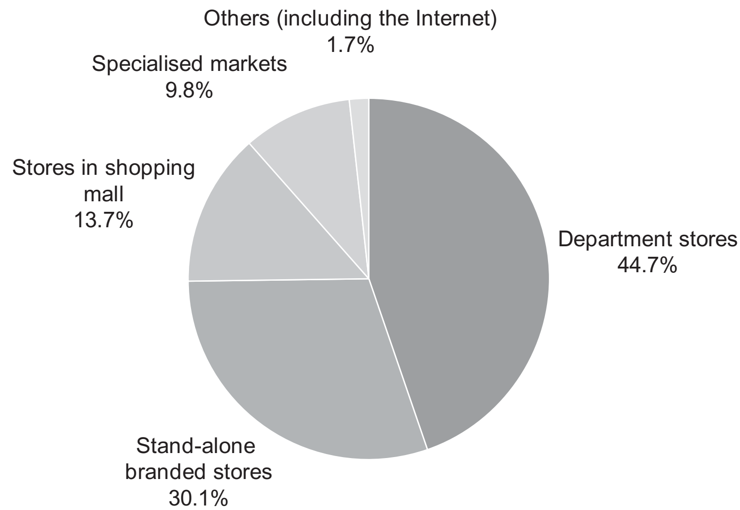
Total 2010 retail value: HK$302.2 billion

Source: Frost & Sullivan Report

Jewellery sales channels in the PRC

In the PRC, jewellery products are primarily retailed through five types of distribution channels, consisting of stand-alone branded stores, stores in shopping malls, department stores, specialised markets, and others (including the Internet). The following chart shows the breakdown of jewellery retail sales in the PRC by retail channel, in which department stores sales accounted for the largest portion in 2010, with 44.7% of the total share.

PRC's jewellery sales breakdown by retail channels (2010)



Total 2010 retail value: HK$302.2 billion

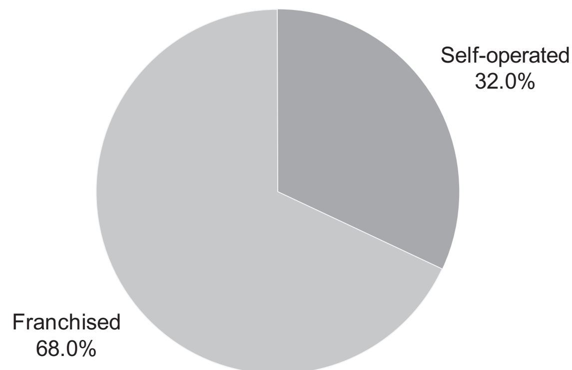
Source: Frost & Sullivan Report

We believe that one of the reasons for department stores being the most significant retail channel for jewellery in the PRC is due to consumers' perception that brands offered within department stores have undergone a selection process that is generally based on merits of quality, authenticity and consumer appeal. As such, consumers generally place greater confidence and comfort when purchasing products from department stores.

It is expected that sales from department stores will gain an increasingly larger share of the market as a retail channel, as this type of retail channel is commonly adopted by retailers when penetrating into Tier III cities and other lower tier cities due to lower cost of expansion and more customer traffic. By 2015, jewellery sales from department stores is forecasted to grow at a CAGR of 40.1% from 2010 to 2015, accounting for approximately 47.1% of the total market by 2015, according to the Frost & Sullivan Report.

Jewellery POS by operation model in the PRC

PRC jewellery POS by operation model (2010)



Total POS: 58,000

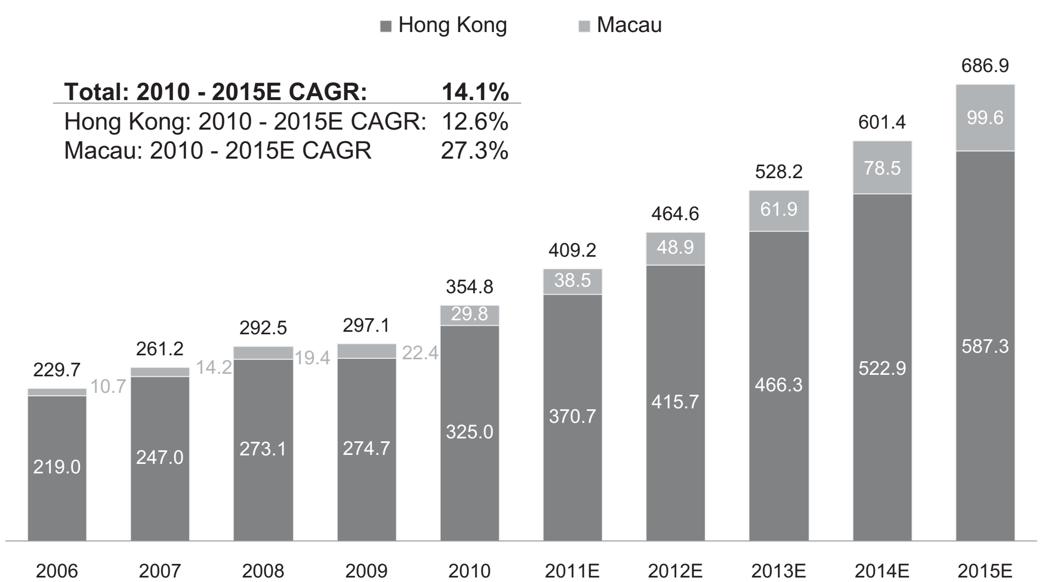
Source: Frost & Sullivan Report

In 2010, self-operated stores accounted for approximately 32% of jewellery POS in the PRC, whereas the franchising model accounted for the remaining 68%, according to the Frost & Sullivan Report. For jewellery retailers, self-operated stores remain as an important ownership format due to their appeal in allowing greater operational control and closeness to end customers as compared to implementing a franchising model. At the same time, compared to a franchising model, a self-operated POS model allows for an additional layer of margin and profit potential due to the elimination of the wholesale-retail spread, enabling retailers to capture the full retail margin. However, due to the vast geographic coverage of the PRC and the costs associated with extensive store roll-outs, the franchising model has gained prominence with jewellery retailers as a cost-effective and efficient form of expansion, especially in the lower tier cities.

OVERVIEW OF THE HONG KONG AND MACAU ECONOMY

According to the combined data from the Hong Kong Census and Statistics Department and Macau Statistics and Census Service, in 2010, the aggregate nominal GDP in Hong Kong and Macau grew at a CAGR of 5.4% from 2006 to 2010 and the aggregate retail sales of consumer goods in Hong Kong and Macau amounted to HK$354.8 billion, up from HK$229.7 billion in 2006, representing a CAGR of 11.5%. Going forward, the retail sales of consumer goods in Hong Kong and Macau is forecasted to grow at an even faster pace with a CAGR of 14.1% from 2010 to 2015.

Retail sales of consumer goods in Hong Kong and Macau (in HK$ billion)

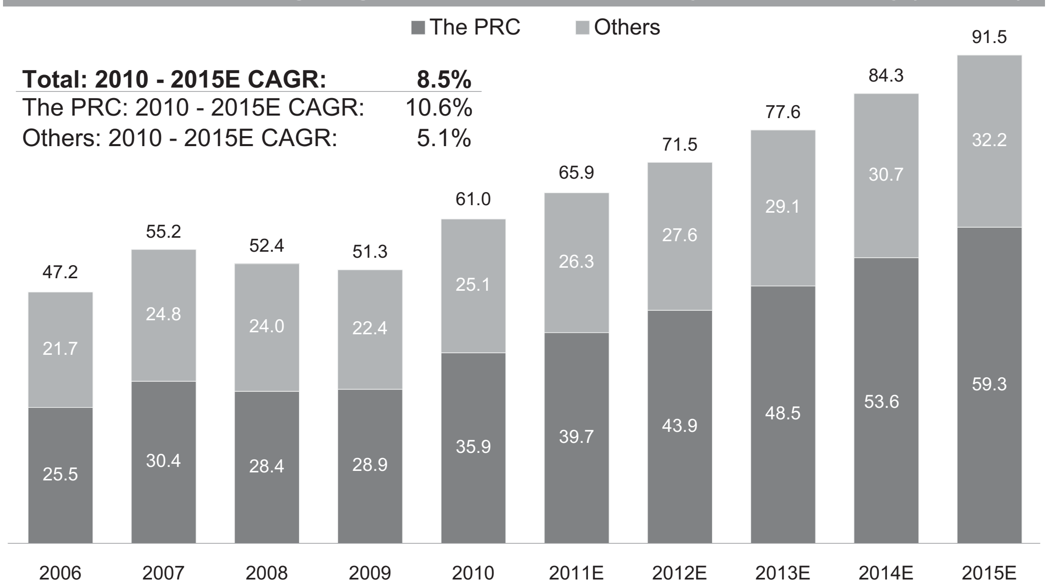


Source: Frost & Sullivan Report

Tourism in Hong Kong and Macau

In 2010, approximately 61.0 million tourists visited Hong Kong and Macau, 58.9% of which were tourists from the PRC, according to the Frost & Sullivan Report. Over the period from 2010 to 2015, the number of tourists visiting Hong Kong and Macau is forecasted to grow at an increasingly rapid rate, representing a CAGR of 8.5%. By 2015, Frost & Sullivan forecasts tourists count to be over 91.5 million, with share of PRC tourists increasing to over 64.8%, or approximately 60 million.

Number of tourists to Hong Kong and Macau with breakdown by residence country (in million)



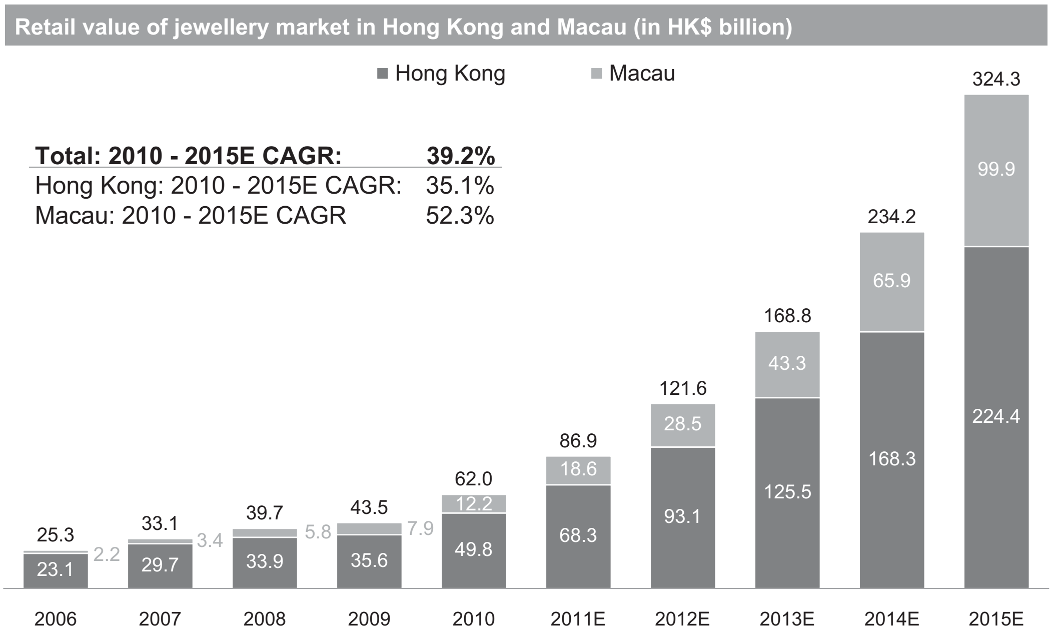
Source: Frost & Sullivan Report

A major government policy supporting the PRC tourism in Hong Kong and Macau is the initiation of the "Individual Visit Scheme" in July 2003. Under this policy, permissions are granted to PRC citizens from selected cities to visit Hong Kong and Macau on an individual basis. The ensuing effect is a systemic stimulus that has led to a strong increase in the number of PRC tourists visiting Hong Kong and Macau.

In Hong Kong and Macau, tourists' spending from the PRC is a significant contributor to jewellery retail sales. According to the Frost & Sullivan Report, PRC tourists contributed to over 40% of the total Hong Kong jewellery retail sales in 2010. At the same time, as PRC tourists become increasingly affluent with rising per capita disposable income, it is estimated that consumers' willingness to pay for luxury products will continue to increase, thereby driving growth in average retail transaction size.

THE JEWELLERY RETAILING INDUSTRY IN HONG KONG AND MACAU

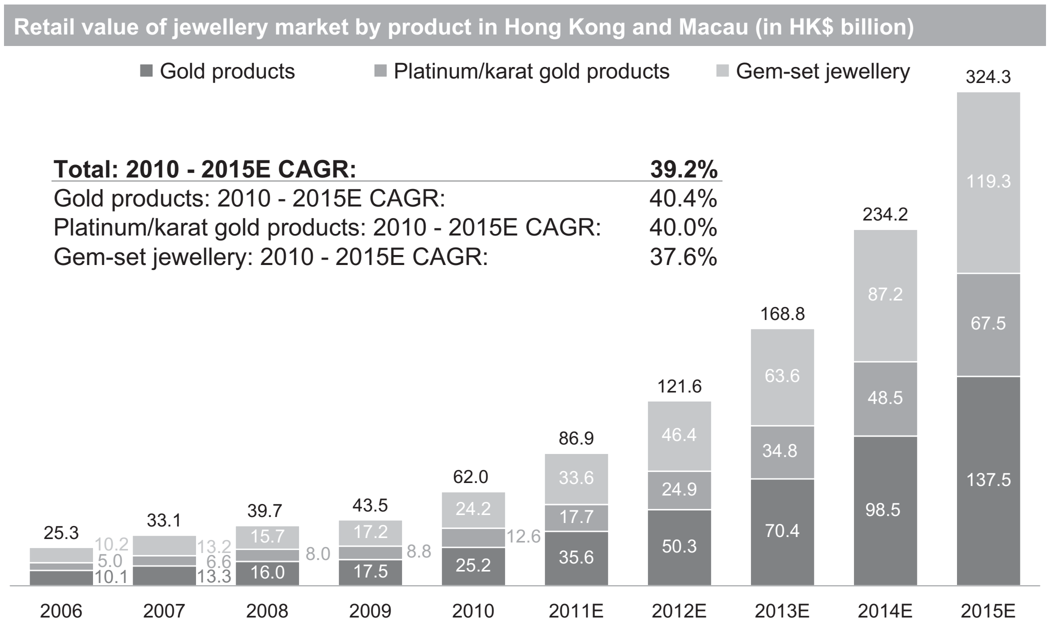
The growth of the jewellery industry in Hong Kong and Macau is largely driven by strong domestic consumer demand and rising number and affluence of PRC tourists, benefiting from a rising affinity for designs and quality from the consumer base.



Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, the Hong Kong and Macau jewellery industry had retail sales of HK$62.0 billion in 2010, with Hong Kong contributing approximately 80.3% and Macau representing the balance. Over the forecast period from 2010 to 2015, the market is forecasted to grow at a CAGR of 39.2%, reaching HK$324.3 billion by 2015 according to the Frost & Sullivan Report. With Macau's jewellery market growth forecast to outpace that of Hong Kong's, the relative contribution between the two economies is expected to shift. By 2015, Hong Kong and Macau is estimated to contribute 69.2% and 30.8% to the total market, respectively, according to the Frost & Sullivan Report.

Product segmentation in Hong Kong and Macau



Source: Frost & Sullivan Report

- *Gold products.* Historically, gold products have been the most popular product category in Hong Kong and Macau. Over the forecast period from 2010 to 2015, gold products are estimated to maintain their leadership position with a CAGR of 40.4%, reaching HK$137.5 billion, or 42.4% of the market by 2015.

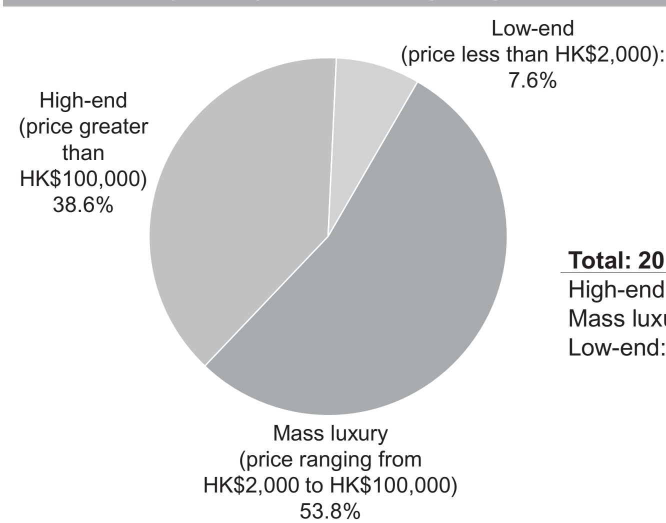
- *Platinum/karat gold products.* Platinum/karat gold products are forecasted to record a stronger-than-average CAGR of 40.0% from 2010 to 2015, reaching HK$67.5 billion by 2015.

- *Gem-set jewellery.* Gem-set jewellery represented the second largest product category by retail value in the PRC. This category is forecasted to grow at a CAGR of 37.6% from 2010 to 2015, reaching HK$119.3 billion by 2015.

Price range segmentation in Hong Kong and Macau

In Hong Kong and Macau, the significance of the mass luxury segment in the jewellery industry is due primarily to the relatively high domestic income levels, strong willingness to pay for jewellery products and rising disposable income of PRC tourists. In 2010, the mass luxury segment in Hong Kong and Macau represented 53.8% of the total jewellery market or HK$33.4 billion. Similar to the PRC, the growth of the mass luxury segment is expected to outpace the rest of the industry, with an aggregate CAGR of 39.6% from 2010 to 2015, according to the Frost & Sullivan Report, further reinforcing the innate competitive advantage for industry players that are well-positioned to capture the potential of this segment.

Retail value of jewellery market in Hong Kong and Macau with breakdown by price range (2010)



Total: 2010 - 2015E CAGR:	**39.2%**
High-end: 2010 - 2015E CAGR:	39.1%
Mass luxury: 2010 - 2015E CAGR:	39.6%
Low-end: 2010 - 2015E CAGR:	36.7%

Total 2010 retail value: HK$62.0 billion

Source: Frost & Sullivan Report

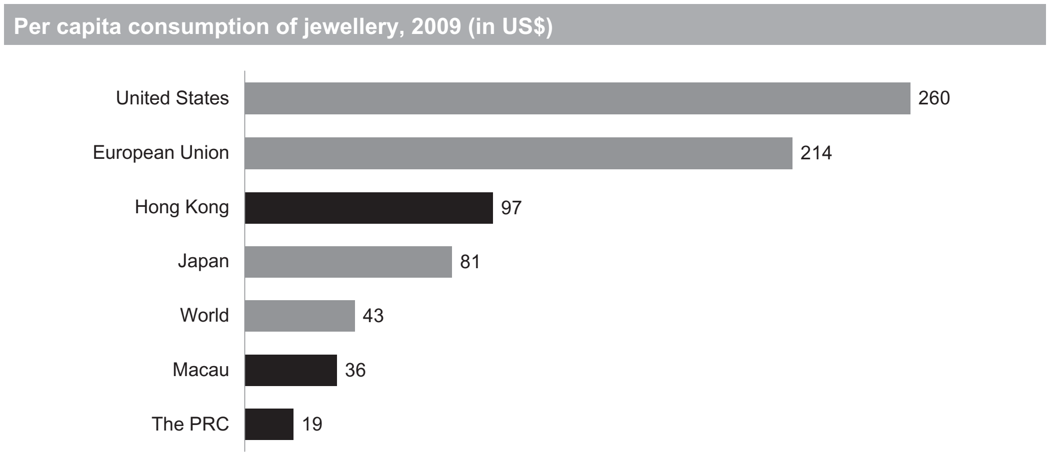
Jewellery sales channels in Hong Kong and Macau

Estimated by Frost & Sullivan, the number of POS in Hong Kong and Macau amounted to approximately 900, with stand-alone branded stores and stores in shopping malls representing the dominant sales channels by number of POS, at 56.8% and 40.2%, respectively. Going forward, the proportions are forecasted to remain relatively stable, according to Frost & Sullivan.

Jewellery POS by operation model in Hong Kong and Macau

In Hong Kong and Macau, self-operated jewellery POS constitutes by-and-large the majority (approximately 99%), with franchised stores representing the remainder. Given Hong Kong and Macau are relatively small in size compared to the PRC, it is difficult for jewellery retailers to gain economies of scale and achieve satisfactory returns through franchising. As a result, it is estimated that self-operated POS will continue to dominate the jewellery market in Hong Kong and Macau, according to the Frost & Sullivan Report.

COMPARISON OF PER CAPITA JEWELLERY CONSUMPTION ACROSS REGIONS

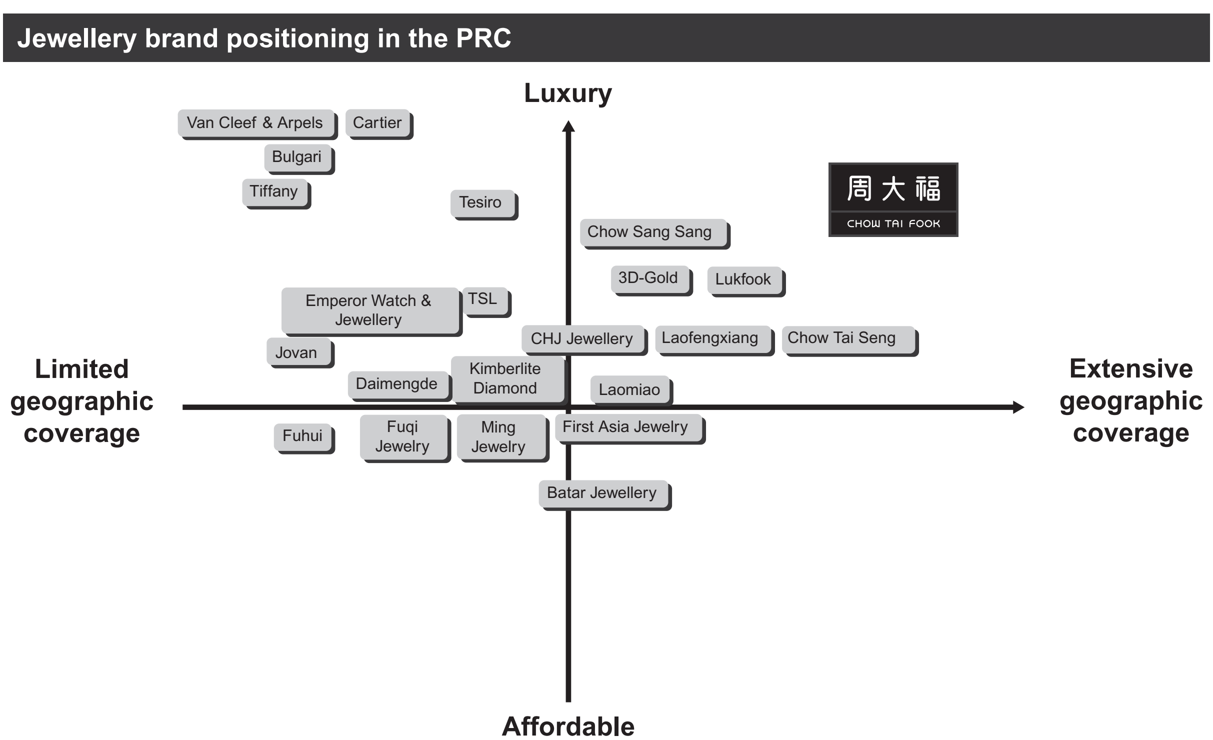


Source: Frost & Sullivan Report

On a per capita basis, jewellery consumption in the PRC, Hong Kong and Macau is still at nascent stages relative to mature markets such as the United States and the European Union, signifying the existence of strong growth potential. Specifically, per capita jewellery consumption in the PRC and Macau are both less than the world average, with that of the PRC being less than one-tenth the level estimated for United States.

COMPETITIVE LANDSCAPE OF JEWELLERY INDUSTRY IN THE PRC, HONG KONG AND MACAU

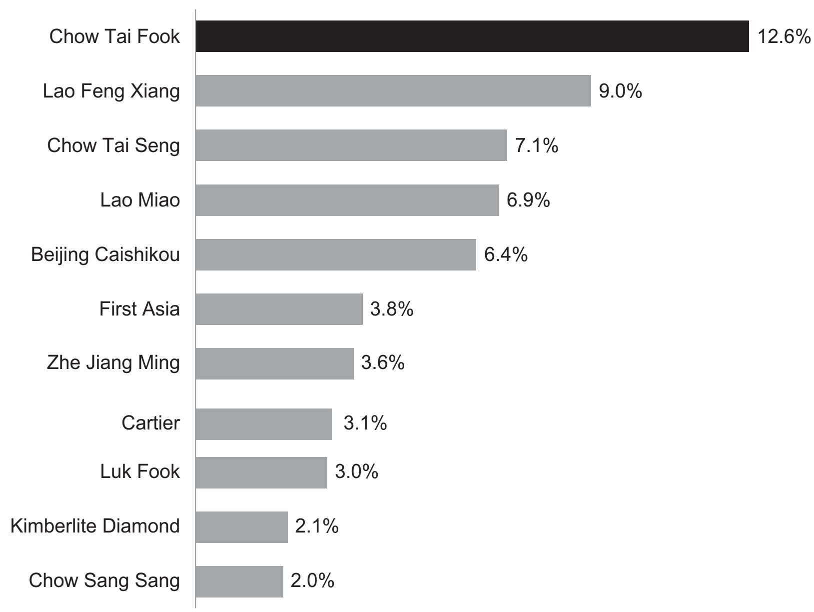
The chart below provides an overview of the brand positioning of the key jewellery brands in the PRC:



Source: Frost & Sullivan Report
Note: Size of textbox does not indicate revenue or market share

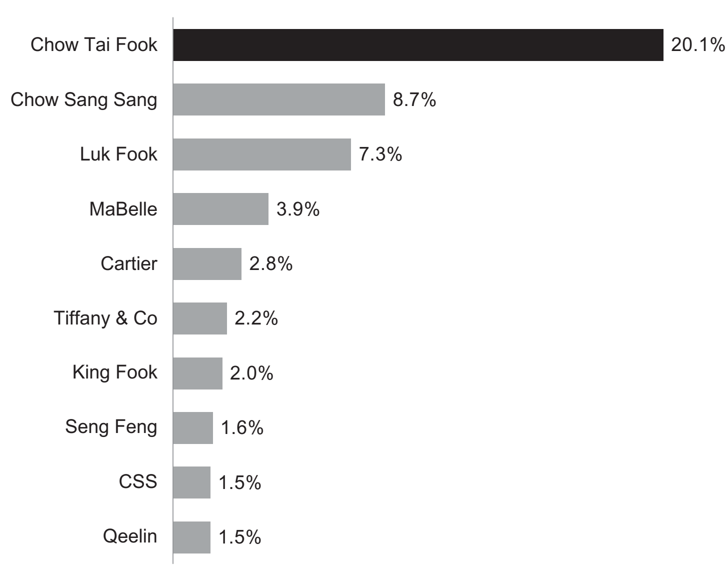
Taking into consideration only jewellery retailers whose revenues exceed RMB500 million, the top 10 players in the PRC have a combined market share of approximately 57.5% of the total jewellery market, according to the Frost & Sullivan Report. Within this segment, Chow Tai Fook enjoys a leading position with a market share of 12.6%, according to the Frost & Sullivan Report. The jewellery industry in Hong Kong and Macau is also highly concentrated, with the top 10 companies accounting for approximately 51.7% of the total market in 2010. In 2010, sales from Chow Tai Fook accounted for approximately 20.1% of the total market in Hong Kong and Macau, according to the Frost & Sullivan Report. Over the forecast period from 2010 to 2015, it is estimated that the jewellery market will undergo further consolidation as the top 10 players in the respective geographies continue to capture market share through product portfolio and distribution channel expansion.

Jewellery market share by retail value in the PRC (2010)



Source: Frost & Sullivan Report; only includes companies whose revenues exceed RMB500 million.

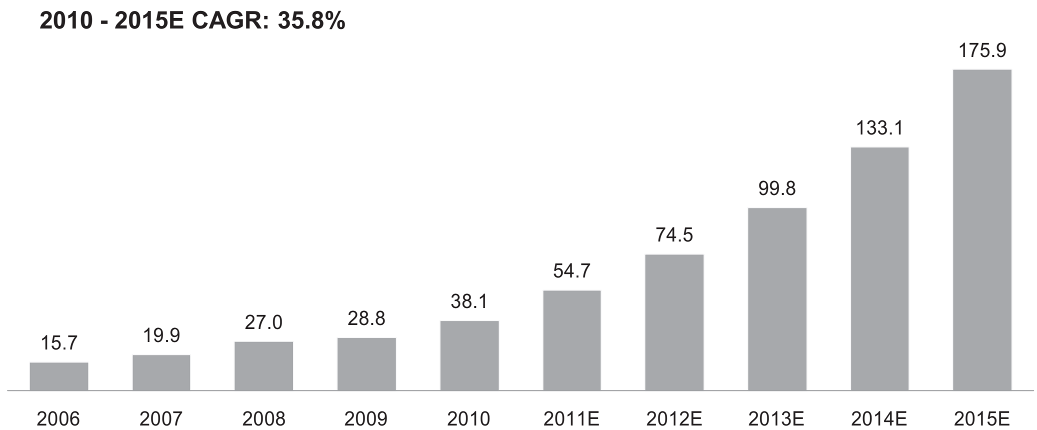
Jewellery market share by retail value in Hong Kong and Macau (2010)



Source: Frost & Sullivan Report

THE MASS TO HIGH-END LUXURY WATCH RETAILING INDUSTRY IN THE PRC, HONG KONG AND MACAU

Retail value of mass to high-end luxury watch market in the PRC (in HK$ billion)

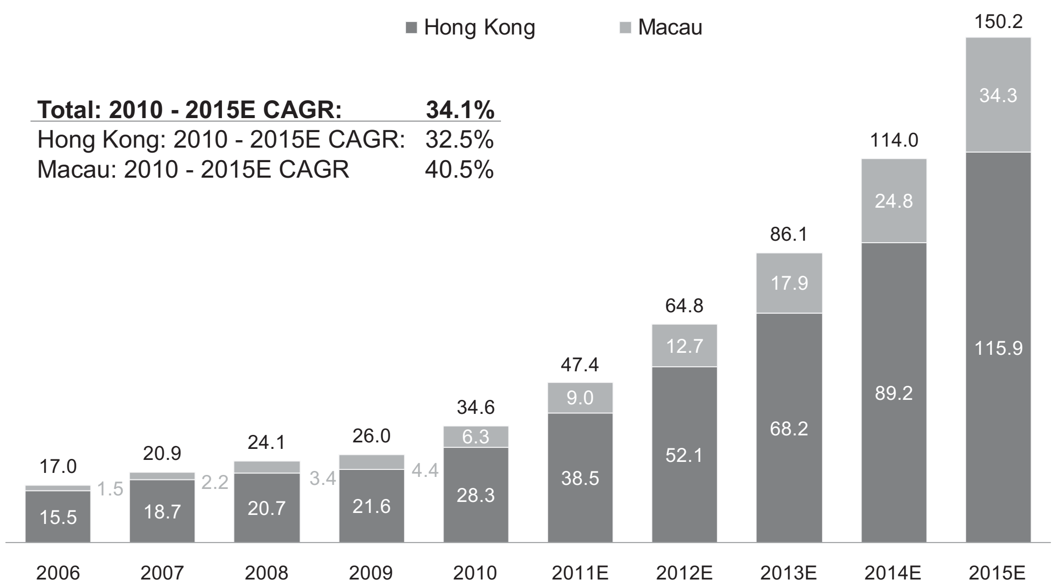


Source: Frost & Sullivan Report
Data was originally presented in RMB; RMB/HK$ exchange rate of 1.2 was applied to all figures.
Mass to high-end luxury watch in the PRC is defined as watches with a retail price of no less than RMB3,000.

According to the Frost & Sullivan Report, it is estimated that the mass to high-end luxury watch market in the PRC reached HK$38.1 billion in 2010, up from HK$15.7 billion in 2006, representing a CAGR of 24.8%. There are numerous brands of watchmakers in the PRC, mainly dominated by imported Swiss brands, local domestic manufacturers and other Asian and Japanese players in the mass to high-end luxury range. The market is gradually witnessing a change in consumer attitudes and lifestyle with rising demand for quality and status as well as an urbanising middle class. As such, the mass to high-end luxury watch players are expected to benefit from this trend. In particular, in the high-end segment of the market, watches are no longer used as mere time-telling devices, but are also fashion accessories and status symbols. For consumers in this market segment, brand image, brand reputation and style have become increasingly important purchase criteria.

The PRC's mass to high-end luxury watch market is estimated to grow at a CAGR of 35.8% from 2010 to 2015, reaching HK$175.9 billion in 2015.

Retail value of mass to high-end luxury watch market in Hong Kong and Macau (in HK$ billion)



Source: Frost & Sullivan Report
Mass to high-end luxury watch in Hong Kong and Macau is defined as watches with a retail price of no less than HK$10,000.

Since 2008, imports of Swiss watches in Hong Kong has surpassed that of the United States, accounting for approximately one-fifth of the world's Swiss watch imports in 2010 according to the Federation of the Swiss Watch Industry. The strong growth in branded mass to high-end luxury watches in Hong Kong and Macau can be attributed to the fast-growing number of tourists, the rising standard of living of PRC tourists, increasing domestic expenditure on luxury goods and a growing desire for authentic, aspirational brands.

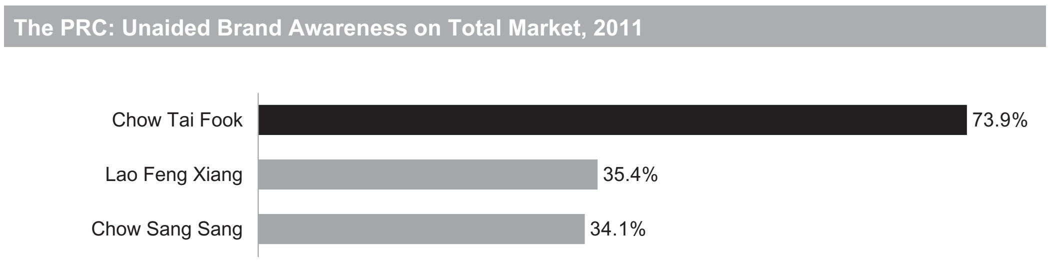
From 2006 to 2010, the market for mass to high-end luxury watch in Hong Kong and Macau grew from HK$17.0 billion to HK$34.6 billion, representing a CAGR of 19.4%. From 2010 to 2015, the market is forecasted to grow at a faster rate than historical levels with a CAGR of 34.1%, reaching HK$150.2 billion by 2015.

Appendix: Consumer survey

Below is a summary of the consumer survey outcome with focus on brand awareness and purchase patterns conducted in August 2011 in the PRC, Hong Kong and Macau. For brand awareness survey, we looked into both "Unaided Brand Awareness" and "Aided Brand Awareness". "Unaided Brand Awareness" survey is defined as a survey of respondents recognising specific brands without any prompt. "Aided Brand Awareness" survey is defined as a survey of respondents recognising specific brands from a list of possible names offered as prompt.

The PRC

Question: Can you name three jewellery brands which you are aware of?

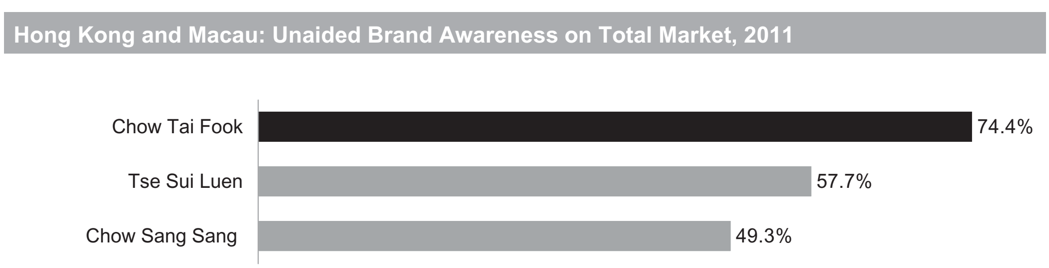


Source: Frost & Sullivan
Total sample = 3,000

In the Unaided Brand Awareness survey in the PRC, Chow Tai Fook was ranked first with 73.9%, followed by Lao Feng Xiang and Chow Sang Sang with 35.4% and 34.1%, respectively.

Hong Kong and Macau

Question: Can you name three jewellery brands which you are aware of?



Source: Frost & Sullivan
Total sample = 400

In the Unaided Brand Awareness survey in Hong Kong and Macau, Chow Tai Fook was ranked first with 74.4%, followed by Tse Sui Luen and Chow Sang Sang with 57.7% and 49.3%, respectively.

Sources of Information

We commissioned Frost & Sullivan, an independent marketing and consulting agency, for the research and preparation of the Frost & Sullivan Report on the PRC, Hong Kong and Macau jewellery market, including general economic data and consumer surveys. Frost & Sullivan received a total fee of RMB2.60 million for the research and preparation of the Frost & Sullivan Report, which we believe reflects the market rate for such reports. Except for the Frost & Sullivan Report, we did not commission any other customised report.

In the PRC, Hong Kong and Macau, Frost & Sullivan adopted a methodology of both primary research and secondary research and obtained knowledge, statistics, information and insights on industry trends within the jewellery and watch industry. Primary research involved interviewing leading industry participants, consumers and third-party industry associations. Secondary research involved reviewing company annual reports, official bureaus' databases, independent research reports or journals and Frost & Sullivan's proprietary database built up over the past decades.

Forecast data was obtained from historical data analyses plotted against macroeconomic data as well as specific industry-related drivers, such as purchasing power and consumer expenditure on jewellery and watch. Frost & Sullivan developed its forecast on the following bases and assumptions:

- that the social, economic and political environments of the PRC, Hong Kong and Macau remain stable during the forecast period, which ensures the sustained and steady development of consumer goods retail market; and

- that the purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions.

OVERVIEW

We are the leading jeweller by market share in the PRC as well as in the Hong Kong and Macau jewellery markets, with a market share of 12.6% and 20.1%, respectively, in 2010, according to the Frost & Sullivan Report. We have an extensive retail network, with 1,421 jewellery POS and 85 watch POS as at 30 September 2011. Our largest market is the PRC, accounting for 56.0% of our turnover for 1HFY2012, followed by Hong Kong, Macau and other Asian markets, which accounted for 44.0%. Our principal products are mass luxury and high-end luxury jewellery products, including gem-set jewellery, platinum/karat gold products, gold products and watches.

COMPETITIVE STRENGTHS

Iconic and trusted brand in the Greater China region with over 80 years of heritage

"Trust" is one of the most valued virtues in the Chinese community and is also a key attribute that customers look for when they choose their jeweller. As a pioneer in the industry, we started our operations in Guangzhou in 1929 and opened our first POS in Hong Kong in 1939. We believe we were one of the first in Hong Kong and Macau to launch 999.9 gold jewellery products in 1956. In 1990, we implemented the "一口價" (Fixed Price) Policy. With over 80 years of heritage and our corporate values of "sincerity • eternity", our customers' trust in our brand has stood the test of time. We believe our brand has come to symbolise the authenticity and premium quality of our products.

We were ranked along with "Tiffany" and "Cartier" as the "Top Three Brands Most Likely to be Purchased in 2010" in the PRC according to an independent market survey on jewellery brands conducted by Bain & Company in November 2010. In addition, according to the Frost & Sullivan Report, the "周大福" (CHOW TAI FOOK) brand was ranked first in jewellery brand awareness in the PRC, Hong Kong and Macau. We believe these rankings are testaments to our brand's iconic position and market leadership.

Loyal, experienced and dynamic management team

Our core management team is loyal to our Company. The trust which our Company places on our core management team, the bond and comradeship built amongst the team members and their loyalty to our Company set important cultural tones and corporate values for the rest of our workforce. These inspire allegiance towards the Company amongst new and existing management members and employees. With a number of our core management team members having worked their way up through the ranks, they have built a deep knowledge and a thorough understanding of every facet of our business and operations. As a result, our core management team, which has cooperated for over 20 years, is able to work efficiently and seamlessly as a team and execute, using modern corporate management methods, many of our development and expansion plans successfully over the years.

Our management team spans three generations of "the old, the middle-aged and the young (老、中、青)" and by working closely together, they have been the driver of the growth and success of our Company. We believe the unique dynamics of our core management team give us a competitive edge in the management and continuing expansion of our business, allowing us to capture the growth of the jewellery market in the Greater China region.

Extensive retail network with deep access to rising consumer spending in the Greater China region

We have an extensive retail network in the Greater China region with over 1,500 POS (of which 1,421 were jewellery POS and 85 were watch POS as at 30 September 2011). We opened a net average of 179 new POS per year from 1 April 2008 to 31 March 2011, representing a CAGR of

18.3%, and another 148 POS from 1 April 2011 to 30 September 2011. Since the opening of our first batch of POS in Tier III cities and Tier IV cities in the PRC in 2000 and in 2002, respectively, our retail network has now expanded to cover over 320 cities (including municipalities, prefecture-level cities and county-level cities) in the PRC. According to the Frost & Sullivan Report, from 2010 to 2015, the CAGR of the overall jewellery retail sales in the PRC is expected to reach 38.6%, and, in particular, the CAGR of the jewellery retail sales in Tier III cities and other lower tier cities is even expected to reach 45.3%.

Our extensive footprint, particularly in the fast growing Tier III cities and Tier IV cities in the PRC, has given us direct, deep and strategic access to the PRC market and created synergies with our POS in Hong Kong and Macau, both popular destinations for Mainland Chinese tourists. We believe we are strongly positioned as a market leader to benefit from the expanding Mainland Chinese middle class with rising income and the surging demand for luxury goods in the PRC.

Broad product portfolio on the mass luxury segment with an increasing focus on higher value products

We manufacture a very broad range of classic and contemporary jewellery products made from diamonds, gemstones, platinum and gold to cater to the ever-evolving needs and tastes of our large and diversified customer base. We have focused on the mass luxury segment of our market and have over the years gained a well-established and stable customer base in this segment. According to the Frost & Sullivan Report, the mass luxury segment accounted for approximately 56.7% of the overall jewellery market of the PRC in 2010, with retail sales amounting to HK$171.4 billion and is expected to grow at a CAGR of 39.1% from 2010 to 2015 to reach HK$891.6 billion by 2015.

We are also strong in the high-end luxury jewellery segment, particularly in our POS in Hong Kong, Macau and Tier I cities and Tier II cities in the PRC, in order to meet an increasing appetite of affluent customers looking for higher value, exclusive or unique jewellery pieces in the Greater China region.

Vertically integrated business model giving us effective operation control and efficiencies

Our experience of over 80 years has enabled us to build an effective vertically integrated business model that gives us centralised and tight control over our processes from raw material procurement, design, production and marketing to sales through our extensive retail network. Our vertical integration allows us to monitor and control the quality of our products, gives us the ability to respond quickly to our customers' needs and preferences, and serves as the backbone for our future growth. We also benefit from operational efficiencies that often translate into more competitive pricing for our products, which benefits our customers as well as attracts more customers, both new and repeat customers, to buy our products.

Strong growth underpinned by favourable macro and industry backdrop

According to the Frost & Sullivan Report, the forecast CAGR of the PRC's nominal GDP for 2010 to 2015 is 13.5%. During the same period, the retail value of the PRC jewellery market is forecasted to grow at an even faster CAGR of 38.6%. We focus on the mass luxury segment in the PRC which, according to the Frost & Sullivan Report, represented approximately 56.7% of the total jewellery market in the PRC in 2010. The mass luxury segment in the PRC is also forecasted to exhibit the strongest growth prospect (forecasted CAGR for 2010 to 2015 of 39.1%) relative to the rest of the jewellery retail industry in the PRC.

During the Track Record Period, our turnover growth had been higher than that of the jewellery and watch markets in the PRC, and in the Hong Kong, Macau and other Asian markets.

Growth rate comparison	FY2010	FY2011	Six months ended 30 September 2011
The PRC			
The Group	26.2%	54.2%	77.8%
Jewellery and watch markets(1)	24.3%	37.9%	44.7%
Hong Kong, Macau and other Asian markets			
The Group(2)	22.6%	51.1%	81.3%
Jewellery and watch markets(1)	16.9%	39.1%	48.8%
Total			
The Group(2)	24.6%	52.8%	79.3%
Jewellery and watch markets(1)	22.6%	38.1%	45.5%

Source: Data of jewellery and watch markets from the Frost & Sullivan Report as at November 2011.

Notes:

(1) Industry data calendarised to March year end.

(2) The Group's turnover for FY2010 and FY2011 included turnover contribution from our self-operated Taiwan POS which was insignificant. Our POS in Singapore and Malaysia are franchised POS and the corresponding wholesale turnover was recorded in Hong Kong.

We achieved Same Store Sales Growth of 33.8% and 61.9% in FY2011 and 1HFY2012, respectively. We also recorded a net increase of 179 POS on average annually from 1 April 2008 to 31 March 2011, representing a CAGR of 18.3%, and a net increase of 148 POS from 1 April 2011 to 30 September 2011.

BUSINESS STRATEGIES

Continue to recruit, develop and retain talent

We actively pursue a strategy to recruit, develop and retain talented employees across all aspects of our integrated operations, which we believe is central to our business success and reputation. We intend to continue providing our employees with tailored training programmes and instilling our corporate values of "sincerity • eternity" into them. In addition, we seek to retain our valuable and talented employees by aligning their compensation and incentives with their performance and by providing them with a clear career path with opportunities for additional responsibilities and promotions. We will continue to strengthen our employees' sense of belonging through our strong corporate culture and give them opportunities to maximise their potential.

Increase Same Store Sales and continue to encourage repeat customer purchases

For FY2011 and 1HFY2012, the Same Store Sales Growth achieved by our POS in the PRC, Hong Kong, Macau and other Asian markets were:

- Tier I cities and Tier II cities in the PRC: 35.2% and 44.6%, respectively
- Tier III cities and Tier IV cities in the PRC: 35.1% and 49.6%, respectively
- Hong Kong, Macau and other Asian markets: 32.4% and 78.5%, respectively

We believe that increasing Same Store Sales will generate higher levels of profit for our POS network. We target to achieve this objective by further strengthening our customer loyalty programme through (i) expanding our member coverage to attract more customers to join as members, (ii) enhancing membership benefits to encourage spending and (iii) upgrading our database to analyse members' preferences to aid us in formulating more effective marketing strategies. This is because sales to our customer loyalty programme members in the PRC in our self-operated POS as a percentage of total retail turnover in the PRC has risen from 27.0% for FY2009 to 27.5% for FY2010 to 30.5% for FY2011, and to 33.0% for 1HFY2012. For FY2011 and 1HFY2012, over 80% of the top 500 customers (by transaction value) in the PRC were our customer loyalty programme members.

We will also continue to optimise our product mix at our POS and step up efforts to promote higher value products to match the spending profiles of consumers in the locality of the POS and to reinforce our corporate values of "sincerity • eternity" through personalised customer service to strengthen customers' confidence in the "周大福" (CHOW TAI FOOK) brand and encourage repeat customer purchases.

Further expand our jewellery POS network and geographical footprint in the Greater China region

We believe that continuing to expand our retail network and geographical footprint will further solidify our leadership position in the Greater China jewellery market. We expect that Tier II cities, Tier III cities and Tier IV cities in the PRC will become the key target cities in our business development in the future. Currently, we have penetrated into only less than half of the 712 cities (including municipalities, prefecture-level cities and county-level cities) in the PRC and envision huge potential in the Greater China market. With plans to reach over 2,000 jewellery POS by 2016, we aim to open a net of approximately 200 jewellery POS per year. We aim to achieve this growth by opening wholly-owned POS as well as joint-venture POS and franchised POS by leveraging on the local relationships of our joint-venture partners and franchisees. We believe this rate of expansion is achievable as it is consistent with our historical expansion rate.

Focus on diversifying our sales channels to broaden our customer base

We intend to continue to focus on diversifying our sales channels to enhance our brand awareness and broaden our customer base through our e-commerce channels, jewellery auctions and strategic distribution partnerships with prominent companies. With the increasing use of the Internet in the PRC and the continuing development of e-commerce channels, we believe that we will be able to significantly extend our customer reach and increase our sales with relatively small amounts of investment due to the strong scalability of an online product offering. In addition, we believe that we can enhance our brand awareness among Internet users. Our e-commerce channels would also enable us to collect customer consumption data and feedback more systematically. In addition, we believe we are able to attract jewellery enthusiasts by organising jewellery auctions of products with exquisite craftsmanship. We also plan to further expand our customer base, increase our brand awareness and enhance our corporate image by establishing partnerships with premium Chinese commercial banks in the PRC.

Further enhance our upstream vertical integration business model

We believe that a stable supply of raw materials and first-rate production capabilities are very important to us in maintaining our competitive advantage. We plan to continue to strengthen our status as a preferred business partner with key suppliers such as the DTC and Rio Tinto, which will allow us to ensure a large, stable supply of high quality rough diamonds. At the same time, we will continue to explore additional opportunities in procuring high quality raw materials. We also intend to invest further in and expand our research, design and production capabilities to meet the expected growth in market demand for our products, and to achieve greater operational efficiencies and cost savings in production. We are in the process of building a new PRC headquarter office building in Shenzhen, PRC and identifying a new production site in the PRC to expand our production capacity in preparation for our POS expansion plan.

Further enhance the synergy between our jewellery business and our watch business

We believe that there is potential for significant growth in the luxury watch market in the PRC. We have well-established business relationships with reputable watch suppliers, including affiliates of LVMH Group, Richemont Group, Rolex group and Swatch Group, and are authorised to retail a large number of mid- to high-end brands of watches. We intend to expand our watch brand portfolio through further cooperation with international watch suppliers and brands to retail additional mid- to high-end watch brands. In the PRC, we intend to continue to expand our network of watch POS, which will also increase our brand awareness. In Hong Kong and Macau where it is common to retail both jewellery and watches in the same POS, we intend to increase the number of watch brands we retail at each of these POS so as to increase cross-selling in order to maximise Same Store Sales.

OUR POS

The following table gives a breakdown of our jewellery POS and watch POS as at the dates indicated:

	Number of POS								
	As at 31 March							As at 30 September	
	2008	Net change	2009	Net change	2010	Net change	2011	Net change	2011
Jewellery POS	821	144	965	150	1,115	172	1,287	134	1,421
PRC[(1)]	*752*	*143*	*895*	*139*	*1,034*	*172*	*1,206*	*129*	*1,335*
Tier I cities	146	20	166	8	174	14	188	11	199
Tier II cities	405	65	470	66	536	75	611	66	677
Tier III and other cities	201	58	259	65	324	83	407	52	459
Hong Kong, Macau and other Asian markets[(2)]	*69*	*1*	*70*	*11*	*81*	—	*81*	*5*	*86*
Watch POS	—	—	—	64	64	7	71	14	85
PRC	—	—	—	*60*	*60*	*8*	*68*	*14*	*82*
Tier I cities	—	—	—	18	18	—	18	(1)	17
Tier II cities	—	—	—	27	27	8	35	15	50
Tier III and other cities	—	—	—	15	15	—	15	—	15
Hong Kong, Macau and other Asian markets	—	—	—	*4*	*4*	*(1)*	*3*	—	*3*
Total	**821**	**144**	**965**	**214**	**1,179**	**179**	**1,358**	**148**	**1,506**

Notes:

(1) Included 5, 7, 10, 14 and 14 POS that retailed both jewellery and watch products as at 31 March 2008, 2009, 2010, 2011 and 30 September 2011, respectively.

(2) Included 26, 28, 33, 33 and 32 POS that retailed both jewellery and watch products as at 31 March 2008, 2009, 2010, 2011 and 30 September 2011, respectively.

OUR JEWELLERY BUSINESS

We have a wide range of jewellery products encompassing jewellery made from different raw materials and spanning mass luxury to high-end luxury. Our product designs range from classic designs, such as gold dowry for weddings, to contemporary designs, such as jewellery that incorporates diamonds and gemstones in platinum or 18-karat gold setting. Such a broad product range caters to the needs of our customers at all stages of their life cycle. Certain of our products have relatively lower selling prices and target the younger generation, which we believe helps to expand our customer base and cultivate our relationship with the next generation of customers.

We believe that in addition to allowing us to capitalise on the growth opportunities arising from a wide spectrum of products, offering products at different price levels and catering to customers at different life stages have also contributed to the overall resilience of our business.

Our jewellery products are segmented into (i) gem-set jewellery, (ii) platinum/karat gold products and (iii) gold products. Raw materials used in our jewellery products include diamonds, gemstones (which include coloured stones, jadeite and pearls), gold and platinum. All our jewellery products that include diamonds and gemstones are categorised as gem-set jewellery products. Our range of gem-set jewellery products includes earrings, rings, pendants, necklaces, bracelets and bangles. Diamonds and gemstones jewellery are usually inlaid and set in 18-karat gold or platinum.

The following table provides an analysis of the turnover of jewellery products by product types during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2009		2010		2011		2010		2011	
	HK$million	*% of total*	*HK$million*	*% of total*	*HK$million*	*% of total*	*HK$million* *(unaudited)*	*% of total*	*HK$million*	*% of total*
Gem-set jewellery	5,488.5	31.8%	6,625.7	31.1%	8,962.9	27.5%	3,526.4	29.0%	5,642.7	25.6%
Platinum/karat gold products	2,688.3	15.6%	3,574.5	16.8%	4,869.4	15.0%	2,125.3	17.5%	3,713.9	16.8%
Gold products	9,077.9	52.6%	11,124.7	52.1%	18,724.7	57.5%	6,517.5	53.5%	12,690.4	57.6%
Total	17,254.7	100%	21,324.9	100%	32,557.0	100%	12,169.2	100%	22,047.0	100%

Product design and development

Design and development for retail products

Our Research and Development Department ("**R&D Department**"), has over 40 designers. Our designers possess the necessary qualifications and training and attend ongoing design training programmes. They come from a diverse background and include designers educated and trained locally and internationally.

Generally, we plan in advance the design project schedule for the following year. Our designers visit jewellery exhibitions to increase their exposure to current trends and design concepts. At meetings amongst our designers, Product Management Department and Sales Management Department, the sales report, style and market insights are reviewed and discussed so that the design direction is aligned. Turnover data derived from our extensive POS network is also analysed to assess consumer preferences. This process greatly assists us in anticipating market trends which we then take into consideration in our product design and development process. For example, our "福星寶寶" (Bao Bao Family) collection was very well-received by the PRC customers when we launched the initial collection. In response to its popularity, we introduced versions that reflect their unique ethnic traditions and culture.

The first stage of our product development is hand-sketching. Specialised design software is used to complement hand-sketching. Designs then proceed to the modelling stage after the approval of hand-sketches. Modelling can be conducted in a variety of methods including cad-cam modelling, wax modelling and goldsmithing. In particular, cad-cam modelling is widely used by us as it produces both resin and wax models with precision and efficiency. The design process is completed upon the prototype receiving collective approval from our head of the R&D Department. Our Product Management Department and Sales Management Department will determine the order size after considering the expected market demand and our marketing strategy.

We usually select popular products from our existing collections for promotional purposes, in particular, for special occasions such as Valentine's Day and Mother's Day. For certain festivals that may have special significance in the Greater China region, we roll out specially designed items. For instance, for the upcoming Year of the Dragon, we intend to sell products and jewellery with dragon motifs or elements.

Design and craftsmanship awards

We have won a number of awards for our design and craftsmanship, including the 2011 International Jewellery Design Competition — Aesthetic Award and the 2011 International Jewellery Design Competition — Craftsmanship Award.

Customised products

We provide customised product design and production service for customers who wish to own unique and exclusive products. Our charges for the customised design and service depend on the complexity of the design.

The "Danseuse de Ballet" collection

We have introduced a pink diamond jewellery collection known as the "Danseuse de Ballet" collection, designed and produced by our in-house designers, gemologists and craftsmen. This premium collection features a selection of more than 200 custom-designed jewellery pieces, including bejewelled rings, bracelets and necklaces, decorated in rare pink and yellow diamonds. All jewellery pieces in the "Danseuse de Ballet" collection are one-of-a-kind, and will only be offered to an exclusive group of customers.

The Perfect Mark collection

Our Perfect Mark jewellery collection features only diamonds with triple excellence, namely excellent cut, excellent polish and excellent symmetry. These diamonds are subject to strict specifications from the inlay to the shape and size of each claw which, combined with the triple excellent characteristic, highlights the radiance and sparkle of each diamond for our Perfect Mark jewellery collection.

Licence agreements with The Walt Disney Company (Asia Pacific) Limited and The Walt Disney Company (Shanghai) Limited

We have entered into a non-exclusive licence agreement with The Walt Disney Company (Asia Pacific) Limited in respect of the Hong Kong and Macau markets and a non-exclusive licence agreement with The Walt Disney Company (Shanghai) Limited in respect of the PRC market under which we have been granted a license to use certain Disney characters and still scenes from Disney motion pictures designated in the respective licence agreements to design, create and manufacture Disney-licensed jewellery products. We pay a royalty fee to The Walt Disney Company (Asia Pacific) Limited and The Walt Disney Company (Shanghai) Limited in consideration for the licences granted to us under the respective licence agreements. Our licence agreement with The Walt Disney Company (Asia Pacific) Limited in respect of the design, manufacture and sale of Disney-licensed products in Hong Kong and Macau became effective on 1 December 2010 and expires on 30 November 2012, and our licence agreement with The Walt Disney Company (Shanghai) Limited in respect of the design, manufacture and sale of Disney-licensed products in the PRC came into effect on 1 November 2010 and expires on 31 October 2012. Under the licence agreements, either party may terminate the licence agreements if a breach is not remedied within a specified period of time after written notice is provided. In addition, The Walt Disney Company (Asia Pacific) Limited and The Walt Disney Company (Shanghai) Limited have the right to terminate the respective licence agreements under certain circumstances, including if we are placed in liquidation or if, due to material changes in our financial position, we are unable to meet our obligations under the licence agreements.

Under both licence agreements, our designs are approved by The Walt Disney Company (Asia Pacific) Limited and The Walt Disney Company (Shanghai) Limited before being put into production. However, prices are determined solely by us. Our range of Disney-licensed products includes rings, earrings, pendants, necklaces, bracelets, brooches, cuff links, charm sets and statuettes made from gold, platinum, silver or gemstones. We are licensed to sell different products of Disney characters in Hong Kong, Macau and the PRC, subject to the particular customer demands in the relevant markets.

Forevermark diamond products

Forevermark is a trading name of De Beers UK Limited and we are an authorised jeweller of Forevermark. We have entered into an agreement with Forevermark Limited which came into effect on October 2008 and expires on 31 December 2013 and is renewable upon mutual agreement at least one month before the expiry date. Under the agreement with Forevermark Limited, the Company may terminate the agreement by giving written notice and in addition, Forevermark Limited also has the right to terminate or suspend the agreement if the Company breaches any terms of the agreement and such breach is not remedied within the specified period of time from the notice of the breach. We pay a commission to Forevermark Limited in consideration for the right to retail Forevermark diamond products in a number of our POS in the PRC as well as Hong Kong and Macau. We provide a monthly turnover report to Forevermark Limited and settle our accounts and commissions payable to Forevermark Limited on a quarterly basis.

Procurement

We have two major procurement departments, namely, the Diamond Department and the Procurement (Gemstones) Department, comprising experts with substantial industry and gemology experience. Through regular communications with our Production Management Centre and Sales Management Department by monitoring the turnover of our raw materials, our procurement departments are able to determine the jewellery components that are required by us and procure jewellery components suitable in quantity and quality for our purposes.

We are able to secure a stable raw materials supply and procure raw materials at competitive market prices as our excellent trade reputation, significant retail presence and long-term relationships with our suppliers make us one of their preferred business counterparties. We are able to purchase flexibly as we do not enter into any long-term contract with any supplier. Our suppliers are promptly notified of any shortcomings in the raw materials they supply to us. We may return materials that do not meet industry standards, and may also cease procuring from any supplier whose raw materials do not meet our requirements.

We have well-established relationships with our existing suppliers of diamonds, gemstones, and precious metals. Due to the large scale of our operations, excellent relationships and reputation, a number of our suppliers often allow us to make our selections from their available stock. Save in respect of our relationships with the DTC and Rio Tinto, we believe we are not dependent on any single supplier for any raw materials to any material extent. We evaluate potential new suppliers based on their operational scale and infrastructure, reputation, capacity and their ability to meet our specific quality requirements. Prior to placing our orders with suppliers, we carefully inspect sample raw materials provided to us by the suppliers. We also conduct a quality control inspection upon delivery of our orders to ensure that they meet our quality standards. Before the raw materials enter our production line, they are re-inspected and graded according to their quality and attributes, such as colour, cut, weight and clarity.

Diamonds

Approximately 60% of the polished diamonds used by us are purchased from trade dealers and wholesalers. The remaining approximately 40% are produced from rough diamonds polished at our three diamond cutting and polishing factories. Two of such factories are located in South Africa and the third in Shunde, PRC.

We are a DTC Sightholder through Zlotowski's which was previously our related party and now a subsidiary of our Group pursuant to the Reorganisation. Zlotowski's has been a DTC Sightholder since 1973. Our wholly-owned subsidiary, CTF HK, also became a DTC Sightholder in 1993. We also became a Rio Tinto Select Diamantaire in 2009. We recently renewed the agreement with the DTC for a further three year term from 2012 to 2015. Our agreement with Rio Tinto has just been renewed for a further one year term with effect from December 2011. Both the DTC and Rio Tinto agreements may be terminated with written notice and in addition by DTC and Rio Tinto under certain circumstances, such as in the event of material breaches of the agreement or the Company is in liquidation. Under the respective supply agreements with DTC and Rio Tinto, they agree to supply us with rough diamonds meeting pre-agreed specifications, up to a stipulated value and for a specified period, thereby ensuring that we have access to quality rough diamonds. The actual carats we receive vary from time to time depending on the market price of diamonds. The rough diamonds supplied by the DTC and Rio Tinto account for a significant portion of our demand for rough diamonds. The rest of the rough diamonds used by us are purchased from other trade dealers and wholesalers.

As a reputable jeweller in the industry, we are invited to participate in auctions to bid for rare and unique diamonds from time to time. For example, Zlotowski's successfully bid for the 507 carat Cullinan Heritage rough diamond in 2010 for US$35.3 million, which is the highest sale price on record for a rough diamond. The Cullinan Heritage was transported to our own diamond cutting and polishing factories, where experts analysed the stone and formulated what we believe is the best way to cut it. The Cullinan Heritage rough diamond was cut into 24 polished stones, the largest of which was named Cullinan Heritage I. Cullinan Heritage I is a Round Brilliant Cut and D colour polished diamond weighing over 100 carats.

Gemstones

We purchase our coloured stones from over 50 vendors, stone cutters and mine owners. Most of our jadeite is purchased from various jadeite suppliers in the PRC and Hong Kong and to a much lesser extent, directly from private sellers at jadeite auctions organised by the Myanmar government. Our freshwater pearls and South Sea pearls are purchased directly from pearl farms as well as through wholesalers or at major trade auctions. We have approximately 15 regular pearl suppliers. On 10 June 2011, Techni Development Investment Limited ("**Techni**"), a subsidiary of our Group, entered into a convertible note agreement (the "**Autore Convertible Note Agreement**") with one of our pearl suppliers, Autore Holding Pty Limited ("**Autore**"), a company based in Australia. The Autore Convertible Note Agreement matures on 31 December 2014 and helps strengthen the financial position of Autore, which in turn assists us in ensuring the supply of pearls from Australia. Pursuant to the Autore Convertible Note Agreement, Autore issued convertible notes (the "**Autore Convertible Notes**") with a principal amount of AUS$3,000,000 to Techni. Interest is payable on the Autore Convertible Notes at the rate of 8% per annum, payable annually in arrears on each anniversary of the issue date of the Autore Convertible Notes before the same are converted, redeemed or matured. Further, Techni has an option under the Autore Convertible Note Agreement to convert the Autore Convertible Notes into shares in the event that the shares in Autore Pearling Pty Limited, a company incorporated in Australia, are listed on the Australian Securities Exchange or the assets of Autore Pearling Pty Limited have been transferred to a company listed on the Australian Securities Exchange in exchange for securities in this listed company.

Precious metals

We purchase our precious metals from companies in the precious metals business in Hong Kong and the Shanghai Gold Exchange in the PRC.

Production

We continually develop, upgrade and expand our production facilities and recruit skilled craftsmen and technicians to keep pace with the rapid increase in the demand for our products and the expansion of our business. As part of this initiative, we are in the process of pilot testing the automation of certain aspects of our production line in one of our Shenzhen factories, and once the pilot test is satisfactorily completed, we will roll out the automation to cover a greater proportion of our jewellery production. We also intend to build a research and development facility in Shenzhen on the land we purchased, which will focus on the research and development of new materials, production technology and the automation of production.

As at 30 September 2011, we have a total of 12 factories (consisting of nine jewellery factories and three diamond cutting and polishing factories). The nine jewellery factories together employ over 3,500 employees and occupy a total area of over 42,000 square metres. The nine factories comprise one factory in Hong Kong that produces gem-set jewellery products, four factories in Shenzhen that produce gem-set jewellery, karat gold and gold products and four factories in Shunde that produce gem-set jewellery, platinum/karat gold and gold products. Given that we have in-house production capabilities, the flexibility to outsource production and optimise our production through our product mix, we believe that we are, and will continue to be, able to meet consumer demand for our products.

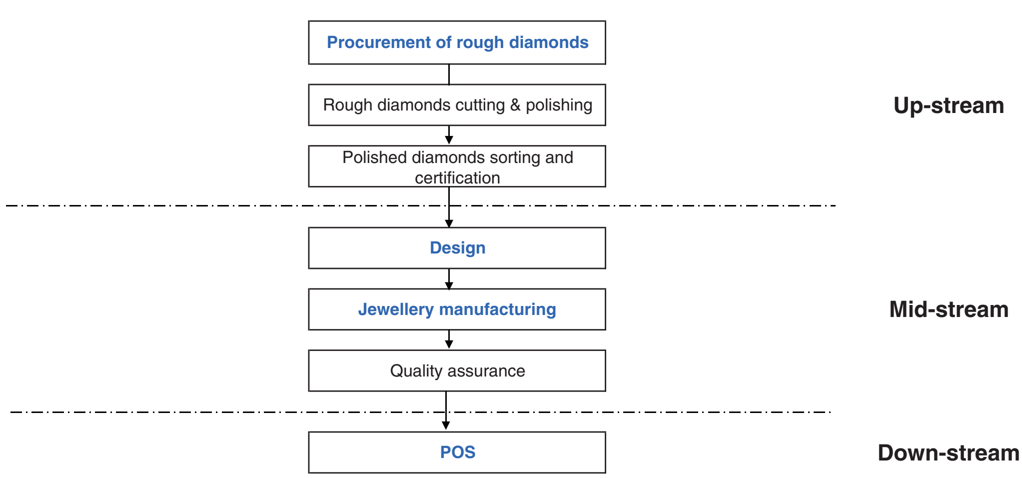
Jewellery production

We maintain our high product quality by producing in-house approximately 80% of our gem-set jewellery products during the Track Record Period. The production of the remaining jewellery products are outsourced to external producers under our strict quality control. The overall percentage of outsourced production was approximately 50% during the Track Record Period. Using external producers for easy-to-make or lower value jewellery products offers us the opportunity to focus our production capabilities on gem-set jewellery products and results in greater cost efficiency. The proportion of production that we outsource may vary from time to time depending on the overall number and complexity of jewellery produced in-house by the Company and peak seasons such as Chinese Lunar New Year. Operating history, reputation and scale of operations are taken into account when selecting contractors. Samples of the contractors' products are required to be submitted to us for assessment of their production quality. The finished products are subject to our strict quality control standards and procedures including sample checking on physical characteristics and chemical composition. Defective products would be returned to the contractors for rectification. Payment would only be made upon receipt of finished products with satisfactory workmanship and we typically do not place any deposit with or make any or advanced payment to the contractors. Site checking or audit is randomly conducted on their production facilities to ensure their production process complies with our standards.

Our Production Management Centre plans our production schedule by considering (i) anticipated sales, (ii) our POS expansion plans, (iii) production lead-time and (iv) raw material procurement plan. The ability of our Production Management Centre to take into consideration such factors is aided by our advanced IT system, which enables them to monitor the turnover of our raw materials and jewellery products. Our production is order-driven. From order-to-POS delivery, the production lead time typically ranges from 30 to 50 working days. We believe our relatively short production lead time demonstrates our ability to replenish our POS inventory on a timely basis.

Production process

Production process of our gem-set jewellery products is as follows:



Quality control

Our precious metal testing laboratory, which was established in Shenzhen, PRC in 2004, has 20 professional inspectors and advanced machineries and specialises in testing precious metals, including gold and platinum as at 30 September 2011. This Shenzhen laboratory has been certified by China National Accreditation Service for Conformity Assessment (CNAS) (中國合格評定國家認可委員會) and its quality control system has been accredited with ISO17025 certification. The precision of the equipment in this laboratory is nationally recognised, enabling us to test both the physical integrity and chemical composition of our jewellery products.

Our jewellery products are subject to strict in-house quality control monitoring. We conduct sample tests of the chemical composition of the finished products produced by such outsourced producers to ensure that they meet our quality standards.

Our jewellery components are sourced from suppliers of good reputation. In general, diamonds that weigh over 1.0 carat are enclosed with certificates issued by the GIA or HRD. Our jewellery products sold in the PRC are enclosed with certificates issued by the National Gem Testing Centre of the PRC in accordance with applicable PRC rules and regulations.

Distribution of our jewellery products

For FY2009, FY2010, FY2011 and 1HFY2012, turnover attributable to our jewellery business amounted to approximately HK$17,254.7 million, HK$21,324.9 million, HK$32,557.0 million and HK$22,047.0 million, respectively, representing approximately 93.7%, 93.0%, 92.9% and 92.3% of our total turnover for each of the corresponding years and period. We experience seasonal fluctuations in our turnover. Our sales for October and from December to February are usually higher than those for the remaining months of the year mainly due to the Golden Week, the Christmas holiday season, Chinese New Year holidays and Valentine's Day. See the section headed "Financial Information — Principal factors affecting our results of operations — Seasonality" for information on seasonal fluctuations in our turnover.

The following table shows an analysis of our turnover of jewellery products by geographical locations during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2009		2010		2011		2010		2011	
	HK$million	*% of total*	*HK$million*	*% of total*	*HK$million*	*% of total*	*HK$million (unaudited)*	*% of total*	*HK$million*	*% of total*
PRC	9,999.8	58.0%	12,455.5	58.4%	18,929.0	58.1%	7,190.5	59.1%	12,698.6	57.6%
Hong Kong, Macau and other Asian markets	7,254.9	42.0%	8,869.4	41.6%	13,628.0	41.9%	4,978.7	40.9%	9,348.4	42.4%
Total	**17,254.7**	**100%**	**21,324.9**	**100%**	**32,557.0**	**100%**	**12,169.2**	**100%**	**22,047.0**	**100%**

Our Jewellery POS

We have established and operate an extensive distribution network in the Greater China region and continue to expand our jewellery POS network and geographical footprint. Our jewellery POS network comprises both retail and wholesale channels through which we distribute our jewellery products. As at 30 September 2011, we had a total of 1,421 jewellery POS comprising 1,335 POS in the PRC and 86 POS in Hong Kong, Macau and other Asian markets. The gross floor area of our POS in Hong Kong and Macau is typically around 170 square metres and the gross floor area of our POS in the PRC is typically around 80 square metres. However, our flagship stores are significantly larger than our typical POS—our flagship stores in Hong Kong and Macau are around 400 square metres and our flagship stores in the PRC are around 1,000 square metres.

The following table gives a breakdown, by geographic segment, our number of jewellery POS as at the dates indicated:

	Number of POS								
	As at 31 March							As at 30 September	
	2008	Net change	2009	Net change	2010	Net change	2011	Net change	2011
PRC — self-operated	547	87	634	98	732	83	815	69	884
Wholly-owned	*462*	*79*	*541*	*63*	*604*	*45*	*649*	*46*	*695*
Joint-venture(1)	*85*	*8*	*93*	*35*	*128*	*38*	*166*	*23*	*189*
PRC-franchised	205	56	261	41	302	89	391	60	451
Hong Kong, Macau and other Asian markets(2)	69	1	70	11	81	—	81	5	86
Total	**821**	**144**	**965**	**150**	**1,115**	**172**	**1,287**	**134**	**1,421**

Notes:

(1) Joint-venture POS are controlled and operated by us, and the financial results of such POS are consolidated in our financial statements.

(2) Included one franchised POS in Malaysia as at 31 March 2010 and one franchised POS in Malaysia and one franchised POS in Singapore as at 31 March 2011 and 30 September 2011.

We began our penetration into Tier III cities in 2000 and Tier IV cities in 2002. We believe we were one of the first Asian large-scale jewellers to enter into a number of those cities, thereby giving us first-mover advantage. We have established good business relationships with business partners, including leading department stores and franchisees, which give us strategic and preferred access to prime POS locations. We maintain POS in 18 out of the "Top 20 Gold Jewellery Department Stores" as listed in the study of The Monitoring Report on the Operation of and the Major Products Sold by the Leading Retail Enterprises in the PRC (全國大型零售企業經營與主要商品銷售監測報告) in 2010.

Our POS consist of self-operated stores and franchised stores, which generally operate as standalone stores or concessionaire counters. Except for our Concessionaire Counters which are typically located within department stores, we generally lease the premises of our self-operated stores, with a small number of our self-operated stores occupying self-owned properties.

Joint-venture POS

Approximately 21% of our self-operated jewellery POS in the PRC are joint-venture POS set up through our joint-venture companies. As at 30 September 2011, we had 189 joint-venture POS. Our joint-venture agreements are typically for a period that ranges from 10 years to 30 years, and in some cases, for an indefinite term, and may be extended by mutual agreement six months before expiry.

We control all aspects of the management of our joint-venture jewellery POS including store design concept, turnover strategy, product mix and inventory levels, daily operations, and branding and marketing activities. The staff at the joint-venture jewellery POS are our employees and the jewellery products sold at our joint-venture jewellery POS are provided exclusively by us. The joint-venture partners are not actively involved in the day-to-day management of the joint-venture companies and joint-venture POS. They are involved in the POS site selection process and initial start-up logistics as they are familiar with the local geography, retail network and regulatory environment and may provide their views on general management of the joint-venture at board meetings of the joint-venture companies from time to time. The profits of the joint-venture POS are shared in accordance with the respective equity share of the Company and the joint-venture partner in the joint-venture company. Use of joint-venture POS in the PRC allows us to maintain control over the daily management and operation of the POS while giving us the option to utilise the local knowledge of our joint-venture partners as necessary.

The joint-venture agreements generally provide that (a) any transfer of the stake in the joint-venture company requires the consent of the other joint-venture partner; (b) we are responsible for recruiting management personnel, technicians, workers and other staff for the joint-venture company; (c) the chairman of the board of the joint-venture company is to be nominated by us and (d) the general manager of the joint-venture company is, depending on the joint-venture agreement itself, either nominated by us or by the board of the joint-venture company.

We had 14, 15, 23 and 25 joint-venture partners as at 31 March 2009, 2010 and 2011 and 30 September 2011, respectively. The backgrounds of our joint-venture partners and franchisees are diverse and include partners who are involved in the retail (including department stores) or jewellery industries. Our existing joint-venture partners do not have any past or present relationship with us, our Shareholders, Directors, senior management and their respective associates, save for ordinary business relationships including our relationship as joint-venture partners. We became acquainted with our joint-venture partners through day-to-day business dealings and ordinary commercial relationships.

Franchisees

We started entering into franchise arrangements in 1998 and as at 30 September 2011, we had over 150 franchisees, of which almost all operate in the PRC. Our sales to our franchisees are recorded as wholesale revenue in our Group's financial statements. Our franchise agreements normally have an initial term of two years and a renewal option by mutual agreement. Renewal of a franchise agreement is subject to mutual agreement and we consider a number of factors including turnover performance and whether the franchisee had complied with our brand policies and operation guidelines.

We select our franchisees carefully, and in considering their suitability, we take into account a number of factors including their reputation, background, credibility, industry experience and the value of their local knowledge and expertise they are able to bring to the franchise arrangement. We had 74, 91, 134 and 159 franchisees as at 31 March 2009, 2010 and 2011 and 30 September 2011, respectively. As at 30 September 2011, we have strong working relationships with our franchisees as may be evidenced by a 2.4 years of relationship on average, with the longest relationship spanning 12 years. In addition, more than 69% of our franchised POS are operated by our franchisees who have at least three franchised POS. We intend to further utilise the franchise model to expand our retail footprint, especially in Tier III cities and Tier IV cities in the PRC. We believe that the franchise model enables us to leverage on the local knowledge and premises of our franchisees and provides us with a flexible and faster rollout strategy that requires minimal capital commitment from us.

Staff members at the franchised POS are subject to the same training programme as our own employees and their salaries and incentive programmes are generally in line with our standards. The store design, storefront presentation, purchasing and sales activities and promotional materials of the franchised POS follow our specifications, policies and guidelines. Our franchisees are required to operate the franchised POS according to our standards and consistent with the perception of our brand, adhere to marketing guidelines to give the franchised POS the uniform "周大福" (CHOW TAI FOOK) brand characteristics and participate in promotional and marketing activities organised by us. We conduct routine checks and inspections at the franchised POS to ensure that it is being operated in accordance with our operation manual, standards and policies and we are able to monitor their inventory level through our information system and database. We also regularly communicate with the franchisee to ensure that we are kept abreast of the operation status of the franchised POS. This ensures that our customers enjoy the same "周大福" (CHOW TAI FOOK) experience whether they patronise our standalone stores and concessionaire counters operated by us or our franchised POS.

Our franchisees are typically responsible for finding suitable store locations that meet our requirements and are responsible for paying rent, utilities and store management fees. We also require our franchisees to maintain adequate insurance coverage.

The products sold at our franchised POS are supplied exclusively by us and we typically receive cash on delivery for the products we sell to them. We do not accept returns from our franchisees unless there are quality issues or unless the inventory requires our service capabilities such as maintenance care for jewellery products and polishing. Generally, the royalty fee we receive from our franchisees depends on the turnover of the franchised POS. As at the Latest Practicable Date, there was no minimum purchase requirement for the franchised POS. In the event we or the franchisee decides not to renew or terminate the franchise agreement, we will consider to repurchase the inventory from the franchised POS, in the case of gold products, at the prevailing gold prices at the time of such repurchase and in the case of other products, at the original price at which the products were sold to the franchised POS. We prefer to repurchase the inventory as that allows us to maintain control over the whereabouts, sale strategy and sale prices of our products.

In general, under the terms of the franchise agreements, (a) we are entitled to grant the same franchise rights to any third parties even in the same territory; (b) the franchisee needs our prior consent to open up new stores, and is strictly forbidden from selling goods other than the goods franchised by us at the franchised POS; (c) in addition to payment for the intellectual property license, the franchisee has to pay us in advance (i) a start-up service fee, since we provide employee training, computer software technical support and auxiliary items for the POS and (ii) a security deposit. Notwithstanding that employee training is provided by us, the employees at the franchised POS are the employees of the franchisees and their salaries (including compliance with any social welfare requirements required under applicable laws) are the responsibility of the franchisee, in addition to other expenses of the POS such as decoration or renovation works, insurance, utilities, rentals, repair and maintenance.

We have the right to, among other things, set, subject to certain conditions, the purchase price at which the franchisee is to buy the products from us, as well as the retail price at which the franchisee is to sell those products, formulate overall the business strategy of the franchised POS and supervise and inspect the POS and its operations. The franchisee has the obligation to, amongst others, (i) comply with an operation manual we provide and operate the franchised POS according to our standards and policies; (ii) keep a specific monthly minimum stock level and (iii) seek our consent before decorating or renovating the franchised POS, or launching any advertising or promotional campaigns.

We have the unilateral right, with written notice, to terminate the franchise agreement in the event the franchisee breaches its obligations under the franchise agreement, including failure to comply with our operation manual, renovate the franchised POS according to our specifications, comply with our marketing and branding strategies, provide us with information promptly or in the event they transfer or subcontract their rights under the franchise agreement without our prior written consent. The franchisee has the right to terminate the franchise agreement within seven days after entering into the franchise agreement and if so terminated, all fees paid to us by the franchisee will be forfeited and the franchisee is also obliged to reimburse the losses incurred by us as a result of the termination.

Two franchised POS which were operated by NWDS were converted into our self-operated POS during FY2010. There were no special arrangement related to this conversion and NWDS was neither a joint-venture partner nor a franchisee as at the Latest Practicable Date. Save as disclosed in this paragraph, our existing franchisees do not have any past or present relationship with us, our Shareholders, Directors, senior management and their respective associates, save for ordinary business relationships including our relationship as franchisees. There were no incidents of material non-compliance by our franchisees of the key terms and conditions of the franchise agreements and no franchise arrangement was terminated prior to the expiry of the franchise agreement during the Track Record Period.

Concessionaire Counters

As at 30 September 2011, 862 out of 1,053 of our self-operated POS are operated as Concessionaire Counters. Generally, our Concessionaire Counters are located within department stores. We have strong working relationships with our department store partners which is evidenced by a 3.2 years of relationship on average and with the longest relationship spanning 11.9 years as at 30 September 2011. In addition, more than 50% of our self-operated Concessionaire Counters have been operated for more than three years.

The following table gives a breakdown of self-operated Concessionaire Counters that are self-operated jewellery POS and watch POS at the dates indicated:

	Number of self-operated Concessionaire Counters								
	As at 31 March							As at 30 September	
	2008	Net change	2009	Net change	2010	Net change	2011	Net change	2011
Jewellery POS	485	72	557	93	650	73	723	64	787
PRC	*475*	*72*	*547*	*90*	*637*	*76*	*713*	*65*	*778*
Hong Kong, Macau and other Asian markets	*10*	—	*10*	*3*	*13*	*(3)*	*10*	*(1)*	*9*
Watch POS	—	—	—	56	56	6	62	13	75
PRC	—	—	—	*56*	*56*	*6*	*62*	*13*	*75*
Hong Kong, Macau and other Asian markets	—	—	—	—	—	—	—	—	—
Total	**485**	**72**	**557**	**149**	**706**	**79**	**785**	**77**	**862**

The staff at our self-operated Concessionaire Counters are our employees. In consideration for maintaining our Concessionaire Counters within the department stores, the department stores will receive a commission determined with reference to our turnover from such Concessionaire Counters.

For our Concessionaire Counters, payment of our jewellery products and/or watches are received by the department stores and the amount due to us less the commission and other related management fees and agreed shared fees for promotional events organised by the department stores are settled and transferred to our account once or twice a month. The inventory database of our Concessionaire Counters are linked to our information database which allows us to monitor the inventory turnover and the revenue since the sale price of each item is itemised in the inventory database. After we issue the invoice to the customers at our Concessionaire Counters, the customers are required to pay at the department stores' cashiers (the customers are often accompanied by our staff to the cashiers as part of our customer service) and are only allowed to collect the merchandise from our Concessionaire Counters upon showing a valid receipt from the department store indicating that payment has been made. This allows us to reconcile the sales and inventory records of our Concessionaire Counters with those of the department stores when we settle our accounts with them.

Our agreements with respect to our Concessionaire Counters are typically renewed every one to two years. The form and terms of our concessionaire agreements vary considerably as they are generally based on the standard forms provided by each individual department store. However, in general, the agreements broadly state the nature of the products and for POS retailing watches, the brand(s) of the watches that are to be sold at the relevant Concessionaire Counters. As at 30 September 2011, less than 10% of our Concessionaire Counters have sales targets and the department store has the right to terminate the concessionaire agreements in the event we are unable to meet the stipulated sales targets. No concessionaire agreements have been terminated by department stores for failing to meet stipulated sales targets during the Track Record Period.

We voluntarily terminated less than 35 concessionaire agreements for each of FY2009, FY2010, FY2011 and 1HFY2012 due to less than satisfactory sales performance of the Concessionaire Counters. We continually review the opening, renewal and closing of our Concessionaire Counters to ensure that our portfolio of Concessionaire Counters are in line with our overall business and strategies.

Sales management and review

Through our advanced IT system, our sales and inventory information are updated on a real-time basis. Our management is therefore able to receive automated daily sales report and is able to retrieve information broken down by markets and even by the sales and inventory situation of an individual POS. At the store level, the store manager conducts a daily review of sales, operation and inventory. Our senior management has a monthly meeting to review the overall sales, operation and inventory of our Group.

Our distribution strategy and network

We select sites for POS based on certain key criteria that include macroeconomic metrics such as GDP and per capita income growth, local market demand for our products, operating environment and availability of business partners. We also, among other things, evaluate the customer base of target department stores and interview management of target department stores.

Our jewellery distribution strategy and network in the PRC

We believe we have a well-balanced proportion of self-operated POS and franchised POS in the PRC. Our self-operated POS, which comprise our wholly-owned POS and joint-venture POS, accounted for 884, or 66.2%, of our total of 1,335 jewellery POS in the PRC as at 30 September 2011. This percentage was higher than 32.0%, being the percentage of self-operated POS in the PRC jewellery market as at 31 December 2010, according to the Frost & Sullivan Report. The remaining 451 jewellery POS in the PRC were franchised POS. Leveraging our franchisees in the PRC allows us to expand our POS network at minimal costs and not divert our management resources to their daily management, while still allowing us to maintain control over our brand and marketing strategies. However, a majority of our POS is still self-operated, giving us greater operational control and access to our end customers. In addition, compared to implementing the franchising model, operating self-operated POS allows us to capture the retail margin. Our gross profit margin of our retail channel was higher than the gross profit margin of our wholesale channel during the Track Record Period.

Of our 884 self-operated jewellery POS in the PRC, 778, or 88.0%, were Concessionaire Counters which are typically located within department stores as at 30 September 2011. The department stores where Concessionaire Counters are located provide us with convenient access to prime shopping districts, pedestrian traffic and shoppers. The department stores also allow us to leverage on their marketing activities. The use of Concessionaire Counters in department stores also enables us to penetrate Tier III cities and Tier IV cities in the PRC more easily and rapidly as it is relatively easy to set up Concessionaire Counters in department stores that are already occupying prime sites and have operating infrastructure in place.

Our jewellery distribution strategy and network in Hong Kong and Macau

Hong Kong and Macau are both popular tourist destinations, especially for PRC tourists. Most of our POS in these areas are located in prime tourist and shopping districts. For example, in Hong Kong, we have 31 POS in Causeway Bay, Tsim Sha Tsui and Mongkok and most of them are either situated on streets with heavy pedestrian traffic or in department stores popular with PRC tourists such as SOGO, Times Square and K11. In Macau, we also have POS located in key shopping destinations for PRC tourists, such as Venetian Macau, City of Dreams and Avenida De Almeida Ribeiro. The Company does not pay any commissions to tour operators who bring tourists to our

POS. In addition to benefitting from the increasing purchasing power of PRC tourists, our POS in Hong Kong are also patronised by local customers who generally have high purchasing power.

We expect to open an average of three to five jewellery POS per year in Hong Kong and Macau. We believe there is an increasing number of PRC customers patronising our Hong Kong and Macau POS as evidenced by the rise in the proportion of payment through China UnionPay or in RMB (cash) as a percentage of our retail turnover in Hong Kong, Macau and other Asian markets from 31.4% in 2009 to 49.3% in 2011.

Our distribution strategy and network in other Asian markets — Malaysia, Singapore and Taiwan

We take a flexible approach to our distribution strategy in Malaysia, Singapore and Taiwan and will open new POS as appropriate depending on local market conditions.

Pricing

We adopt a uniform pricing policy which is applicable to all our jewellery products. All our jewellery products are subject to our "一口價" (Fixed Price) Policy but from time to time, we launch sales and promotional discounts in respect of certain jewellery products for short periods of time. Certain of our sales staff also have minimal discretion to give discounts to our customer for our jewellery products. We determine the price of our jewellery products primarily based on our costs (which includes the cost of the jewellery components and the cost of design and production) and local taxes as well as market demand and price trends. The prices of our non-gold jewellery products are reviewed by our management on a monthly basis and the prices of our gold jewellery products are reviewed by our management on a daily basis.

OUR WATCH BUSINESS

Our watch business in Hong Kong and Macau started during the 1960s. We have well-established business relationships with reputable watch suppliers including affiliates of LVMH Group, Richemont Group, Rolex group and Swatch Group. The watches we retail are mainly mid- to high-end luxury brands and target the middle to high income group of customers.

We have letters of authorisation and agreements with terms ranging from one year to an indefinite length of time with certain watch suppliers and watch brands which authorise us to retail their watches at selected POS. Where we do not have written agreements, we purchase from these suppliers on an order-by-order basis. As authorised dealers or retailers, we are required, under standard market practice, to comply with the pricing policies, discount policies and minimum stock levels stipulated by the watch suppliers from time to time.

For FY2009, FY2010, FY2011 and 1HFY2012, turnover attributable to our watch business amounted to approximately HK$1,156.2 million, HK$1,608.7 million, HK$2,485.5 million and HK$1,827.5 million, respectively, representing approximately 6.3%, 7.0%, 7.1% and 7.7% of our total turnover for each of the corresponding years and period. We experience seasonal fluctuations in our turnover. Our sales from December to February are usually higher than those of the remaining months during the year mainly due to the Christmas holiday season, Chinese New Year holidays and Valentine's Day. See the section headed "Financial Information — Principal factors affecting our results of operations — Seasonality" for information on seasonal fluctuations in our turnover.

The following table shows a breakdown of our turnover of watches by geographical locations during the Track Record Period:

	Year ended 31 March						Six months ended 30 September			
	2009		2010		2011		2010		2011	
	HK$ million	*% of total*	*HK$ million*	*% of total*	*HK$ million*	*% of total*	*HK$ million (unaudited)*	*% of total*	*HK$ million*	*% of total*
PRC	5.4	0.5%	173.5	10.8%	542.8	21.8%	330.3	28.8%	672.8	36.8%
Hong Kong and Macau	1,150.8	99.5%	1,435.2	89.2%	1,942.7	78.2%	815.5	71.2%	1,154.7	63.2%
Total	**1,156.2**	**100%**	**1,608.7**	**100%**	**2,485.5**	**100%**	**1,145.8**	**100%**	**1,827.5**	**100%**

Purchases and supplies

The process of initiating and placing the order and the inventory turnover varies from brand to brand. Through our information system which is linked to all our POS, each of our POS retailing watches is able to submit a sales report and place orders for watches with our watch departments in Shanghai and Hong Kong. Our watch departments will review the orders and after the orders are approved, they will be placed with the watch suppliers. Our processing time for each order from submission of the sales report to placing of orders is approximately one business day.

Our watch retail strategy

Our watch retail strategy is determined by the market and the requirements of the suppliers. For example, in Hong Kong and Macau where the markets are more mature and customers are accustomed to a one-stop-shop culture, we generally offer watch brands in POS which also sell our jewellery products. This enables us to offer products to satisfy the needs of, and attract, a wide range of customers who may have different price points and preferences. In the PRC, it is more common for a POS to retail watches only. This is reflective of the general culture of the watch retail market in the PRC as well as the overall branding strategy of watch brands in the PRC with which we, as retailers, are required to comply. As at 30 September 2011, we had 85 POS retailing only watches, of which 82 POS were in the PRC while the other three POS were in Hong Kong and Macau.

Quality Control

In general, each watch retailed by us has its own serial number provided by the watch brand owners or authorised watch suppliers to prevent the purchase of any counterfeit products. All purchases are inspected by our experienced salespersons and/or quality controllers when delivered to us from the suppliers to avoid any possible counterfeit items.

Delivery of watches and credit policies

Generally, the watch distributors deliver the watches directly to the POS which originated the order, although in certain circumstances where the orders are large, the watches are delivered to our watch departments for our onward distribution to the POS. Our staff at our watch departments and POS are trained to conduct the necessary quality checks on delivery. The credit policy is dependent on the policy of the relevant watch brand and distributor, typically ranging from seven days to 60 days from the date of delivery.

Pricing and discounting policies

The retail prices and the discount policies are determined by each watch brand based on its marketing strategy. We do not have the flexibility to deviate from these prescribed pricing and discounting policies.

SUPPLIERS

For each of FY2009, FY2010, FY2011 and 1HFY2012, purchases from our five largest suppliers amounted to HK$8,259.1 million, HK$10,015.7 million, HK$18,040.7 million and HK$15,529.9 million, respectively, representing 51.6%, 50.8%, 50.3% and 50.9% of our total purchases. Purchases from the largest single supplier for each of FY2009, FY2010, FY2011 and 1HFY2012 amounted to HK$4,778.2 million, HK$6,021.5 million, HK$10,511.7 million and HK$8,191.1 million, respectively, representing 29.8%, 30.5%, 29.3% and 26.9% of our total purchases. Our largest single supplier is the Shanghai Gold Exchange, which supplies us with gold and platinum in the PRC. Most of our purchases were settled in HKD, RMB or USD by way of cheques and telegraphic transfers. None of our Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our share capital) has any interest in any of our five largest suppliers during the Track Record Period.

CUSTOMER SERVICES AND RELATIONSHIP

Customer service has always been important to us and to the success of our business. As entrenched in our corporate values of "sincerity • eternity", our goal is to deliver personalised customer service and to build on our relationship with our customers. Our sales staff are trained to handle all aspects of a shopping experience from the moment a customer enters a store to the eventual purchase of products by customers. Our sales staff are supported by our customer ambassadors in delivering personalised customer service. We regularly assess the performance of our sales staff to uphold the high quality and consistency in our customer service.

In addition, we have set up a customer service centre in selected POS and a customer service hotline which directs calls from our customers to our call centre operators who are trained to assist our customers. Our website also provides a channel to our customers for providing service feedback. We conduct monthly reviews of feedback submitted by customers to prevent any reported problems from recurring.

After-sales and maintenance service

Jewellery

For jewellery products, we offer a number of after-sales services such as resizing of rings and polishing of bracelets for a small fee (excluding any cost of additional materials). We also provide complimentary cleaning services. No provision for product warranty was made during the Track Record Period as after-sale services provided by the Group, such as resizing of rings, cleaning and polishing, incur only insignificant labour costs. There were no material refunds, returns or complaints related to product quality during the Track Record Period.

Watches

The warranties on the watches we sell are given by the relevant watch brands. Maintenance and repair services are provided by the official service centres of the relevant watch brands. We provide services such as delivery to the service centres and minor maintenance services such as basic cleaning and battery replacements.

Sales return and trade-ins

Generally, we adopt a no-sales-return policy unless otherwise required by local laws and regulations or unless, in the case of Concessionaire Counters, otherwise required by the department stores' policy. However, we do permit returns in special cases if the reason for the return relates to quality issues, though we have rarely experienced such circumstances. We accept trade-ins of our jewellery products on a discretionary basis.

Credit policies

We cooperate with banks from time to time on programmes which allow their credit card holders to purchase our products under the bank's installment payment programme. Save in respect of payments through credit cards, we do not allow customers to make purchases on credit.

MARKETING AND PROMOTION

Our brand

We believe that the "周大福" (CHOW TAI FOOK) brand represents one of our most important assets and through our 80 years of heritage and our branding campaigns, we believe the brand has come to symbolise trustworthiness and embodies our core brand value of "sincerity • eternity".

We have gained a solid regional presence and a high level of brand awareness. Our brand is further strengthened by our well-established and stable customer base gained through our broad product portfolio.

We believe that we were one of the first Asian large-scale jewellers to establish a retail presence in a number of the Tier III cities and Tier IV cities in the PRC. Many of our PRC customers were first introduced to our brand through our POS in their local cities and on their visits to Hong Kong and Macau. Our POS in Tier III cities and Tier IV cities in the PRC not only generate sales locally, but also serve as a means for us to create brand awareness which we believe generates significant sales for our POS in Hong Kong and Macau.

Our branding strategy

Our branding strategy focuses on creating consistency in our brand perception across all communication channels and all markets in which we operate. We use a wide range of advertising channels from print to Internet to achieve a high degree of visibility. Our brand messaging is coordinated to be consistent across the regional, national and provincial levels. To further this consistency in brand image, the design and renovation of our POS (including our window displays) are standardised and we have also established customer service protocols so that our customers enjoy the same "周大福" (CHOW TAI FOOK) experience regardless of the POS they patronise. We believe our branding strategy helps us to retain existing customers and attract new customers.

Our key marketing channels

The key marketing channels that we use on an ongoing basis include consumer advertisements with specific coverage in local lifestyle, fashion magazines and newspapers, outdoor billboards and signage, online activities, television advertisements and advertisements on the exterior of 1,900 buses. Our marketing and promotion efforts seek to increase sales by increasing brand awareness that stimulates interest in our product range and entrenching our position as a leading Asian jeweller. We also leverage on our business milestones to create publicity, for example, we held a special high profile opening ceremony on 28 September 2010 when we opened our 1,000th jewellery POS in the PRC, which was located in Beijing. In 2011, we sponsored the "CHINA IN PARIS show" during the Paris fashion week which showcased our jewellery products alongside the fashion collections by rising Chinese fashion designers and we believe we were the first jeweller in the Greater China region to sponsor an event of this nature. We also plan to further expand our customer base, increase our brand awareness and enhance our corporate image by establishing partnerships with premium Chinese commercial banks in the PRC. We view partnership arrangements with premium PRC commercial banks as another sales channel and gives us an opportunity to broaden our customer base by exposing the customers of the banks, who may or may not be our existing customers, to our products. Such partnership arrangements are entered into for relatively short periods of time as promotional activities on an ad hoc basis with minimal investment cost.

Our customer loyalty programme

To capture the full sales potential of our returning customers, we launched our customer loyalty programme in the PRC in 2002 and subsequently in Hong Kong in 2010. Sales generated from customer loyalty programme members in the PRC in our self-operated POS, as a percentage of our total retail turnover in the PRC, are continuously increasing, from 27.0% in FY2009 to 27.5% in FY2010, to 30.5% in FY2011 and to 33.0% for 1HFY2012, mainly due to our continuous effort to promote our customer loyalty programme. Sales generated from customer loyalty programme members in Hong Kong, as a percentage of our total retail turnover in Hong Kong and Macau, amounted to 16.5% in FY2011 and 11.6% for 1HFY2012. There was a temporary drop in the percentage mainly because we were focusing on an internal revamp of our customer loyalty programme in Hong Kong for 1HFY2012. Net repeat purchases from customer loyalty programme members in the PRC in our self-operated POS increased from approximately HK$694 million (including value-added tax) in FY2009 to approximately HK$1,121 million (including value-added tax) in FY2010, to approximately HK$2,236 million (including value-added tax) in FY2011, and increased from approximately HK$818 million (including value-added tax) for 1HFY2011 to approximately HK$1,621 million (including value-added tax) for 1HFY2012. Net repeat purchases from customer loyalty programme members in Hong Kong amounted to approximately HK$754 million in FY2011 and approximately HK$543 million for 1HFY2012. In addition, our customer loyalty programme members tend to purchase higher value products. As at 30 September 2011, we had around 448,000 customer loyalty programme members in the PRC and over 50,000 customer loyalty programme members in Hong Kong. Both our self-operated and franchised POS in the PRC participate in the customer loyalty programme. We did not issue any cash coupon to our customers during the Track Record Period in the PRC.

In the first half of 2012, we expect to roll out a new customer loyalty programme in Hong Kong first and in the PRC subsequently. Under this new programme, there are various tiers of membership. Our members will enjoy benefits such as receiving cash coupons and/or discount coupons upon meeting certain minimum spending requirements. The total number and value of cash and/or discount coupons that we issue are closely monitored by our Financial Management Department to avoid over-exposure to cash and/or discount coupons. We believe the introduction of such coupons has certain significance to our overall business strategy of increasing same store sales and continuing to encourage repeat customer purchases as it has the dual advantage of encouraging repeat sales from existing members as well as attracting new customers when existing members pass on their cash coupons to family and friends. The fair value of such coupons would be deducted from our revenue at the time of the initial sale transaction, and is deferred in payables and recognised as revenue when such coupons are redeemed.

We are also upgrading to a more advanced database platform that will enable us to better manage the data of our customer loyalty programme members. We believe the database will assist us in profiling the purchasing power and product preferences of each individual member. Such profile information would enable our sales team to provide better service. Where we have unique jewellery pieces or special promotions, we will also be able to, subject to compliance with personal data privacy laws, make use of this database to identify members likely to be interested in such products and promotions and conduct personalised marketing.

We expect the number of members in our customer loyalty programme to continue to grow and as we increase our number of POS in the PRC, in particular those specialising in high-end jewellery products, we believe we will attract more high net worth customers.

Our online marketing initiatives

In recent years, we have increased our online marketing activities by leveraging online social networks such as Weibo (微博) in the PRC and Facebook internationally with a goal of creating interest in our products and attracting end customers to visit our various POS and e-commerce channels. We have also created a Chow Tai Fook iPhone application through which customers can download and browse our product offering, latest news and promotions and locate the POS nearest to them.

Our marketing and promotional expenditure

For FY2009, FY2010, FY2011 and 1HFY2012, our advertising and promotional expenses amounted to HK$174.8 million, HK$352.4 million, HK$400.5 million and HK$273.3 million, representing approximately 0.9%, 1.5%, 1.1% and 1.1% of our turnover for each of the corresponding years and period, respectively.

INVENTORY CONTROL

Our inventory comprises jewellery components (which includes diamonds, gemstones and precious metals), finished jewellery products and watches. We have in place a comprehensive and robust security system to safeguard our inventory, which include vaults, 24-hour surveillance at our POS, insurance coverage and daily stock count. Further, our vaults have restricted access and only a limited number of senior staff have the keys and passwords to access them.

Each item starting from raw materials is assigned an identification number. This identification number, along with the details of each item, is linked to our IT system and is tracked and monitored throughout the lifespan of the item with us, from inspection, production, delivery to the POS to its final sale to a customer.

Inventory of raw materials that we maintain

The level of our raw materials that we maintain depends on a number of factors, including our anticipated stock turnover, production leadtime, sales forecast, POS expansion plans and market demand and supply of the raw materials. On average, approximately 66.1% and 30.5% of our raw materials represented gem-set jewellery and gold products, respectively during the Track Record Period. See the section headed “Financial Information — Inventories” for a breakdown of our inventories by categories of raw materials.

Inventory of jewellery products at our warehousing facilities

Our jewellery products are manufactured in response to market demand and inventory turnover. As a result, we generally do not have a significant amount of slow-moving or obsolete stock. In the event that there is such stock, we are usually able to accelerate their sales through promotional events and other marketing efforts. On average, approximately 50.7%, 11.0%, 27.6% and 10.7% of our finished goods represented gem-set jewellery, platinum/karat gold products, gold products and watches, respectively during the Track Record Period. See the section headed “Financial Information — Inventories” for a breakdown of our inventories by categories of finished goods.

Inventory of jewellery products at our POS

The inventory levels of our jewellery products at our POS are determined by the sales turnover and anticipated sales trend. Our centralised IT system that is updated with sales information on a real-time basis and accessible by our management enables our management and Sales Management Department to proactively monitor the turnover and inventory at each POS and arrange for the replenishing of inventory accordingly. Inventory at our POS is generally replenished daily to once to twice a month depending on the POS location. During peak seasons such as Christmas, Chinese New Year and Valentine’s Day, we may replenish the inventory of our POS more frequently as needed.

Inventory of watches at our POS

The level of watch inventory we maintain depends on the minimum stock level stipulated by the watch brand and our anticipated sales forecast.

Inventory management and provision policy

We review inventory levels and status regularly through our Inventory Control System ("**ICS**"), which is a group-wide IT platform which records our sales and inventory movement of every POS on a real-time basis. We make provisions for obsolete and slow-moving inventory items when they are identified as no longer suitable for use in production or trading, or when their underlying value significantly deteriorates. Our jewellery products are manufactured in response to market demand and inventory turnover so we generally do not have a significant amount of slow-moving or obsolete stock. In the event that there is slow-moving merchandise, we are usually able to increase their sale through promotional events or other marketing efforts.

INFORMATION TECHNOLOGY

Our Management Information System Department in each of our Hong Kong and Shenzhen head offices manages and supervises our IT system. We have three main IT platforms that support our business operations, namely (i) Raw Materials Control System ("**RCS**"), (ii) Order & Production System ("**OPS2**") and (iii) ICS. Our IT platforms were developed in-house by our Management Information System Department to suit our requirements and they are continually refined and upgraded to meet our business needs.

Our RCS system allows us to manage our diamonds and gemstones inventory by sorting and grading the different items and raw materials, assigning each item an identification number. Our OPS2 system monitors the whereabouts of each item during the order, manufacture and distribution process. Our ICS system records our sales and inventory movements on a real-time basis as it is linked to every POS.

Our management is able to manage effectively our POS through our ICS system which provides them with the performance of each POS and its inventory status on a real-time basis. The ICS system also enables our management to keep track of the buying patterns and preferences of the customers readily which enables us to respond more swiftly to market demands.

CASH FLOW MANAGEMENT

Sales reports are automatically generated by our IT system on a daily basis, enabling our management to have access to our operations and cash flow situation on a real-time basis. The procurement, production and sales information tracked and monitored by our IT system are provided to our Financial Management Department which is then able to monitor our use of cash and liquidity. Monthly management accounts are provided to our executive Directors and any unusual movements in our cash position are highlighted and reported to the Board of Directors.

In general, cash received by our self-operated POS is deposited into our bank account on a daily basis, with the exception of our Concessionaire Counters as department stores receive payment and transfer our portion to our bank account once to twice a month after we settle our accounts with them.

We receive cash from our franchised POS and effect delivery of products upon our acknowledgement of receipt of their payment.

COMPETITION

The jewellery retail industry in the PRC is highly fragmented with numerous market participants and a high concentration of turnover amongst the largest retailers with the rest occupied by smaller players. In comparison, in Hong Kong and Macau, the top 10 jewellers generated the majority of the sales. In the PRC, there were approximately 12,000 companies in the jewellery retail industry as at 31 December 2010, according to the Frost & Sullivan Report. However, we believe that not all players within the jewellery retail industry are considered our core competitors due to differences in target customer base, product profile and consumers' perception of each player's respective brand equity and product quality. According to the Frost & Sullivan Report and considering only jewellery retailers whose turnover exceeded RMB500 million as at December 2010, the top 10 players in the PRC had a combined market share of 57.5% of the total jewellery retail market and, within this segment, we ranked first in the PRC geographic region with a 12.6% market share. As at 31 December 2010, the Hong Kong and Macau geographic regions comprised 325 jewellery retail companies, of which the top 10 players accounted for 51.7% of the total market, according to the Frost & Sullivan Report. In that segmentation, we ranked first in Hong Kong and Macau with a market share of 20.1%, which is more than double of that of the next largest player, according to the Frost & Sullivan Report. We believe that our principal advantages over our competitors are our iconic and trusted brand and our long-standing presence in the Greater China region. Our large retail network among jewellery retailers in the Greater China Region, our broad product portfolio and our commitment to delivering high quality products have helped us to secure a large and loyal customer base. Due to the importance of brand equity and product quality in the PRC, Hong Kong and Macau, we believe our leading presence in all three regions will allow us to remain competitive in the jewellery industry.

We believe there are barriers to enter this industry, which include (i) building and maintaining a strong brand in the industry, (ii) establishing and maintaining strong relationships with customers, (iii) building and operating a meaningful sales and distribution network, (iv) attracting and retaining talented designers and (v) large initial and ongoing capital investment required.

INTELLECTUAL PROPERTY

As at 30 September 2011, we had three registered trademarks and two domain names which are material to our business. Further details of our intellectual property are set out in the section headed "Appendix V — Statutory and General Information — Intellectual property rights of the Group".

The Directors confirm that there has not been any material infringement of our trademarks or designs as at the Latest Practicable Date. However, if there is any infringement of our trademarks or designs in the future, our image and profitability may be adversely affected and we may take legal action against the third parties in respect of infringement of our intellectual property.

PROPERTY

As at 30 September 2011, we owned a total of 428 properties in the PRC, Hong Kong and South Africa. Our properties are primarily used for retail, office, industrial and ancillary purposes. The gross area of our self-owned properties ranges from approximately 11 square metres to 930 square metres for retail purposes and approximately 13 square metres to 36,667 square metres for office, industrial and ancillary purposes.

As at 30 September 2011, we leased 294 properties in the PRC, Hong Kong, Macau, Taiwan and South Africa. Our leased properties are primarily used as retail stores, and their gross areas range from approximately 16 square metres to 1,337 square metres for leased retail stores, and approximately 2 square metres to 4,040 square metres for other leased properties. The term of our leases ranges from a minimum of six months to 153 months for retail stores and from a minimum of three months to 60 months for office, industrial and ancillary uses.

The aggregate rental expenses for FY2009, FY2010, FY2011 and 1HFY2012 were HK$289.5 million, HK$371.1 million, HK$502.4 million and HK$284.7 million, respectively. The following table sets forth the average monthly rent paid in respect of our leased properties by geographical region and type of properties for the year and period indicated.

Retail properties

	Year ended 31 March						Six months ended 30 September			
	2009		2010		2011		2010		2011	
Geographical region	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average
	HK$million	*HK$million*	*HK$million*	*HK$million*	*HK$million*	*HK$million*	*HK$million (unaudited)*	*HK$million*	*HK$million*	*HK$million*
PRC	35.4	3.0	58.3	4.9	95.4	8.0	37.1	6.2	46.5	7.8
Hong Kong, Macau and other markets	239.2	19.9	297.5	24.8	384.7	32.1	197.1	32.8	217.3	36.2
Total	274.6	22.9	355.8	29.7	480.1	40.1	234.2	39.0	263.8	44.0

Office, industrial and ancillary properties

	Year ended 31 March						Six months ended 30 September			
	2009		2010		2011		2010		2011	
Geographical region	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average	Yearly Rental Cost	Monthly Average
	HK$million	*HK$million*	*HK$million*	*HK$million*	*HK$million*	*HK$million*	*HK$million (unaudited)*	*HK$million*	*HK$million*	*HK$million*
PRC	2.3	0.2	2.4	0.2	3.5	0.3	1.4	0.2	2.6	0.4
Hong Kong, Macau and other markets	12.6	1.0	12.9	1.1	18.8	1.6	6.5	1.1	18.3	3.1
Total	14.9	1.2	15.3	1.3	22.3	1.9	7.9	1.3	20.9	3.5

As at 30 September 2011, the percentage of our property interests (including land and buildings, furniture, fixtures and equipment and construction in progress, but excluding plant and machinery, leasehold improvements and motor vehicles) (the "**Property Interests**") represented approximately 3.5% of our total assets.

The Directors confirm that no single Property Interest owned by us is material to our Group's total assets, and none of our Property Interests is individually material to us in terms of turnover contribution or rental expenses.

Please see the section headed "Appendix V — Statutory and General Information — E. Waivers from Compliance with the Listing Rules and Exemptions from the Companies Ordinance" for details of the waiver from strict compliance with the Listing Rules and the certificate of exemption from the requirements of the Companies Ordinance in relation to the requirement to obtain a property valuation report.

INSURANCE

We maintain different types of insurance policies to cover our operations, including public liability, business interruption, marine cargo, property all risks, jeweller's block, directors and officers liability, employee compensation and group life and personal accident insurance. We review our insurance policies from time to time for adequacy in the breadth of coverage.

The total insurance expenses for each of FY2009, FY2010, FY2011 and 1HFY2012 amounted to approximately HK$71.1 million, HK$69.2 million, HK$82.3 million and HK$44.7 million, respectively.

CORPORATE SOCIAL RESPONSIBILITY

We believe our corporate social responsibility efforts reflect our corporate values of "sincerity • eternity". We believe in giving back to local communities and supporting charitable causes such as the Diamond Empowerment Fund, which aids education initiatives that develops economically disadvantaged people in African nations where diamonds are a natural resource and the China Charity Federation, a PRC nationwide non-governmental charitable organisation, which supports relief efforts in the PRC.

Our subsidiary, CTF Diamond Trading Company Limited, is a member of the Responsible Jewellery Council. The Responsible Jewellery Council is an international not-for profit organisation which advances responsible business practices throughout the diamond and gold jewellery supply chain. As a DTC Sightholder through Zlotowski's and CTF HK, we are required to comply with DTC's best practice principles, which cover business responsibilities, social responsibilities, environmental responsibilities and mining standards. We believe we comply with the Kimberley Process Certification Scheme, a process designed to certify the origin of rough diamonds from sources which are free of conflict funded by diamond production and we believe the polished diamonds we procure are cut from rough diamonds which are compliant with the Kimberley Process Certification Scheme.

EMPLOYEES

As at 30 September 2011, we had a total of 22,357 employees (including staff of joint-venture POS and excluding staff at franchised POS) in the PRC, 2,867 employees in Hong Kong, Macau and Taiwan as well as 350 employees in South Africa. As at 30 September 2011, approximately 80% of our employees at the managerial level has been employed by us for over five years and more than approximately 44% of our staff in general has been employed by us for over three years. The following table sets forth the breakdown of our employees by function as at 30 September 2011:

Function	Number
Sales	15,896
R&D and Manufacturing	4,050
Procurement[1] and Rough Diamonds Cutting & Polishing	2,158
General and Administrative	3,470
Total	**25,574**

Note:

(1) Includes the procurement of rough and polished diamonds as well as gemstones

We aim to create a strong sense of community and a motivating environment for our employees to enhance employee loyalty and work dedication.

We strive to motivate our employees with a clear career path which provides them with opportunities for upgrading their skills and promotions. Tailored training programmes are provided for our employees. For example, fresh graduates we recruit are provided with management training; sales staff are required to attend training programmes on customer service and our products; our technicians and craftsmen are provided with ongoing technical training to ensure excellence in the quality of our products; and our management personnel are invited to attend management courses to refine their business management skills. In addition, we also recruit technician students from polytechnics and technical institutes in the PRC as apprentices and subsequently employ them as permanent staff if their work performance meets our standards.

Our compensation structure is designed to incentivise our employees to perform well by linking a portion of their compensation to our performance. The exact portion that is linked to performance would depend on each employee's job function and seniority.

LEGAL AND REGULATORY

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to the Directors to be pending or threatened against any member of our Group.

We confirm that, as at the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us that would have a material adverse effect on our business or financial condition taken as a whole. As at the Latest Practicable Date, we had obtained all material licences and permits necessary for our business in the jurisdictions in which we operate.

As most of the Group's operations are in the PRC, laws, rules and regulations of material significance to the Group are those of the PRC. The Company's PRC legal advisers have confirmed to the Company that as at the Latest Practicable Date, there were no material breaches or violations of PRC laws or regulations applicable to the Group that would have a material adverse effect on the Group's business or financial condition taken as a whole. Please refer to the section headed "Risk Factors — Risks Related to Our Business — The Group's past intra-group loan advancing activities may be subject to penalties" for disclosure relating to a non-material breach of PRC regulations. Set out below is a brief overview of the PRC laws, rules and regulations of significance to our business and operations in the PRC:

Industrial Policy

On 31 October 2007, the National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") jointly issued the Foreign Industrial Guidance Catalogue (amended in 2007) (the **"Catalogue"**) (外商投資產業指導目錄（2007年修訂）) which came into effect on 1 December 2007. The Catalogue classifies industries into three categories, which are encouraged, restricted and prohibited. Industries that are not indicated as any of the above categories under the Catalogue are permitted areas for foreign investment. The MOFCOM or its local authorities are responsible for approving foreign investment in China.

Foreign Investment in Commercial Sectors

The principal PRC law governing foreign investment in retail enterprises is the Administrative Measures on Foreign Investment in Commercial Sectors (外商投資商業領域管理辦法) (the "**Measures**") which was promulgated by MOFCOM on 16 April 2004 and came into effect on 1 June 2004, pursuant to which, foreign investors are permitted to engage in the operation of distribution services on a wholly foreign-owned basis from 11 December 2004. Pursuant to the Circular of the MOFCOM on Delegating Matters concerning the Examination and Approval of Foreign Invested Commercial Enterprises (商務部關於下放外商投資商業企業審批事項的通知), which took effect from 12 September 2008, the establishment of commercial enterprises with foreign investment and changes in the relevant registration details as to the established foreign invested commercial enterprises shall be examined and verified by the commercial bureaus at provincial level, except that the MOFCOM shall continue to examine and approve the establishment and changes in the relevant items as to the foreign invested enterprises that engaged in non-store retailing through television, telephone, mail order, internet, vending machines, etc. or which deal with the wholesale of audio-visual products or the sale of books, newspapers and periodicals.

Franchise

Franchise activities are subject to the supervision and administration of the MOFCOM and its local counterparts, and are regulated by the Regulations for Administration of Commercial Franchising

(商業特許經營管理條例) promulgated by the State Council and effective as of 1 May 2007. The Regulations for Administration of Commercial Franchising were later supplemented by the Administrative Measures for Archival Filing of Commercial Franchise (商業特許經營備案管理辦法) and the Administrative Measures for Information Disclosure of Commercial Franchise (商業特許經營信息披露管理辦法), both of which were issued by the MOFCOM and took effect on 1 May 2007.

Under these regulations, franchisors must satisfy certain requirements including, among other things, having mature business models, the capacity to provide operation instruction, technical support and business training to franchisees and ownership of at least two self-operated shops that have been in operation for more than one year in China. Franchisors already engaged in franchising activities before 1 May 2007 are not subject to the requirement of owning at least two self-operated shops in operation for more than one year. Franchise contracts shall include certain required provisions, such as terms, termination and payments. Franchisors are generally required to file franchise contracts with the MOFCOM or its local counterparts. In the first quarter of every year, franchisors are required to report to MOFCOM or its local counterparts any franchising contracts they executed, cancelled, renewed or amended in the previous year. Pursuant to the Administrative Measures for Information Disclosure of Commercial Franchise, franchisors are also required to provide franchisees with basic information in writing and franchise contracts 30 days prior to the execution of such contracts.

Foreign Exchange Control

The PRC State Council promulgated the PRC Regulation for the Foreign Exchange (the "**Foreign Exchange Regulations**") (中華人民共和國外匯管理條例) on 29 January 1996, which was then amended on 5 August 2008. On 20 June 1996, the PBOC further promulgated the Regulation on the Foreign Exchange Settlement, Sales and Payment (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**"), which came into effect on 1 July 1996. Pursuant to the Foreign Exchange Regulation and the Settlement Regulation, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorising distribution of profits or payment of dividends. The Settlement Regulations remove the previous restrictions on convertibility of foreign exchange in respect of current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange transactions, while foreign exchange transactions in respect of capital account items, such as direct investment, loan, securities investment and repatriation of investment remain subject to the approval of the State Administration of Foreign Exchange.

Dividend Distribution

The principal regulations governing dividend distribution of foreign invested enterprises include the Company Law of the PRC (中華人民共和國公司法) promulgated in 1993 and amended in 1999, 2004 and 2005, the Foreign Investment Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated in 1986 and amended in 2000, Rules for the Implementation of the Foreign Investment Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) promulgated in 1990 and amended in 2001, the Sino-Foreign Joint Ventures Law of the PRC (中華人民共和國中外合資經營企業法) promulgated in 1979 and amended in 1990 and 2001, and Rules for the Implementation of the Sino-Foreign Joint Ventures Law of the PRC (中華人民共和國中外合資經營企業法實施條例) promulgated in 1983 and amended in 1986, 1987 and 2001.

Under these laws and regulations, foreign invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulation. In addition, these foreign invested enterprises are required to allocate certain amount of their accumulated profits after tax each year, if any, to fund certain reserve funds.

Taxation

Enterprise Income Tax

According to the New Tax Law which came into effect on 1 January 2008, enterprises incorporated in the PRC shall be subject to the rate of 25% on their income from 1 January 2008 onwards. Pursuant to the Circular on Implementing of Transitional Preferential Policies in respect of Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知) promulgated by the State Council on 26 December 2007, as of 1 January 2008, enterprises that previously enjoy preferential tax rate in the form of tax deductions and exemptions within specified periods may, after the implementation of the New Tax Law, continue to enjoy the relevant preferential treatments under the preferential measures in the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such enterprises have not enjoyed the preferential treatments yet because of their failure to make profits, their preferential time period shall be calculated from 2008.

According to the New Tax Law, income such as dividends and profits distribution sourced within the PRC by a non-resident enterprise which does not have an establishment or place of business in the PRC or, where despite the existence of establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC, is subject to a 10% enterprise income tax, subject to reduction as provided by any applicable tax treaties or arrangements.

On 10 December 2009, the State Administration of Taxation issued the Circular on Strengthening the Administration of Enterprise Income Tax on Income Derived from the Equity Transfer of Non-resident Enterprises (Guo Shui Han (2009) No.698) (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the "**Circular**"), which was made retrospectively effective from 1 January 2008. Pursuant to the Circular, where a non-PRC investor (the actual controlling party) indirectly transfers the equity interests of a PRC resident enterprise through disposing of its equity interests (the "**Indirect Transfer**") in a non-PRC holding company, and such non-PRC holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-PRC investor shall report the Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the non-PRC holding company if it lacks a reasonable commercial purpose and is established for the purpose of avoiding PRC tax. The Circular also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) (the "**Provisional VAT Regulations**") was promulgated on 13 December 1993 and came into effect on 1 January 1994 and were amended on 10 November 2008. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) (the "**Provisional VAT Implementation Rules**") were promulgated on 25 December 1993 and were amended and came into effect on 1 January 2009, and were further amended on 28 October 2011. According to the Provisional VAT Regulations and the Provisional VAT Implementation Rules, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For taxpayers selling or importing goods other than those specifically listed in the Provisional VAT Regulations, or for taxpayers providing processing, repairs and replacement services, the value-added tax rate is 17%.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業税暫行條例) effective from 1 January 1994 (amended on 10 November 2008) and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The items and rates of business tax shall be implemented in accordance with the List of Items and Rates of Business Tax attached to the regulation.

Environmental Protection

We are subject to a variety of PRC environmental protection laws and regulations, among which, major environmental regulations applicable to us including the Environmental Protection Law of the PRC (中華人民共和國環境保護法), Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law of the PRC on Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法), Law of the PRC on Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法), Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法) and Law of the PRC on Promoting Clean Production (中華人民共和國清潔生產促進法).

In accordance with the abovementioned laws and regulations, a manufacturing enterprise shall adopt measures to control environmental pollution and harm resulting from waste gas, waste water, solid waste materials, noise and vibration at the manufacturing site. The Ministry of Environmental Protection of the PRC and its local counterparty are responsible for the supervision and administration of environmental protection during the course of manufacturing.

Social Insurance

On 28 October 2010, the Standing Committee of the National People's Congress of the PRC promulgated the Law on Social Insurance of the PRC (中華人民共和國社會保險法), effective as of 1 July 2011. Under this law, the State shall establish basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other social insurance system to maintain citizens' right to receive material assistance from the state and society in the case of seniority, illness, occupational injury, unemployment, maternity or other circumstances. According to the Law of Social Insurance of the PRC, employers and employees shall pay social insurance contributions in accordance with the law, and be entitled to enquire about records of payment and individual interests and require social insurance agencies to provide advice or other services relating to social insurance, and employees shall be entitled to enjoy social insurance benefits and supervise contribution payment by their employers in accordance with the law.

*You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountants' Report included as Appendix I and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the International Accounting Standards Board.*

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See the sections headed "Risk Factors" and "Forward-looking Statements" for discussions of those risks and uncertainties.

Our financial year begins from 1 April and ends on 31 March. All references to "FY2009", "FY2010" and "FY2011" mean the financial years ended 31 March 2009, 2010 and 2011, respectively. All references to "1HFY2011" and "1HFY2012" mean the six months ended 30 September 2010 and 2011, respectively.

OVERVIEW

We are the leading jeweller by market share in the PRC as well as the Hong Kong and Macau jewellery markets, according to the Frost & Sullivan Report. Our "周大福" (CHOW TAI FOOK) brand is widely recognised. We offer a broad range of products that we classify into four major categories for our financial reporting purposes, namely (i) gem-set jewellery, (ii) platinum/karat gold products, (iii) gold products and (iv) watches.

We have a POS network comprising both retail and wholesale channels through which we distribute our products. Unless the context herein suggests otherwise, our retail channel refers to our self-operated POS, whereas our wholesale channel refers to our franchised POS. As at 30 September 2011, we had a total of 1,506 POS comprising 1,417 POS in the PRC and 89 POS in Hong Kong, Macau and other Asian markets. Our self-operated and franchised POS are strategically located in densely populated areas and prime shopping districts, allowing us to efficiently maximise our exposure and recognition.

We have grown rapidly during the Track Record Period. Our turnover increased by HK$4,522.7 million, or 24.6%, from HK$18,410.9 million in FY2009 to HK$22,933.6 million in FY2010, and further increased by HK$12,108.9 million, or 52.8%, to HK$35,042.5 million in FY2011, representing a CAGR of 38.0%. Our turnover increased from HK$13,315.0 million for 1HFY2011 to HK$23,874.5 million for 1HFY2012, representing an increase of HK$10,559.5 million or 79.3%. Correspondingly, our profit for the year increased by HK$292.4 million, or 15.3%, from HK$1,914.4 million in FY2009 to HK$2,206.8 million in FY2010, and further increased by HK$1,465.7 million, or 66.4%, to HK$3,672.5 million in FY2011, representing a CAGR of 38.5%. Our profit increased from HK$1,223.2 million for 1HFY2011 to HK$2,820.9 million for 1HFY2012, representing an increase of HK$1,597.7 million or 130.6%. As we expanded our POS network over the Track Record Period, we have increased our borrowings and inventory to meet the greater demand for our products.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic conditions in the PRC

Our business is particularly sensitive to the economic developments in the PRC and the purchasing power of consumers in the PRC. Due to the rapid economic growth in the PRC, a significant portion of our recent growth in turnover has, and we expect will continue to, come from sales in fast-growing markets in the PRC as well as the increasing consumer spending by PRC tourists in our Hong Kong and Macau POS. Economic growth in the PRC over the past three decades has led to substantial growth in personal disposable income and has resulted in increasing purchasing power and greater demand for discretionary consumer products. Nominal GDP has grown at a CAGR of 16.5% between 2006 and 2010, and despite the challenges faced by the global economy in late 2008 and in 2009, economic growth has remained strong in the PRC, with nominal GDP growth of 16.9% in 2010. The disposable income of the population in the PRC has grown from approximately RMB11,759 in 2006 to approximately RMB19,109 in 2010 at a CAGR of 12.9%. According to the Frost & Sullivan Report, the jewellery and watch industry in the PRC has achieved an average growth rate of around 28.6% annually between 2006 and 2010. Our total turnover increased by 90.3% from HK$18,410.9 million in FY2009 to HK$35,042.5 million in FY2011, with turnover in the PRC increasing by 94.6% from HK$10,005.2 million to HK$19,471.8 million over the same period. Our total turnover increased by 79.3% from HK$13,315.0 million for 1HFY2011 to HK$23,874.5 million for 1HFY2012, with turnover in the PRC increasing by 77.8% from HK$7,520.8 million to HK$13,371.4 million over the same period. Payment through China UnionPay for purchases in our Hong Kong and Macau POS increased from HK$2,301.5 million in FY2009 to HK$6,419.1 million in FY2011, representing a CAGR of 67.0% over the same period. Payment in RMB (cash) for purchases in our Hong Kong and Macau POS increased from HK$265.0 million to HK$310.4 million over the same period, representing a growth of 17.1%. Payment through China UnionPay for purchases in our Hong Kong and Macau POS increased from HK$2,294.2 million for 1HFY2011 to HK$4,926.8 million for 1HFY2012, representing a growth of 114.8%. Payment in RMB (cash) for purchases in our Hong Kong and Macau POS increased from HK$134.8 million to HK$193.2 million, representing a growth of 43.3% over the same period. We expect that the continuing economic growth in the PRC will translate into an increase in consumer spending and demand for luxury goods. Accordingly, we expect the economic conditions in the PRC and the level of consumer spending in the PRC, Hong Kong and Macau to continue to have a significant impact on our results of operations.

Growth of tourism in Hong Kong and Macau

The retail industry in Hong Kong and Macau has benefited from a combination of macroeconomic and demographic factors. According to the Frost & Sullivan Report, the number of PRC visitors to Hong Kong and Macau in recent years increased significantly from 26 million in 2006 to 36 million in 2010 and is expected to reach approximately 48 million in 2013. The PRC is one of the world's fastest growing major economies and is expected to continue to contribute to the tourism markets in Hong Kong and Macau due to the growth in the number of high net worth individuals and middle class, and the relaxation in visa requirements with respect to tourist entry from the PRC into Hong Kong and Macau. PRC tourists constitute the largest single customer group for our sales in Hong Kong and Macau, as evidenced by the fact that approximately 43.6% and 49.3% of our retail turnover in Hong Kong and Macau were settled via China UnionPay or in RMB (cash) for FY2011 and 1HFY2012, respectively.

We believe our products are welcomed by many tourists from the PRC. PRC customers tend to make significant purchases in our Hong Kong and Macau POS for various reasons, including (i) our strong brand recognition in the PRC, (ii) a more diverse and complete selection of our products that our POS in Hong Kong and Macau carry, (iii) lack of consumer taxes associated with sales of our jewellery or watch products in Hong Kong and Macau and (iv) the recent appreciation of RMB against HKD. According to the Frost & Sullivan Report, PRC tourists contributed to more than 40% of total Hong Kong jewellery retail sales in 2010. Accordingly, we believe spending by tourists from the PRC and the development of tourism in Hong Kong and Macau will continue to be significant factors affecting our business, financial condition and results of operations.

Expansion of our POS network

Growth of our POS network directly impacts our sales, profitability and working capital requirements. We are firmly entrenched across the PRC, Hong Kong and Macau. As at 30 September 2011, we had a total of 1,506 POS, comprising 1,417 POS in the PRC, 69 POS in Hong Kong, 12 POS in Macau, and 8 POS in Malaysia, Singapore and Taiwan. Our self-operated POS and franchised POS are strategically located in densely populated areas and prime shopping districts, allowing us to efficiently maximise our exposure and brand recognition. With plans to reach over 2,000 jewellery POS by 2016, we aim to open a net of approximately 200 jewellery POS per year. The following table sets out a breakdown, by geographical segment, of the number of POS as at the dates indicated:

	Number of POS								
	As at 31 March							As at 30 September	
	2008	Net change	2009	Net change	2010	Net change	2011	Net change[2]	2011
PRC									
— self-operated	547	87	634	158	792	91	883	83	966
— franchised	205	56	261	41	302	89	391	60	451
Hong Kong, Macau and other Asian markets									
— self-operated	69	1	70	14	84	(2)	82	5	87
— franchised[1]	—	—	—	1	1	1	2	—	2
Total	**821**	**144**	**965**	**214**	**1,179**	**179**	**1,358**	**148**	**1,506**

Notes:

(1) As at 31 March 2010, the franchised POS was located in Malaysia. As at 31 March 2011 and 30 September 2011, one franchised POS was located in Malaysia and one was located in Singapore.

(2) The net change of the POS number here refers to the number of new POS opened during 1HFY2012.

Concessionaire fees and, to a lesser extent, rental related expenses, constitute a significant part of our overall expenses, and our ability to continue to secure prime locations at commercially acceptable terms is a key factor to our success. For FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, our concessionaire fees for our Concessionaire Counters within department stores were HK$746.6 million, HK$998.7 million, HK$1,493.8 million, HK$590.2 million and HK$950.2 million, respectively, which accounted for 4.1%, 4.4%, 4.3%, 4.4% and 4.0% of our turnover, respectively. The percentage of concessionaire fees over our total turnover decreased 0.4% for 1HFY2012 as compared to 1HFY2011, which was primarily because the rate of increase in wholesale turnover outpacing the increase in retail turnover for 1HFY2012, and our concessionaire fees are attributable to our retail operation. Rental related expenses relating to our self-operated POS were HK$274.6 million, HK$355.8 million, HK$480.1 million, HK$234.2 million and HK$263.8 million, respectively, which accounted for 1.5%, 1.6%, 1.4%, 1.8% and 1.1% of our turnover, in FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, respectively. The percentage of rental related expenses over our total turnover decreased 0.7% for 1HFY2012 as compared to 1HFY2011, which was primarily due to the increase in our total turnover outpacing the increase of our rental related expenses for 1HFY2012. As we expand our POS network, we will need to secure more locations by entering into new concessionaire and lease agreements. In recent years, property prices and rental related expenses in the PRC, Hong Kong and Macau have fluctuated, but have overall increased significantly. This is particularly true for retail locations in prime areas where we typically seek to open new POS. As a result, we expect our costs of securing new locations to increase along with economic growth and inflation. Most of our concessionaire agreements are renewable every one to two years and a significant majority of our leases has a term ranging from one year to four years. To mitigate against the increase in rental expenses and concessionaire fees, we cooperate with department stores and large-scale property developers with whom we have long standing relationships to secure new locations with favourable rental rates. Our ability to secure prime locations for our POS on favourable terms will continue to affect our business, financial conditions and results of operations.

Furthermore, our turnover growth can vary according to the level of maturity of our POS, which is a factor affecting our results of operations. The amount of turnover that a POS generates depends on its stage of operation. Generally, turnover is lower at the initial stage of operation, but a new POS generally generates an operating profit within the first year of operation. The turnover of a new POS tends to continue to increase thereafter as the POS gains customer loyalty and market recognition. Turnover growth of the POS will continue to depend on various factors such as the level of customer traffic, quality of management and the growth rate of the local economy.

Same Store Sales

Our profitability is affected in part by our ability to successfully grow sales at the existing POS that we operate. We measure this growth through evaluating Same Store Sales and Same Store Sales Growth (please see "— Explanation of Same Store Sales Growth" for further details on how these measures are calculated). The following table sets out a breakdown, by geographical segment, of our Same Store Sales Growth for FY2010, FY2011 and 1HFY2012:

	FY2010	FY2011	1HFY2012
PRC	15.2%	35.2%	45.3%
Hong Kong, Macau and Taiwan(1)	16.0%	32.4%	78.5%
Overall	15.6%	33.8%	61.9%

Note:

(1) Includes self-operated POS in Hong Kong, Macau and Taiwan only, as POS in Singapore and Malaysia are all franchised POS.

Although much of our turnover growth in recent years was attributable to the expansion of our POS network, the strong performance of our existing POS on a Same Store Sales basis has also been an important driver for our turnover growth. Our overall Same Store Sales Growth was 33.8% in FY2011 and despite the global economic downturn in 2008 and 2009, our overall Same Store Sales Growth was 15.6% in FY2010. Our Same Store Sales Growth for 1HFY2012 further increased to 61.9%. Our Same Store Sales Growth over FY2010, FY2011 and 1HFY2012 can be partly attributable to our strong promotional activities, which enhance our brand awareness and image in the locations where we operate, and our continuous development and promotion of new and wider range of merchandise, including higher value products to suit market demand. We believe the strength of our customer loyalty programme is a significant factor contributing to our Same Store Sales Growth. Total sales to our customer loyalty programme members in the PRC in our self-operated POS as a percentage of total retail turnover in the PRC has risen from 27.0% for FY2009 to 33.0% for 1HFY2012. For FY2011 and 1HFY2012, over 80% of the top 500 customers (by transaction value) in the PRC were our customer loyalty programme members. Many other factors also influence Same Store Sales including economic conditions, competition, pricing and customer service.

Maintaining a strong brand image that caters to changing consumer preferences

We derive substantially all of our turnover from sales of jewellery products, which depend on the strength of our brand. The strength of our brand is based in part on our long history combined with our reputation for providing trusted high quality jewellery with distinctive product designs to a wide range of consumers. We continually develop and promote a wide range of jewellery to suit consumer preferences. For example, we produce both traditional and contemporary designs that cater to the needs of customers at all life stages. Although our predominant focus is on the mass luxury segment which we believe has the greatest growth potential in the Greater China region, we also produce high-end luxury products that enable us to meet the demands of wealthy individuals in the region. Our high-end luxury products have also helped us establish our brand as a high-end jewellery brand which is consistent with our overall marketing and advertising strategy. We have also developed a younger line of products with lower entry prices targeting the younger generation to expand our customer base and cultivate a retailer-consumer relationship with a younger generation of consumers. Accordingly, a significant part of our success has been and will continue to depend on our ability to maintain our strong brand image and at the same time continue to design and produce a wide range of quality jewellery that meets continually changing consumer preferences.

Ability to secure steady supplies and manage changes to raw material prices

Our ability to source a steady supply of raw materials is another key factor to our success. The cost of inventories recognised as expenses during the Track Record Period constituted at least 90% of our total cost of goods sold during the respective years. We maintain strong relationships with our existing suppliers due in part to our leadership position in the PRC, scale of operations, solid financial performance, reliable payment history and ability to fulfil our suppliers' selection or membership criteria. For example, we have been selected as a DTC Sightholder and Select Diamantaire of Rio Tinto. We have been able to renew our raw material supply agreements after they expire. In addition to jewellery, we sell more than a hundred different watch brands, and have well-established business relationships with reputable watch suppliers, including affiliates of LVMH Group, Richemont Group, Rolex group and Swatch Group. We have been able to source mid- to high-end luxury watches from a number of suppliers on an order-by-order basis since the 1960s.

Changes to raw material prices may also affect our results of operations. Our jewellery products are made of precious raw materials such as diamonds, coloured stones, jadeite, pearls, gold and other precious metals that are subject to changes in market prices. However, demand for jewellery products are consumer driven, and as such, we have generally been able to pass-on raw material price changes to our customers. In addition, for our products made of gold, we use gold loans and bullion forward contracts to hedge against the financial impact of gold price fluctuations. For FY2010 as compared to FY2009, the average gold price increased by 17.0% and our turnover from our sales of gold products increased by 22.5% during the same period. For FY2011 as compared to FY2010, the average gold price increased by 26.8% and our turnover from our sales of gold products increased by 68.3% during FY2011. For 1HFY2012 as compared to 1HFY2011, the average gold price increased by 31.8% and our turnover from our sales of gold products increased by 94.7%.

The selling prices of our jewellery products, and particularly gold products, usually reflect the market price of the raw materials in the products and a relatively stable gross margin percentage for those products. While fluctuations in the price of raw materials could impact the selling prices of our products and our gross profit, we have successfully managed such price fluctuations through various selling strategies in order to maximise our nominal sales and hence our gross profit. In addition, we were able to maintain a relatively stable overall gross margin from approximately 28% to 30% during the Track Record Period due to our ability to adjust our product offerings based on a wide selection of jewellery products, including gem-set jewellery, platinum/karat gold products, gold products and watches.

Staff compensation costs

Compensation costs represent a significant component of our total costs. As at 30 September 2011, we had more than 25,000 employees and our staff related costs constitute a significant portion of our overall expenses. In FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, staff related costs relating to our selling and distribution activities were HK$762.6 million, HK$975.3 million, HK$1,354.2 million, HK$543.3 million and HK$978.6 million, respectively, representing 31.3%, 30.5%, 30.8%, 30.9% and 34.2% of our total selling and distribution costs, respectively. The compensation programme for our sales personnel is designed to incentivise our employees to perform well at their respective functions by linking a portion of their compensation to our performance. The exact portion that is linked to our performance would depend on each employee's job function and seniority. On the other hand, staff related costs (including director emoluments) relating to our administrative activities in FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, were HK$313.3 million, HK$344.5 million, HK$466.8 million, HK$208.8 million and HK$390.9 million, representing 61.6%, 53.6%, 51.2%, 48.3% and 55.1% of our total administrative expenses, respectively.

Seasonality

We experience seasonal fluctuations in our turnover. Our sales for October and from December to February are usually higher than those for the remaining months of the year mainly due to the Golden Week, the Christmas holiday season, Chinese New Year holidays and Valentine's Day. In each of FY2009, FY2010 and FY2011, our turnover during these months represented 38.1%, 42.8% and 43.1%, respectively, of our total turnover for the year. Seasonality also has an impact on our production schedule and use of working capital. We generally use a significant part of our working capital between September and February of each year to purchase inventory and increase our production in anticipation of and during periods of higher sales.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results of operations. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies in accordance with IFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies, which are set forth in detail in Notes 3 and 5 to the Accountants' Report in Appendix I to this prospectus.

Inventories

Our inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and disposal. These estimates are based on the current market condition and the historical experience of selling goods of a similar nature, which could change significantly as a result of changes in market conditions. We employ an integrated information system to control our inventory levels that begins with the daily monitoring of sales for each POS location and continues with the real-time tracking of store and warehouse stock, the transit of products and store reorders.

Our management carries out an inventory review and an ageing analysis on a regular basis, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or trading. The evaluation considers a number of factors including historical and forecast consumption of our raw materials, marketability of our inventories, anticipated change in market selling price, risk of obsolescence of our inventories due to changes in developments to our product offerings and other factors.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods, 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. Our management determines the estimated useful lives, residual value and related depreciation charges for our property, plant and equipment. The estimate is based on the historical 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. Changes in these estimations may have a material impact on our results, which would be recognised in profit or loss in the year when such changes occur.

For land and buildings where the cost of land cannot be reliably allocated between the land and buildings, the cost of land and buildings are depreciated and amortised on a straight-line basis over the lease term or 20 years, whichever is 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 ⅓%
- 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 our accounting policy. It is not depreciated until the 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.

Asset lives are reviewed at the end of each reporting period and the effects of changes in estimated life, if any, are recognised prospectively. Property, plant and equipment are reviewed for impairment at the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is based on a broad measure of factors, including discontinuance of services, significant negative industry or economic trends, significant underperformance relative to expected historical or projected future operating results and other changes in circumstances that may indicate impairment. All of these assessments require the application of our judgment to the facts and circumstances existing at the time. Recoverable value can be calculated by a number of different approaches, including discounted cash flow, comparables, and market valuations or quoted market prices. The process and steps required to assess the possible impairments of assets, including the identification of possible impairment indicators, assessing discounted cash flows, selecting the appropriate discount rate, the calculation of the weighted average cost of capital and the discounts or premiums inherent in market prices, require a substantial amount of management discretion and judgment.

EXPLANATION OF SAME STORE SALES GROWTH

Our profitability is affected in part by sales performance at the existing POS that we operate. We measure this performance through evaluating Same Store Sales and Same Store Sales Growth, which are metrics commonly used in the retail industry.

Same Store Sales for FY2009, FY2010 and FY2011 refer to turnover from our self-operated POS (including our wholly-owned POS and joint-venture POS) existing as at the end of the relevant financial year and which have been operating for at least 24 consecutive months immediately prior to the end of that financial year. Same Store Sales for 1HFY2012 refers to the turnover from our self-operated POS existing as at 30 September 2011 and which have been opened at least prior to 1 April 2010. Turnover from our wholesale channel (i.e. sales to franchisees) and other direct sales (such as sales from promotional events) are excluded.

Same Store Sales Growth represents a comparison between Same Store Sales of a particular year and sales from comparable POS in the previous year, measured at constant exchange rates. There are variations in the way in which some of our competitors and other retailers calculate these metrics. Accordingly, these metrics may not be fully comparable with those of our competitors or other retailers.

DESCRIPTION OF SELECTED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

Turnover

We derive our turnover primarily through the sale of jewellery and watches through our self-operated POS and to our franchisees. Turnover is measured net of discounts and returns.

Cost of goods sold

Our cost of goods sold consists principally of the cost of (i) purchasing merchandise and raw materials, (ii) design, manufacturing and production expenses, (iii) changes in fair value of gold loans and bullion forward contracts and (iv) other taxes. Changes in the fair value of gold loans and bullion forward contracts affect cost of goods sold as they reflect our methods to hedge the risk of price changes in our gold inventory.

Gross profit margin

During the Track Record Period, the gross profit margin for our gem-set jewellery and platinum/karat gold products were generally higher than that of our gold products. In addition, during the Track Record Period, there was no material fluctuation in the gross profit margin for each product type due to our cost-plus pricing strategy and hedging policies for gold inventory.

Other income

Our other income mainly represents (i) interest income from banks, amounts due from related companies and loan receivables, (ii) franchise income, (iii) discretionary government grants to incentivise us to invest in certain regions and (iv) gain on scrap sales.

Other (losses) gains

Other (losses) gains consists mainly of net foreign exchange gain arising from currency fluctuations between the RMB and the USD/HKD, and loss on disposal of property, plant and equipment.

Selling and distribution costs

Selling and distribution costs primarily consist of rental expenses relating to our POS, salaries, bonuses and benefits of our sales staff, advertising and promotion expenses, cost of packaging materials, depreciation costs and other selling related expenses.

Administrative expenses

Administrative expenses consist primarily of expenses from salary and bonuses/benefits of our administrative staff, directors' emoluments, depreciation costs and other expenses related to our administrative functions.

Other expenses

Other expenses mainly consist of donations to charities and professional expenses in connection with the Global Offering.

Finance costs

Our finance costs consist of interests on borrowings of our bank loans, gold loans and amounts due to related companies.

Share of results of an associate

This represents the profit and loss arising from our interest in an associate, Wuhan Xinfu, established in the PRC and in which we have a 25% equity interest. The associate is engaged in manufacturing and sale of jewellery products.

Taxation

We are subject to taxation on entity basis on profit arising in or derived from the tax jurisdictions where our subsidiaries are domiciled and operate.

Under the new Enterprise Income Tax law that was passed by the National People's Congress on 16 March 2007 and became effective 1 January 2008, the PRC adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the previous tax exemptions, reduction and preferential treatments applicable to foreign-invested enterprises. Except for certain subsidiaries that are entitled to certain tax exemptions, most of our operating subsidiaries in the PRC were subject to a statutory tax rate of 25% during the Track Record Period. Our subsidiaries in Hong Kong were subject to 16.5% profit tax during the Track Record Period. Our subsidiaries in other jurisdictions were subject to the applicable tax rates in their respective jurisdictions.

Our effective tax rate was 13.9%, 18.8%, 20.5%, 21.7% and 22.0% in FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, respectively.

REVIEW OF HISTORICAL OPERATING RESULTS

The following table present our selected historical consolidated financial information for the years and periods indicated.

Consolidated Statements of Comprehensive Income

	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	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	160.9	176.1	194.6	89.6	124.9
Other (losses) gains	(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	(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	2,223.5	2,718.6	4,619.8	1,562.0	3,618.0
Taxation	(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

1HFY2012 compared with 1HFY2011[(1)]

Turnover

Our turnover increased by HK$10,559.5 million, or 79.3%, from HK13,315.0 million for 1HFY2011 to HK$23,874.5 million for 1HFY2012. The increase was primarily attributable to (i) the continued rising affluence in the PRC which significantly contributed to higher PRC tourist flows into Hong Kong

Note:
(1) The consolidated financial information for 1HFY2011 is unaudited.

and Macau and increased spending on high-end luxury products by PRC tourists in Hong Kong and Macau, (ii) the net increase of 148 POS for 1HFY2012 which had further expanded our market presence allowing us to reach a greater population of consumers and (iii) the increase in our wholesale revenue, particularly in the PRC as a result of new POS opening and the increase in inventory purchases by the increasing number of franchised POS. The increase in our sales was in part driven by the success of our marketing strategies and promotions, which coupled with the strengthening consumer purchasing power, resulted in more consumers migrating to higher value jewellery products.

Turnover by channel

We distribute our products through our retail and wholesale POS network. As at 30 September 2011, our retail network consists of 1,053 self-operated POS (including our wholly-owned POS and joint-venture POS), while our wholesale network consists of 453 franchised POS (almost all of which are in the PRC). The following table sets forth our turnover by distribution channel and the percentage contribution to our total turnover for the periods indicated.

	Six months ended 30 September				
	2010	**% of total**	**2011**	**% of total**	**Growth**
	HK$ million (unaudited)		*HK$ million*		
Retail	11,251.1	84.5%	19,611.3	82.1%	74.3%
Wholesale[(1)]	2,063.9	15.5%	4,263.2	17.9%	106.6%
Total	**13,315.0**	**100%**	**23,874.5**	**100%**	**79.3%**

Note:

(1) Turnover from our wholesale channel refers to sales revenue derived from products sold to our franchisees.

Turnover from our retail channel increased by HK$8,360.2 million, or 74.3%, from HK$11,251.1 million for 1HFY2011 to HK$19,611.3 million for 1HFY2012. The increase was primarily due to a net opening of 88 self-operated POS during 1HFY2012, increase in demand for our products as a result of continued growing affluence of consumers in the Greater China region, as well as the increase in PRC tourists with higher purchasing power visiting Hong Kong and Macau.

Turnover from our wholesale channel increased by HK$2,199.3 million, or 106.6%, from HK$2,063.9 million for 1HFY2011 to HK$4,263.2 million for 1HFY2012. The increase was primarily due to a net addition of 60 franchised POS during 1HFY2012, the maturing from the development stage of the franchise POS opened in FY2011, as well as higher demand for luxury products in the PRC. Our growth in turnover from wholesale channel for 1HFY2012 was higher than our growth in turnover from retail channel for the same period, which was in line with our strategy of utilising the franchise model in further expanding our market presence in the PRC.

Turnover by geography

From a geographical perspective, we evaluate our business that comprises two main geographical regions: (i) the PRC and (ii) Hong Kong, Macau and other Asian markets. The following table sets forth turnover by these two geographical segments and the percentage contribution of each segment to our total turnover for the periods indicated.

	Six months ended 30 September				
	2010	**% of total**	**2011**	**% of total**	**Growth**
	HK$million (unaudited)		***HK$million***		
PRC	7,520.8	56.5%	13,371.4	56.0%	77.8%
Hong Kong, Macau and other Asian markets[(1)]	5,794.2	43.5%	10,503.1	44.0%	81.3%
Total	**13,315.0**	**100%**	**23,874.5**	**100%**	**79.3%**

Note:

(1) For Hong Kong, Macau and other Asian markets, approximately 39.9% and 47.4% of our retail turnover were settled through China UnionPay for 1HFY2011 and 1HFY2012, respectively, and approximately 2.3% and 1.9% of our retail turnover were settled in RMB (cash) for 1HFY2011 and 1HFY2012, respectively.

Turnover in the PRC increased by HK$5,850.6 million, or 77.8%, from HK$7,520.8 million for 1HFY2011 to HK$13,371.4 million for 1HFY2012. Our Same Store Sales in the PRC for 1HFY2012 grew by 45.3%, and the number of franchised POS in the PRC increased from 391 as at 31 March 2011 to 451 as at 30 September 2011. The increase in turnover in the PRC was primarily due to the increase in sales to our franchised POS in the PRC as well as the increase in demand for luxury products in the PRC as a result of continued rising affluence of PRC consumers.

Turnover in Hong Kong, Macau and other Asian markets increased by HK$4,708.9 million, or 81.3%, from HK$5,794.2 million for 1HFY2011 to HK$10,503.1 million for 1HFY2012. Our Same Store Sales in these regions for 1HFY2012 grew by 78.5%. The increase in turnover in these regions was primarily due to the increase in PRC tourists visiting Hong Kong and Macau and a continuing strong demand for luxury products among the PRC tourists. The increase in demand for luxury products was largely driven by the increasing affluence of PRC consumers and the continued appreciation of RMB in 1HFY2012 which stimulated PRC tourist spending in Hong Kong.

Turnover by product types

We offer an extensive range of products under four major product categories, namely gem-set jewellery, platinum/karat gold products, gold products and watches. The following table sets forth turnover by product type and the percentage contribution of each product type to our total turnover for the periods indicated.

	Six months ended 30 September				
	2010	**% of total**	**2011**	**% of total**	**Growth**
	HK$million (unaudited)		***HK$million***		
Gem-set jewellery	3,526.4	26.5%	5,642.7	23.6%	60.0%
Platinum/karat gold products	2,125.3	16.0%	3,713.9	15.6%	74.7%
Gold products	6,517.5	48.9%	12,690.4	53.1%	94.7%
Watches	1,145.8	8.6%	1,827.5	7.7%	59.5%
Total	**13,315.0**	**100%**	**23,874.5**	**100%**	**79.3%**

Sales of gem-set jewellery increased by HK$2,116.3 million, or 60.0%, from HK$3,526.4 million for 1HFY2011 to HK$5,642.7 million for 1HFY2012. The increase in sales of gem-set jewellery was primarily due to both an increase in average selling price of our gem-set jewellery products and greater demand for higher value gem-set jewellery products, which was primarily attributable to our effective marketing strategies and efforts in launching and promoting our higher value gem-set jewellery products.

Sales of platinum/karat gold products increased by HK$1,588.6 million, or 74.7%, from HK$2,125.3 million for 1HFY2011 to HK$3,713.9 million for 1HFY2012 primarily due to (i) the increase in prices of gold and platinum and (ii) greater consumer demand as a result of our effective marketing strategies and the strengthening consumer purchasing power.

Sales of gold products increased by HK$6,172.9 million, or 94.7%, from HK$6,517.5 million for 1HFY2011 to HK$12,690.4 million for 1HFY2012. The increase was primarily due to (i) the increase in gold prices in 1HFY2012 as compared to 1HFY2011 and (ii) the increase in sales of gold products which was primarily attributable to the strengthening purchasing power and greater consumer demand in the PRC. The turnover growth for gold products increased at a greater rate than other products, primarily due to the increase in sales volume attributable to greater consumer demand.

Sales of watches increased by HK$681.7 million, or 59.5%, from HK$1,145.8 million for 1HFY2011 to HK$1,827.5 million for 1HFY2012. The increase was primarily due to (i) our strategic improvement of our watch brand mix with an increased focus on mid-to-high-end brands, which resulted in more sales of higher value watches; and (ii) increase in the recommended retail prices of our watch products.

Cost of goods sold

Our cost of goods sold increased by HK$7,119.8 million, or 74.1%, from HK$9,613.8 million for 1HFY2011 to HK$16,733.6 million for 1HFY2012. The increase was primarily attributable to the increase in the sales of inventories and is in line with the growth in our turnover over the period. In addition, cost of inventories recognised as expense represented 93.1% and 95.2% of our total cost of goods sold for 1HFY2011 and 1HFY2012, respectively, which reflected higher raw material costs such as those for gold and diamonds. However, such costs are passed-on to customers in terms of higher selling prices. As a percentage of turnover, cost of goods sold decreased from 72.2% in 1HFY2011 to 70.1% in 1HFY2012.

During 1HFY2012, the amount of cost of goods sold also reflected (i) the changes in fair value of gold loans of HK$343.4 million, which arose as a result of the increase in the value of gold loans during the same period, and (ii) the costs arising from the loss on bullion forward contracts of HK$151.7 million, which arose as a result of the increase in gold prices during the same period. These additional expenses incurred from our gold loans and bullion forward contracts as reflected in our cost of goods sold were however offset by the higher selling prices in gold products.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK$3,439.7 million, or 92.9%, from HK$3,701.2 million for 1HFY2011 to HK$7,140.9 million for 1HFY2012. The gross profit margin increased from 27.8% for 1HFY2011 to 29.9% for 1HFY2012, which was primarily due to (i) our adjustment of product mix which increased our sales of higher margin products and (ii) our effective marketing and pricing strategies.

Other income

Our other income increased by HK$35.3 million, or 39.4%, from HK$89.6 million for 1HFY2011 to HK$124.9 million for 1HFY2012. The increase was primarily attributable to the increase in the gain on sale of scrap materials of HK$24.3 million, an increase in franchise income of HK$17.3 million as we expanded the number of franchised POS in 1HFY2012 and an increase in government grants of HK$6.4 million.

Other (losses) gains

Our other gains increased by HK$68.2 million, or 625.7% from HK$10.9 million for 1HFY2011 to HK$79.1 million for 1HFY2012. Our increase in other gains was primarily due to net foreign exchange gain arising from the appreciation of the RMB against the USD and HKD during the period.

Selling and distribution costs

Our selling and distribution costs increased by HK$1,108.2 million, or 63.1%, from HK$1,756.2 million for 1HFY2011 to HK$2,864.4 million for 1HFY2012. The increase was primarily attributable to (i) the increase in salaries and commissions paid to the sales representatives as a result of increased sales, (ii) the increase in rental expenses and concessionaire fees incurred as a result of newly-opened POS, and (iii) the increase in advertising expenses for more promotional activities. However, our selling and distribution costs as a percentage of our total turnover decreased from 13.2% for 1HFY2011 to 12.0% for 1HFY2012 primarily due to economies of scale with respect to certain fixed expense items such as rental and depreciation.

Administrative expenses

Our administrative expenses increased by HK$277.0 million, or 64.0%, from HK$432.6 million for 1HFY2011 to HK$709.6 million for 1HFY2012. The increase was primarily attributable to (i) the increase in administrative staff costs and depreciation which was in line with our business expansion and (ii) the increase in bank charges relating to commitment fees for certain bank borrowings. However, our administrative expenses as a percentage of our total turnover decreased from 3.2% for 1HFY2011 to 3.0% for 1HFY2012 primarily due to economies of scale with respect to certain fixed items such as depreciation and other office-related expenses.

Other expenses

Our other expenses increased by HK$14.9 million, or 70.0%, from HK$21.3 million for 1HFY2011 to HK$36.2 million for 1HFY2012. The increase was primarily attributable to the professional expenses of HK$25.0 million incurred in connection with the Global Offering.

Finance costs

Our finance costs increased by HK$87.1 million, or 294.3%, from HK$29.6 million for 1HFY2011 to HK$116.7 million for 1HFY2012. The increase was primarily attributable to (i) the increase in bank borrowings and gold loans to finance additional inventories relating to the expansion of our POS and to support the increase in the sales of gold products and (ii) the general increase in interest rates in the PRC. For 1HFY2012, bank borrowings increased by HK$6,140.7 million and gold loans increased by HK$1,029.2 million. Our interest expense on bank borrowings and gold loans increased from HK$20.3 million for 1HFY2011 to HK$108.8 million for 1HFY2012, which was a result of the increase in our average bank borrowing balance and our average gold loan balance in 1HFY2012 as compared to 1HFY2011. Our finance costs to related companies decreased from HK$9.3 million for 1HFY2011 to HK$7.9 million for 1HFY2012 because of the decrease in the interest bearing portion of the amounts due to related companies.

Share of results of an associate

Our interest in an associate represents our 25% equity interest in the registered capital of an associate, which is established in the PRC and is engaged in the manufacturing and sale of jewellery products. We did not record any share of results of an associate for 1HFY2012 as the associate became inactive in FY2011 due to the expiry of the joint-venture arrangement with the joint-venture partner and the winding-down of its business. We expect that our investment cost in the associate will be returned to us.

Taxation

Our taxes increased by HK$458.3 million, or 135.3%, from HK$338.8 million for 1HFY2011 to HK$797.1 million for 1HFY2012. The increase was primarily attributable to the increase in taxable income as a result of the increase in profit during the period. Our effective tax rate was 21.7% for 1HFY2011 and 22.0% for 1HFY2012. The increase in our effective tax rate was primarily due to (i) the increase in tax rate of Shenzhen CTF from 22% in calendar year 2010 to 24% in 2011 and (ii) the higher level of profits subject to higher PRC income tax rate of 25% as a result of the increased expansion of our POS network in the PRC during 1HFY2012 as compared to 1HFY2011.

Profit for the period

As a result of the foregoing, our profit for the period increased by HK$1,597.7 million, or 130.6%, from HK$1,223.2 million for 1HFY2011 to HK$2,820.9 million for 1HFY2012. Our net profit margin increased from 9.2% for 1HFY2011 to 11.8% for 1HFY2012 primarily due to higher gross profit margin and efficiencies gained from lower selling and distribution costs and administrative expenses as a percentage of turnover.

Profit attributable to the owners of the Company

Profit for the period attributable to the owners of the Company increased by HK$1,516.0 million, or 129.0%, from HK$1,175.5 million for 1HFY2011 to HK$2,691.5 million for 1HFY2012.

FY2011 compared with FY2010

Turnover

Our turnover increased by HK$12,108.9 million, or 52.8%, from HK$22,933.6 million in FY2010 to HK$35,042.5 million in FY2011. The increase was primarily attributable to overall growth in the jewellery industry in the PRC, Hong Kong and Macau, especially from the growing wealth and consumption power of PRC consumers, greater PRC tourist flows into Hong Kong and Macau, and stronger consumer desire for prestigious and exclusive goods, which led to Same Store Sales Growth of 33.8% in FY2011. This was complemented by the net opening of 179 POS in FY2011 to reach a greater population of customers.

Turnover by channel

As at 31 March 2011, our retail network consists of 965 self-operated POS (including our wholly-owned POS and joint-venture POS), while our wholesale network consists of 393 franchised POS (almost all of which are in the PRC). The following table sets forth our turnover by distribution channel and the percentage contribution to our total turnover for the years indicated.

	Year ended 31 March				
	2010	% of total	2011	% of total	Growth
	HK$ million		*HK$ million*		
Retail	19,523.2	85.1%	30,033.1	85.7%	53.8%
Wholesale(1)	3,410.4	14.9%	5,009.4	14.3%	46.9%
Total	**22,933.6**	**100%**	**35,042.5**	**100%**	**52.8%**

Note:

(1) Turnover from our wholesale channel refers to sales revenue derived from products sold to our franchisees.

Turnover from our retail channel increased by HK$10,509.9 million, or 53.8%, from HK$19,523.2 million in FY2010 to HK$30,033.1 million in FY2011. The increase was primarily due to a net opening of 89 self-operated POS and higher demand for luxury products in the PRC and Hong Kong, more PRC tourists visiting Hong Kong and Macau and the appreciation of RMB which stimulated PRC tourist spending in Hong Kong.

Turnover from our wholesale channel increased by HK$1,599.0 million, or 46.9%, from HK$3,410.4 million in FY2010 to HK$5,009.4 million in FY2011. The increase was primarily due to a net addition of 90 franchised POS in FY2011 and the maturing from the development stage of the 42 franchised POS opened in FY2010, as well as higher demand for luxury products in the PRC.

Turnover by geography

We break down our turnover into two geographical segments: (i) the PRC and (ii) Hong Kong, Macau and other Asian markets. The following table sets forth turnover by these two geographical segments and the percentage contribution of each segment to our total turnover for the years indicated.

	Year ended 31 March				
	2010	**% of total**	**2011**	**% of total**	**Growth**
	HK$ million		***HK$ million***		
PRC	12,629.0	55.1%	19,471.8	55.6%	54.2%
Hong Kong, Macau and other Asian markets[(1)]	10,304.6	44.9%	15,570.7	44.4%	51.1%
Total	**22,933.6**	**100%**	**35,042.5**	**100%**	**52.8%**

Note:

(1) For Hong Kong, Macau and other Asian markets, approximately 36.4% and 41.6% of our retail turnover were settled through China UnionPay for FY2010 and FY2011, respectively, and approximately 2.2% and 2.0% of our retail turnover were settled in RMB (cash) for FY2010 and FY2011, respectively.

Turnover in the PRC increased by HK$6,842.8 million, or 54.2%, from HK$12,629.0 million in FY2010 to HK$19,471.8 million in FY2011. Same Store Sales in the PRC grew by 35.2% and the number of self-operated POS in the PRC increased from 792 as at 31 March 2010 to 883 as at 31 March 2011. The increase in turnover was primarily due to increase in sales from our self-operated POS in the PRC as well as our wholesale business, the strengthening purchasing power of PRC consumers and the continued strong demand for gold and jewellery products.

Turnover in Hong Kong, Macau and other Asian markets increased by HK$5,266.1 million, or 51.1%, from HK$10,304.6 million in FY2010 to HK$15,570.7 million in FY2011. Same Store Sales in these regions grew by 32.4%. The increase in turnover in these regions was primarily due to the strong economic growth in Hong Kong and Macau coupled with a continuing increase in PRC tourist traffic. Due to a continuing strong demand for luxury goods among the PRC consumers and the overall lower consumer tax environment in Hong Kong and Macau, our tourist sales increased significantly during the year.

Turnover by product types

The following table sets forth turnover by product type and the percentage contribution of each product type to our total turnover for the years indicated.

	Year ended 31 March				
	2010	% of total	2011	% of total	Growth
	HK$ million		*HK$ million*		
Gem-set jewellery	6,625.7	28.9%	8,962.9	25.6%	35.3%
Platinum/karat gold products	3,574.5	15.6%	4,869.4	13.9%	36.2%
Gold products	11,124.7	48.5%	18,724.7	53.4%	68.3%
Watches	1,608.7	7.0%	2,485.5	7.1%	54.5%
Total	**22,933.6**	**100%**	**35,042.5**	**100%**	**52.8%**

Sales of gem-set jewellery increased by HK$2,337.2 million, or 35.3%, from HK$6,625.7 million in FY2010 to HK$8,962.9 million in FY2011, while sales of platinum/karat gold products increased by HK$1,294.9 million, or 36.2%, from HK$3,574.5 million in FY2010 to HK$4,869.4 million in FY2011. The increase in gem-set jewellery and platinum/karat gold products sales were primarily due to an increase in average selling price of our gem-set jewellery products and greater demand for higher value gem-set jewellery products, which was primarily due to our effort to promote higher value gem-set jewellery.

Sales of gold products increased by HK$7,600.0 million, or 68.3%, from HK$11,124.7 million in FY2010 to HK$18,724.7 million in FY2011. The increase was primarily due to (i) the increase in gold price in FY2011 as compared to FY2010 and (ii) greater sales in the PRC and increased PRC tourist sales in Hong Kong and Macau as a result of our effective marketing strategies as well as the strong economic growth and increased purchasing power of consumers in the PRC.

Sales of watches increased by HK$876.8 million, or 54.5%, from HK$1,608.7 million in FY2010 to HK$2,485.5 million in FY2011. The increase was primarily due to greater sales in the PRC, increased PRC tourist sales in Hong Kong and Macau and an increase in recommended retail price of our watch products.

Cost of goods sold

Our cost of goods sold increased by HK$8,736.3 million, or 53.3%, from HK$16,378.6 million in FY2010 to HK$25,114.9 million in FY2011. The increase was primarily attributable to the increase in sales of our inventories, and is in line with the increase in turnover during the year. In addition, cost of inventories recognised as expense remained stable at 96.7% and 95.7% of our total cost of goods sold in FY2010 and FY2011, respectively. However, such costs were passed-on to customers in terms of higher selling prices. Accordingly, as a percentage of turnover, cost of goods sold increased only slightly from 71.4% in FY2010 to 71.7% in FY2011.

During FY2011, the amount of cost of goods sold also reflected (i) the changes in fair value of gold loans of HK$725.7 million, which arose as a result of the increase in the value of gold loans during the year and (ii) the costs arising from the loss on bullion forward contracts of HK$224.6 million, which also arose as a result of the increase in value of gold during the year. These items reflect our efforts in hedging the risk of price changes in gold. These additional expenses incurred from our gold loans and bullion forward contracts as reflected in our cost of goods sold were however offset by the higher selling prices in gold related products.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK$3,372.6 million, or 51.5%, from HK$6,555.0 million in FY2010 to HK$9,927.6 million in FY2011. The gross profit margin remained relatively stable at 28.6% in FY2010 and at 28.3% in FY2011.

Other income

Our other income increased by HK$18.5 million, or 10.5%, from HK$176.1 million in FY2010 to HK$194.6 million in FY2011. The increase was primarily attributable to the HK$13.4 million increase in franchise income as we expanded the number of franchised POS by 90 during FY2011, and discount on acquisition of a subsidiary of HK$17.2 million. Such increase was partially offset by decreased interest income, government grants and gain on scrap sales.

Other (losses) gains

We recorded other losses of HK$1.1 million in FY2010, whereas we recorded other gains of HK$39.9 million in FY2011. Our increase in other gains during this year was primarily due to net foreign exchange gain arising from the appreciation of the RMB against the USD and HKD during FY2011.

Selling and distribution costs

Our selling and distribution costs increased by HK$1,204.0 million, or 37.6%, from HK$3,197.9 million in FY2010 to HK$4,401.9 million in FY2011. The increase was primarily attributable to (i) the increase in rental expenses and concessionaire fees incurred as a result of newly-opened POS, (ii) the increase in salaries and commissions paid to the sales representatives as a result of increased sales, (iii) the increase in the number of our sales representatives due to the expansion of our POS network, (iv) the increase in advertising expenses from greater promotional activities and (v) the increase in depreciation costs. However, our selling and distribution costs as a percentage of our total turnover decreased from 13.9% in FY2010 to 12.6% in FY2011 primarily due to economies of scale with respect to certain fixed expense items such as rental and depreciation, as well as lower advertising costs as a percentage of turnover.

Administrative expenses

Our administrative expenses increased by HK$268.3 million, or 41.7%, from HK$643.1 million in FY2010 to HK$911.4 million in FY2011. The increase was primarily attributable to the increase in administrative staff costs, the depreciation of our property, plant and equipment and repairs and maintenance expenses as a result of our business expansion. However, our administrative expenses as a percentage of our total turnover decreased from 2.8% in FY2010 to 2.6% in FY2011 primarily due to decreased staff costs as a percentage of turnover.

Other expenses

Our other expenses increased by HK$5.2 million, or 4.4%, from HK$116.9 million in FY 2010 to HK$122.1 million in FY2011. The increase was primarily attributable to the increase in donation to charities.

Finance costs

Our finance costs increased by HK$40.2 million, or 64.8%, from HK$62.0 million in FY2010 to HK$102.2 million in FY2011. The increase was primarily attributable to the increase in bank borrowings and gold loans to finance additional inventories relating to the expansion of our POS and to support the increase in the sales of gold products. In FY2011, bank borrowings increased by

HK$2,720.7 million and gold loans increased by HK$1,742.4 million. Our interest expense on bank borrowings and gold loans increased from HK$40.3 million for FY2010 to HK$83.6 million for FY2011, which was a result of the increase in our average bank borrowing balance and gold loan balance in FY2011 as compared to FY2010. Amounts due to related companies increased by HK$3,193.5 million during the year, however, our finance costs to related companies decreased from HK$21.7 million in FY2010 to HK$18.6 million in FY2011 because of the decrease in interest bearing portion of the amounts due to related companies.

Share of results of an associate

Our interest in an associate represents our 25% equity interest in the registered capital of the associate, which is established in the PRC and is engaged in the manufacturing and sale of jewellery products. Our share of results of an associate decreased by HK$13.2 million from a gain of HK$8.5 million in FY2010 to a loss of HK$4.7 million in FY2011. The associate recorded a profit of HK$33.8 million in FY2010 as compared to a loss of HK$18.9 million in FY2011 as the associate became inactive in FY2011 due to the expiry of our joint-venture arrangement with them and the winding-down of its business. We expect that our investment cost in the associate will be returned to us.

Taxation

Our taxes increased by HK$435.5 million, or 85.1%, from HK$511.8 million in FY2010 to HK$947.3 million in FY2011. The increase was primarily attributable to the increase in taxable income as a result of (i) the increase in profit during the year and (ii) the expiration of certain tax exemptions enjoyed by certain of our subsidiaries in the PRC. Our effective tax rate was 18.8% in FY2010 and 20.5% in FY2011. The increase in our effective tax rate from FY2010 to FY2011 was primarily due to the expiration of tax holidays with respect to our PRC subsidiaries including (i) Chow Tai Fook Jewellery Company (Shenzhen) Limited, whose tax rate increased from 22% in calendar year 2010 to 24% in 2011 and (ii) Chongqing Chow Tai Fook Watch Marketing Limited, Chongqing Fuhang Jewellery Limited, Chongqing Fuxi Jewellery Company Limited and Chongqing Kaifu Jewellery Company Limited, whose tax rates all increased from 15% in calendar year 2010 to 25% in 2011. The increase in effective tax rates was also attributable to an increase in non-deductible expenses relating to changes in fair value of gold loans.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$1,465.7 million, or 66.4%, from HK$2,206.8 million in FY2010 to HK$3,672.5 million in FY2011. Our net profit margin increased from 9.6% in FY2010 to 10.5% in FY2011 primarily due to efficiencies gained from lower selling and distribution costs and administrative expenses as a percentage of turnover.

Profit attributable to the owners of the Company

Profit for the year attributable to the owners of the Company increased by HK$1,399.0 million, or 65.4%, from HK$2,138.6 million in FY2010 to HK$3,537.6 million in FY2011.

FY2010 compared with FY2009

Turnover

Our turnover increased by HK$4,522.7 million, or 24.6%, from HK$18,410.9 million in FY2009 to HK$22,933.6 million in FY2010. The increase was primarily attributable to the expansion of our retail network as well as a rebound in consumer spending during the third quarter of FY2010 from the global economic downturn starting in the fourth quarter of 2008. The increase in turnover was also attributable to overall growth in the jewellery industry from the growing wealth and consumption power of PRC consumers, improved tourist flows into Hong Kong and Macau, which led to Same Store Sales Growth of 15.6% in FY2010.

Turnover by channel

We distribute our products through our retail and wholesale POS network. As at 31 March 2010, our retail network consisted of 876 self-operated POS (including our wholly-owned POS and joint-venture POS), while our wholesale network consisted of 303 franchised POS (almost all of which were in the PRC). The following table sets forth our turnover by distribution channel and the percentage contribution to our total turnover for the years indicated.

	Year ended 31 March				
	2009	% of total	2010	% of total	Growth
	HK$ million		*HK$ million*		
Retail	14,926.1	81.1%	19,523.2	85.1%	30.8%
Wholesale[(1)]	3,484.8	18.9%	3,410.4	14.9%	(2.1)%
Total	**18,410.9**	**100%**	**22,933.6**	**100%**	**24.6%**

Note:

(1) Turnover from our wholesale channel refers to sales revenue derived from products sold to our franchisees.

Turnover from our retail channel increased by HK$4,597.1 million, or 30.8%, from HK$14,926.1 million in FY2009 to HK$19,523.2 million in FY2010. The increase was primarily due to a net opening of 172 self-operated POS during FY2010 partly offset by a slowdown in sales during the first half of the year as a result of the global financial crisis. Sales started to rebound during the third quarter of FY2010 with increased PRC tourists visiting Hong Kong and Macau. The appreciation of the RMB against the HKD also further stimulated PRC tourist spending in Hong Kong and Macau.

Turnover from our wholesale channel decreased by HK$74.4 million, or 2.1%, from HK$3,484.8 million in FY2009 to HK$3,410.4 million in FY2010. Due to the economic downturn resulting from the global financial crisis, our expansion of franchised POS was slowed down to a net opening of 42 franchised POS for FY2010 as compared to a net opening of 51 franchised POS for FY2009, which generally led to a decrease in turnover from the wholesale channel. In addition, during the third and fourth quarter of FY2010 while the economy was gradually recovering, our wholesale to franchised POS increased at a slower pace than the increase in the retail sales from our self-operated POS because the franchised POS generally had to sell off their existing inventories for cash flow purposes before they could purchase additional inventories from us, which resulted in a timelag between the recovery of the economy and the purchase of inventories from us by such franchised POS, as compared to our self-operated POS.

Turnover by geography

We break down our turnover into two geographical segments: (i) the PRC and (ii) Hong Kong, Macau and other Asian markets. The following table sets forth turnover by these two geographical segments and the percentage contribution of each segment to our total turnover for the years indicated.

	Year ended 31 March				
	2009	% of total	2010	% of total	Growth
	HK$ million		*HK$ million*		
PRC	10,005.2	54.3%	12,629.0	55.1%	26.2%
Hong Kong, Macau and other Asian markets[(1)]	8,405.7	45.7%	10,304.6	44.9%	22.6%
Total	**18,410.9**	**100%**	**22,933.6**	**100%**	**24.6%**

Note:

(1) For Hong Kong, Macau and other Asian markets, approximately 28.2% and 36.4% of our retail turnover were settled through China UnionPay for FY2009 and FY2010, respectively, and approximately 3.2% and 2.2% of our retail turnover were settled in RMB (cash) for FY2009 and FY2010, respectively.

Turnover in the PRC increased by HK$2,623.8 million, or 26.2%, from HK$10,005.2 million in FY2009 to HK$12,629.0 million in FY2010. Same Store Sales in the PRC grew by 15.2% and the number of self-operated POS in the PRC increased from 634 as at 31 March 2009 to 792 as at 31 March 2010. The increase in turnover was primarily due to the increase in sales from our self-operated POS in the PRC as a result of the net POS openings and a rebound in the demand for our products from the economic downturn starting in the third quarter of FY2010.

Turnover in Hong Kong, Macau and other Asian markets increased by HK$1,898.9 million, or 22.6% from HK$8,405.7 million in FY2009 to HK$10,304.6 million in FY2010. Same Store Sales in these regions grew by 16.0% and we had a net opening of 15 POS during the year. The increase in turnover was primarily due to the net POS openings coupled with a rebound in the demand for our products from the economic downturn starting in the third quarter of FY2010.

Turnover by product types

The following table sets forth turnover by product types and the percentage contribution of each product type to our total turnover for the years indicated.

	Year ended 31 March				
	2009	% of total	2010	% of total	Growth
	HK$ million		*HK$ million*		
Gem-set jewellery	5,488.5	29.8%	6,625.7	28.9%	20.7%
Platinum/karat gold products	2,688.3	14.6%	3,574.5	15.6%	33.0%
Gold products	9,077.9	49.3%	11,124.7	48.5%	22.5%
Watches	1,156.2	6.3%	1,608.7	7.0%	39.1%
Total	**18,410.9**	**100%**	**22,933.6**	**100%**	**24.6%**

Sales of gem-set jewellery increased by HK$1,137.2 million, or 20.7%, from HK$5,488.5 million in FY2009 to HK$6,625.7 million in FY2010. The increase was primarily due to the increase in POS compared to FY2009, greater sales in the PRC and increased PRC tourist sales in Hong Kong and Macau, coupled with an increase in prices of diamonds and gemstones.

Sales of platinum/karat gold products increased by HK$886.2 million, or 33.0%, from HK$2,688.3 million in FY2009 to HK$3,574.5 million in FY2010. The increase was primarily due to the increase in POS compared to FY2009, greater sales in the PRC and increased PRC tourist sales in Hong Kong and Macau, as well as an increase in prices of gold and platinum. Platinum/karat gold product sales increased at a greater rate than gold products and gem-set jewellery reflecting (i) an increase in promotional activities including the launch of a greater variety of platinum/karat gold products and (ii) greater demand for platinum/karat gold products, which have a lower average selling price, due to the economic downturn.

Sales of gold products increased by HK$2,046.8 million, or 22.5%, from HK$9,077.9 million in FY2009 to HK$11,124.7 million in FY2010. The increase was primarily due to (i) increased PRC tourist sales in Hong Kong and Macau as a result of our effective marketing strategies and (ii) the increase in gold prices in FY2010 as compared to FY2009.

Sales of watches increased by HK$452.5 million, or 39.1%, from HK$1,156.2 million in FY2009 to HK$1,608.7 million in FY2010. The increase was primarily due to greater sales in the PRC and increased PRC tourist sales in Hong Kong and Macau, and due to higher selling prices. Watch sales increased at a greater rate than other products due to the increase in selling price as a result of passing-on higher purchase costs to customers.

Cost of goods sold

Our cost of goods sold increased by HK$3,293.7 million, or 25.2%, from HK$13,084.9 million in FY2009 to HK$16,378.6 million in FY2010. The increase was primarily attributable to the increase in sales of our inventories, which was in-line with the increase in turnover. Additionally, cost of inventories recognised as expense represented 99.4% and 96.7% of our total cost of goods sold in FY2009 and FY2010, respectively. However, such costs are ultimately passed-on to customers through higher selling prices. Accordingly, as a percentage of turnover, cost of goods sold increased only slightly from 71.1% in FY2009 to 71.4% in FY2010.

In FY2010, the increase in cost of goods sold also reflected the fair value change of gold loans of HK$483.8 million, which arose as a result of the increase in the value of gold loans during the same year. These additional expenses incurred from our gold loans as reflected in our cost of sales were however offset by higher selling prices in gold products.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK$1,229.0 million, or 23.1%, from HK$5,326.0 million in FY2009 to HK$6,555.0 million in FY2010. The gross profit margin remained relatively stable at 28.9% in FY2009 and at 28.6% in FY2010.

Other income

Our other income increased by HK$15.2 million, or 9.4%, from HK$160.9 million in FY2009 to HK$176.1 million in FY2010. The increase in other income was primarily attributable to an increase in government grants of HK$13.0 million and gain on sale of scrap materials of HK$13.6 million during the year. Such increase was offset by the decrease of HK$11.6 million in interest income.

Other (losses) gains

Our other losses increased by HK$0.7 million, or 175%, from HK$0.4 million in FY2009 to HK$1.1 million in FY2010. The other losses of HK$0.4 million in FY2009 mainly reflected a net foreign exchange gain of HK$16.4 million due to the appreciation of RMB against the USD and HKD, which was offset by a HK$16.5 million loss on disposal on property, plant and equipment. The other losses of HK$1.1 million in FY2010 mainly reflected a net foreign exchange gain of HK$1.3 million in FY2010 due to the appreciation of the RMB against the USD and HKD, which was offset by a HK$2.3 million loss on disposal on property, plant and equipment.

Selling and distribution costs

Our selling and distribution costs increased by HK$763.2 million, or 31.3%, from HK$2,434.7 million in FY2009 to HK$3,197.9 million in FY2010. The increase was primarily attributable to (i) the increase in rental expenses and concessionaire fees incurred as a result of newly-opened POS, (ii) the increase in salaries and commissions paid to the sales representatives as a result of the increase in sales, (iii) the increase in the number of our sales representatives due to the expansion of our POS network and (iv) the increase in advertising and promotion costs as we expanded our business. We strategically increased our advertising and promotional activities in FY2010 after the global economic crisis. Our selling and distribution costs as a percentage of our total turnover increased from 13.2% in FY2009 to 13.9% in FY2010, primarily due to the increase in rental rates during the year as well as increased advertising costs as a percentage of turnover.

Administrative expenses

Our administrative expenses increased by HK$134.3 million, or 26.4%, from HK$508.8 million in FY2009 to HK$643.1 million in FY2010. The increase was primarily attributable to the increase in administrative staff costs and depreciation as we employed more staff and acquired more offices to complement our business expansion. Our administrative expenses as a percentage of our total turnover remained stable at 2.8% in FY2009 and FY2010.

Other expenses

Our other expenses decreased by HK$46.8 million, or 28.6%, from HK$163.7 million in FY2009 to HK$116.9 million in FY2010. The decrease was attributable to the decrease in donation to charities.

Finance costs

Our finance costs decreased by HK$95.1 million, or 60.5%, from HK$157.1 million in FY2009 to HK$62.0 million in FY2010. The decrease in our finance costs was primarily attributable to the decrease in interest expense from HK$100.6 million for FY2009 to HK$7.2 million for FY2010, which was a result of the decrease in our average bank borrowing balance in FY2010 as compared to FY2009.

Share of results of an associate

Our interest in an associate represents our 25% equity interest in the registered capital of the associate, which is established in the PRC and is engaged in the manufacturing and sale of jewellery products. Our share of results of an associate increased by HK$7.2 million, from HK$1.3 million in FY2009 to HK$8.5 million in FY2010. The increase was primarily attributable to the increase in the associate's profit during the year.

Taxation

Our taxes increased by HK$202.7 million, or 65.6%, from HK$309.1 million in FY2009 to HK$511.8 million in FY2010. The increase was primarily attributable to the increase in taxable income as a result of our increase in profit during the year. Our effective tax rate was 13.9% in FY2009 and 18.8% in FY2010. The change in our effective tax rate was primarily due to expiration of certain tax exemptions of our principal PRC subsidiary Shenzhen CTF. Shenzhen CTF's tax rate increased from 20% in calendar year 2009 to 22% in 2010. The increase in effective tax rates was also attributable to an increase in non-deductible expenses relating to fair value changes of gold loans.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$292.4 million, or 15.3%, from HK$1,914.4 million in FY2009 to HK$2,206.8 million in FY2010. Our net profit margin was 10.4% in FY2009 and 9.6% in FY2010.

Profit attributable to the owners of the Company

Profit for the year attributable to the owners of the Company increased by HK$241.9 million, or 12.8%, from HK$1,896.7 million in FY2009 to HK$2,138.6 million in FY2010.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital and other liquidity requirements principally through a combination of cash flow from operations, bank borrowings, gold loans and advances from related parties.

Our principal uses of cash have been, and are expected to continue to be, operational costs and capital investments for opening of new POS for the continued expansion of our POS network.

Cash flows

The following table sets forth a summary of our cash flows for the years and periods indicated.

Selected Consolidated Statements of Cash Flows

	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 cash flows before movements in working capital	2,505.6	3,394.1	5,630.7	2,081.9	4,070.3
Change in working capital usage	(1,036.7)	(1,771.1)	(7,513.4)	(5,784.7)	(10,685.1)
Income tax paid	(365.5)	(399.0)	(729.6)	(216.8)	(403.9)
Net cash from (used in) operating activities	1,103.4	1,224.0	(2,612.3)	(3,919.6)	(7,018.7)
Net cash (used in) from investing activities	(2,851.1)	308.2	(75.9)	(229.7)	812.0
Net cash from (used in) financing activities	1,217.4	(716.1)	6,107.3	4,412.9	3,753.0
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 financial 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 financial year/period, representing bank balances and cash	1,289.9	2,106.7	5,604.8	2,390.3	3,205.4

Cash flow from/used in operating activities

For 1HFY2012, net cash used in operating activities was HK$7,018.7 million. Net cash used in operating activities was a result of operating cash flows before working capital changes in the amount of HK$4,070.3 million, an increase in working capital usage of HK$10,685.1 million and income tax paid in the amount of HK$403.9 million. The change in working capital primarily reflected (i) an increase in inventories of HK$11,365.6 million, (ii) an increase in trade and other receivables of HK$165.8 million and (iii) an increase in trade and other payables of HK$849.9 million. The increase in inventories was primarily due to (i) the preparation for the peak season including the Chinese New Year holiday of 2012 which is on an earlier date than that of 2011 and (ii) our expansion of POS during this period. The increase in our trade and other receivables was primarily due to the increase in the amount of sales generated from our Concessionaire Counters. The increase in trade and other payables was primarily due to the increase in trade payable resulting from the increased purchase and consideration payable attributable to the acquisition of Lun Jiao, and the increase in staff costs accruals attributable to the additional staff hired to complement our business expansion.

For 1HFY2011, net cash used in operating activities was HK$3,919.6 million. Net cash used in operating activities was a result of operating cash flows before working capital changes in the amount of HK$2,081.9 million, an increase in working capital usage of HK$5,784.7 million and income tax paid in the amount of HK$216.8 million. The change in working capital primarily reflected (i) an increase in inventories of HK$5,742.0 million, (ii) an increase in trade and other receivables of HK$213.1 million and (iii) an increase in trade and other payables of HK$172.2 million. The increase in inventories was primarily due to the anticipation of the increase in sales and our expansion of POS network. The increase in our trade and other receivables was primarily due to the increase in the amount of sales generated from our Concessionaire Counters. The increase in trade and other payables was primarily due to the increase in the amount of deposits received from franchisees for more stock in anticipation of higher sales during the peak season.

For FY2011, net cash used in operating activities was HK$2,612.3 million. Net cash used in operating activities was a result of operating cash flows before working capital changes in the amount of HK$5,630.7 million, an increase in working capital usage of HK$7,513.4 million and income tax paid in the amount of HK$729.6 million. The change in working capital primarily reflected (i) an increase of inventories of HK$7,507.8 million, (ii) an increase in trade and other receivables of HK$675.3 million and (iii) an increase in trade and other payables of HK$676.6 million. The increase in inventories was primarily due to the increase in merchandise procurement in anticipation of the increase in sales, our expansion of POS during the year and the increase in jewellery inventories to offer our customers a greater variety of products. The increase in our trade and other receivables was primarily due to the increase in the amount of sales generated from Concessionaire Counters. The increase in trade and other payables was primarily due to the increase in the amount of deposits received from franchisees for stock not yet delivered as at 31 March 2011.

For FY2010, net cash generated from operating activities was HK$1,224.0 million. Net cash generated from operating activities was a result of operating cash flows before working capital changes in the amount of HK$3,394.1 million, an increase in working capital usage of HK$1,771.1 million and income tax paid in the amount of HK$399.0 million. The change in working capital primarily reflected (i) an increase of inventories of HK$1,185.5 million, (ii) an increase in trade and other receivables of HK$1,068.9 million and (iii) an increase in trade and other payables of HK$490.2 million. The increase in inventories was primarily due to the increase in merchandise procurement in anticipation of the increase in sales and our expansion of POS during the year. The increase in our trade and other receivables was primarily due to the increase in the amount of sales generated from our existing and new Concessionaire Counters and the increase in the amount of prepayment to suppliers. The increase in trade and other payables was primarily due to more deposits received from franchisees near the end of the financial year in anticipation of increased demand in upcoming months.

For FY2009, net cash generated from operating activities was HK$1,103.4 million. Net cash generated from operating activities was a result of operating cash flows before working capital changes in the amount of HK$2,505.6 million, an increase in working capital usage of HK$1,036.7 million and income tax paid in the amount of HK$365.5 million. The change in working capital primarily reflected (i) an increase in inventories of HK$821.5 million, (ii) a decrease in trade and other receivables of HK$177.0 million and (iii) a decrease in trade and other payables of HK$385.4 million. The increase in inventories was primarily due to a reduction in trading activities in the first quarter of 2009 due to the onset of the global financial crisis. The decrease in our trade and other receivables was primarily due to a reduction in Concessionaire Counter sales as a result of the economic downturn in the PRC, mostly offset by extended settlement terms granted to certain department stores. The decrease in trade and other payables were primarily due to a decrease in the purchase of inventories as a result of the reduction in trading activity in the first quarter of 2009 due to the onset of the global financial crisis, and decrease in inventory deposits received from franchisees.

Cash flow from/used in investing activities

For the 1HFY2012, our net cash generated from investing activities was HK$812.0 million. Our cash generated from investing activities primarily consisted of: (i) HK$1,190.3 million of net repayment from related companies, (ii) net cash inflow from acquisition of subsidiaries of HK$43.5 million and (iii) the amount of interest received of HK$37.6 million. These amounts were partly offset by (i) the payment for the purchase and deposits paid for acquisitions of property, plant and equipment of HK$410.2 million, (ii) the increase in pledged bank deposits of HK$28.9 million and (iii) the investment in convertible bonds of HK$24.8 million.

For 1HFY2011, our net cash used in investing activities was HK$229.7 million. Our cash used in investing activities primarily consisted of: (i) the payment for the purchase and deposits paid for acquisitions of property, plant and equipment of HK$504.9 million and (ii) HK$25.8 million in deposits paid for the acquisition of land use rights. These amounts were partly offset by (i) net repayment from related parties of HK$170.0 million, (ii) the decrease in pledged bank deposits of HK$82.6 million and (iii) interest received of HK$34.5 million.

For FY2011, our net cash used in investing activities was HK$75.9 million. Our cash used in investing activities primarily consisted of (i) the payment for the purchase and deposits paid for acquisitions of property, plant, and equipment in the amount of HK$768.9 million, which mainly related to the addition of land and buildings in Shenzhen, and furniture, fixtures and equipment as well as leasehold improvements for new and refurnished POS and (ii) HK$55.0 million in deposits paid for the acquisition of land use rights. These amounts were mostly offset by (i) net repayments from related companies of HK$584.0 million, (ii) decrease in pledged bank deposits of HK$68.3 million relating to release of certain facility line and (iii) interest received of HK$70.3 million.

For FY2010, our net cash from investing activities was HK$308.2 million. Our cash from investing activities primarily consisted of (i) the net repayment from related companies of HK$302.4 million, (ii) the decrease in pledged bank deposits of HK$241.8 million as a result of lower utilisation of certain gold loan facilities, and (iii) the amount of interest received of HK$77.0 million. These amounts were partly offset by (i) the payment for the purchase and deposits paid for acquisitions of property, plant, and equipment in the amount of HK$272.2 million, which related to the addition of furniture, fixtures and equipment and leasehold improvements for new and refurnished POS and (ii) the HK$47.7 million deposits paid for acquisition of land use rights.

For FY2009, our net cash used in investing activities was HK$2,851.1 million. Our cash used in investing activities primarily consisted of (i) net advances made to related companies of HK$2,072.4 million, (ii) the increase in pledged bank deposits of HK$390.1 million as a result of an increase in gold loans raised and (iii) the purchase and deposits paid for the acquisition of property, plant, and equipment in the amount of HK$484.8 million, which related to the addition of land and buildings, furniture, fixtures and equipment and leasehold improvements for new and refurnished POS. These amounts were partly offset by the amount of interest received of HK$88.6 million.

Cash flow from/used in financing activities

For 1HFY2012, our net cash generated from financing activities was HK$3,753.0 million. Our cash inflow from financing activities primarily consisted of (i) net bank borrowings of HK$6,084.2 million and (ii) net gold loan raised of HK$640.9 million. Such amounts were partly offset by (i) net repayment to related companies of HK$2,923.7 million, (ii) dividend paid of HK$31.4 million and (iii) interest paid of HK$116.7 million.

For 1HFY2011, our net cash generated from financing activities was HK$4,412.9 million. Our cash inflow from financing activities primarily consisted of (i) net advances from related companies of HK$2,439.7 million, (ii) net bank borrowings of HK$1,094.6 million and (iii) net gold loan raised of HK$864.6 million. Such amounts were slightly offset by (i) interest paid of HK$29.6 million and (ii) dividend paid of HK$9.3 million.

For FY2011, our net cash generated from financing activities was HK$6,107.3 million. Our cash inflow from financing activities primarily consisted of (i) net bank borrowings of HK$2,677.4 million, (ii) net advances from related companies of HK$2,461.5 million and (iii) net gold loans raised of HK$984.1 million.

For FY2010, our net cash used in financing activities was HK$716.1 million. Our cash outflow from financing activities primarily consisted of (i) net repayment of gold loans of HK$355.4 million, (ii) net repayment to related companies of HK$414.2 million and (iii) interest paid of HK$62.0 million. Such amounts were partly offset by (i) advances from non-controlling shareholders of our subsidiaries of HK$56.2 million and (ii) net bank borrowings of HK$46.7 million.

For FY2009, our net cash generated from financing activities was HK$1,217.4 million. Our cash outflow from financing activities primarily consisted of (i) net repayment of bank borrowings of HK$3,400.7 million and (ii) interest paid of HK$157.1 million. Such amounts were partly offset by (i) net advances from related companies of HK$4,416.4 million and (ii) net gold loans raised of HK$323.0 million.

Net current assets

The following table sets forth our current assets, current liabilities, and net current assets as at the dates indicated.

	As at 31 March			As at 30 September
	2009	2010	2011	2011
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Current assets				
Inventories	8,094.2	9,274.8	17,100.8	28,877.8
Trade and other receivables	1,365.9	2,435.8	3,227.7	3,505.5
Amounts due from related companies	2,134.7	1,782.3	1,278.3	88.0
Loan receivables	136.0	136.1	135.3	133.7
Convertible bonds	—	—	—	24.8
Derivative financial instruments	—	—	—	164.7
Taxation recoverable	15.9	—	—	—
Pledged bank deposits	467.7	225.9	156.3	186.9
Bank balances and cash	1,289.9	2,106.7	5,604.8	3,205.4
	13,504.3	15,961.6	27,503.2	36,186.8
Current liabilities				
Trade and other payables	815.7	1,306.7	2,049.6	3,138.4
Amounts due to related companies	4,726.8	4,639.8	7,833.3	8,458.6
Amounts due to non-controlling shareholders of subsidiaries	27.9	84.1	164.7	238.6
Taxation payable	39.0	130.8	353.0	756.9
Bank borrowings	113.6	160.3	2,881.0	9,021.7
Gold loans	2,060.8	2,189.2	3,931.6	4,960.8
	7,783.8	8,510.9	17,213.2	26,575.0
Net current assets	5,720.5	7,450.7	10,290.0	9,611.8

The increase in net current assets during the FY2009, FY2010 and FY2011 primarily reflected an increase in inventories as a result of the increase in inventory procurement in anticipation of the increase in sales and to support the expansion of our POS as well as to increase product variety for our customers. The decrease of net current assets during 1HFY2012 was primarily due to the distribution of the Pre-IPO Dividend of HK$3,300.0 million.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available banking facilities, and gold loan facilities and cash flows from our operations.

INVENTORIES

Our inventory is primarily comprised of components for jewellery, jewellery finished-products and watches. The following table sets forth a breakdown of our inventories by categories as at the dates indicated:

	As at 31 March			As at 30 September
	2009	2010	2011	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
	2,044.3	2,179.7	4,949.9	11,099.2
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
	6,048.1	7,085.8	12,138.9	17,766.2
Packing materials	1.8	9.3	12.0	12.4
	8,094.2	9,274.8	17,100.8	28,877.8

As at 31 March 2009, 2010 and 2011 and 30 September 2011, inventories amounted to HK$8,094.2 million, HK$9,274.8 million, HK$17,100.8 million and HK$28,877.8 million, respectively, representing 59.9%, 58.1%, 62.2% and 79.8% of our Company's total current assets, respectively. Our inventories increased from HK$8,094.2 million as at 31 March 2009 to HK$17,100.8 million as at 31 March 2011 and further increased by HK$11,777.0 million, or 68.9%, to HK$28,877.8 million as at 30 September 2011, primarily due to our expansion of POS network and the need to supply the new and existing POS with sufficient inventories in light of the increasing demand for our products. In particular, inventories of gem-set jewellery increased significantly from HK$4,792.3 million as at 31 March 2010 to HK$9,299.6 million as at 31 March 2011 and further increased to HK$16,380.9 million as at 30 September 2011 as we strategically invested in more gem-set jewellery so as to provide customers with a larger variety of products. Gold inventories increased from HK$2,532.4 million as at 31 March 2010 to HK$5,210.9 million as at 31 March 2011 primarily and further increased to HK$8,313.7 million as at 30 September 2011 as we increased inventories to meet demand as well as the significant increase in gold prices during the Track Record Period. As at 30 September 2011, approximately 59.6% of our inventories as at 31 March 2011 had been used or sold.

We closely and frequently monitor the inventory level through our information technology systems, which function in real-time to offer the most up-to-date information on merchandise turnover along with other capabilities. This allows us to not only quickly assess the inventory needs of every POS in the network, but also determine trends in product popularity and customer preferences by regions.

The level of jewellery components in inventory we maintain depends on a number of factors including our anticipated inventory turnover, production lead-time, sales forecast and market demand and supply of the raw materials. Our jewellery products are manufactured in response to market demand and inventory turnover so we generally do not have a significant amount of slow-moving or obsolete stock. Moreover, since our products are made of precious metals and jewels, they possess significant value. As such, write-downs usually occur only when the underlying value of the precious metals or jewels significantly deteriorates. Our inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and disposal. These estimates are based on the current market condition and the historical experience of selling goods of similar nature, which could change significantly as a result of changes in market conditions. In the event that there is slow-moving merchandise, we are usually able to increase their sale through promotional events and other marketing efforts. The level of watch inventory we maintain depends on the minimum stock level stipulated by the watch brand and our anticipated sales forecast.

Inventory turnover days

The following table sets forth our average turnover days for the years and periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2009	**2010**	**2011**	**2010**	**2011**
Turnover of Inventory (days)	214	194	192	233	251

Note:

(1) The average inventory turnover days is equal to average inventory (inventory at the beginning of the year/period plus inventory at the end of the year/period divided by two) divided by cost of goods sold for the year/period and multiplied by 365 for the years ended 31 March 2009, 2010 and 2011, and by 183 days for 1HFY2011 and 1HFY2012.

Our average inventory turnover days are typically slightly longer than 6 months, primarily as a result of our vertically integrated business model and the nature of our business as a jewellery manufacturer and retailer. Our inventory moves through the value chain from procurement, production to marketing and sale of jewellery, which results in a higher average inventory turnover days than what it would be if we were solely a jewellery retailer that does not engage in manufacturing. The decrease in average inventory turnover days from 214 days in FY2009 to 194 days in FY2010 was primarily due to greater sales in FY2010, especially diamonds, which increased the cost of sales. The average inventory turnover days remained stable at 194 days in FY2010 and at 192 days in FY2011. Our average inventory turnover days for 1HFY2012 were 251 days, as compared to 192 days for FY2011. Our average inventory turnover days for the first half of the financial year are generally higher than that for a whole financial year due to the impact of seasonality as a result of the event-driven nature of the jewellery retail business. The peak seasons for our sales are generally the Golden Week and the period from Christmas through Chinese New Year till Valentine's Day. In anticipation of and during periods of higher sales, we would generally increase our inventory in September resulting in a higher balance of inventory at the end of the first half of our financial year. As a result, our average inventory turnover days for 1HFY2012 were higher than that for FY2011. The increase in average inventory turnover days from 233 days for 1HFY2011 to 251 days for 1HFY2012 was primarily due to the increased balance of inventory as at 30 September 2011 as a result of (i) a higher inventory level at our POS in preparation for higher sales in the peak season including the Chinese New Year holiday of 2012 which is on an earlier date than that of 2011 and (ii) the increase in inventory of gem-set products for future expansion.

Ageing analysis of inventories

The following tables set forth the summary of the ageing analysis of our inventories of raw materials, finished goods and packaging materials as at the dates indicated, respectively:

Raw materials

	As at 31 March			As at 30 September
	2009	**2010**	**2011**	**2011**
	HK$ million	***HK$ million***	***HK$ million***	***HK$ million***
0 to 90 days	2,044.3	2,179.7	4,949.9	11,099.2

Finished goods

	As at 31 March			As at 30 September
	2009	2010	2011	2011
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
0 to 90 days	1,823.6	2,826.6	4,722.9	7,724.6
91 to 180 days	1,488.0	1,177.4	2,293.6	3,135.2
181 to 365 days	1,175.5	1,006.5	2,564.8	3,348.4
Over one year	1,561.0	2,075.3	2,557.6	3,558.0
Total	6,048.1	7,085.8	12,138.9	17,766.2

Packaging materials

	As at 31 March			As at 30 September
	2009	2010	2011	2011
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
0 to 90 days	1.8	9.3	12.0	12.4

TRADE AND OTHER RECEIVABLES

A majority of our sales generates immediate cash receipts for the full amount of the transaction due to our policy of settling transactions with contemporaneous payment via cash, electronic transfer, or credit or debit card. Franchisees mainly purchase through making prepayments. Accordingly, over 80% of the trade receivables are from Concessionaire Counters in department stores, and the remaining trade receivables are from franchisees and credit cards receivables. For sales through Concessionaire Counters in department stores, the Group usually provides a 30 day credit period to the department stores.

As at 31 March 2009, 2010 and 2011 and 30 September 2011, the balance of our trade receivables was HK$540.2 million, HK$1,053.9 million, HK$1,632.4 million and HK$1,956.4 million, respectively. The increase in trade receivables during the Track Record Period was primarily due to the increase in amount of sales from new and existing Concessionaire Counters.

Age of trade receivables

The following table sets forth a summary of the age of our trade receivables as at the dates indicated:

	As at 31 March			As at 30 September
	2009	2010	2011	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
Total	540.2	1,053.9	1,632.4	1,956.4

As at 31 March 2009, 2010 and 2011 and 30 September 2011, HK$68.0 million, HK$70.7 million, HK$45.6 million and HK$79.0 million, respectively, of trade receivables were past due as at the reporting date. Such amounts are mainly due from department stores. We have not provided for impairment losses for these amounts as we believe there has not been a significant change in the credit quality and the amounts were considered recoverable based on historical experience. We do not hold any collateral over these balances.

Trade receivables turnover days

The following table sets forth its average trade receivables turnover days for the years and periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
Turnover of Trade Receivables (days)	16.4	12.7	14.0	15.2	13.8

Note:
The average trade receivables turnover days are equal to average trade receivables (trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period divided by two) divided by total turnover for the year/period and multiplied by 365 for FY2009, FY2010 and FY2011, and by 183 days for 1HFY2011 and 1HFY2012.

Other receivables primarily include prepayments made to our diamond suppliers, deposits in relation to utilities and rental, other tax recoverables and other miscellaneous items. Other tax recoverables mainly represent the excess of input value-added tax paid by certain of our subsidiaries on purchases of raw materials and goods for their operations over output value-added tax for sales of goods as at each relevant reporting date. Please see Note 23 of the Accountants' Report in Appendix I for further details.

TRADE AND OTHER PAYABLES

Trade payables primarily consist of outstanding payables on our purchases of watches and raw materials for jewellery manufacturing. We normally receive credit terms of 7 to 180 days from our suppliers. As an incentive to settle our trade payables earlier, we receive discounts and other preferences from some suppliers. As at 31 March 2009, 2010 and 2011 and 30 September 2011, the balance of our trade payables was HK$212.3 million, HK$380.8 million, HK$384.1 million and HK$755.1 million, respectively. The increase of trade payables from 31 March 2009 to 31 March 2011 was primarily due to increased inventory purchases near respective year end dates as we expanded POS network in FY2010 and FY2011. The increase of trade payables from 31 March 2011 to 30 September 2011 was primarily due to the increased inventories purchased by the new POS opened during the period and the higher level of stock purchased by our new and existing POS in anticipation of an increased demand for our products during the peak season including the Chinese New Year of 2012 which is on an earlier date than that of 2011.

Age of trade payables

The following table sets forth a summary of the age of our trade payables as at the dates indicated:

	As at 31 March			As at 30 September
	2009	2010	2011	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	—
Total	212.3	380.8	384.1	755.1

The amount of trade payables in the 31 to 90 days range (as at 31 March 2010) and the 91 to 180 days range (as at 31 March 2011) increased as compared to the same date in the previous year as these balances were payable to certain suppliers that granted us a longer credit term. The amount of trade payables in the 0 to 30 days range and the 31 to 90 days range as at 30 September 2011 increased as compared to 31 March 2011 as we procured greater amounts of raw materials and merchandise in anticipation of an increased demand for our products during the peak season including the Chinese New Year of 2012 which is on an earlier date than that of 2011.

Trade payables turnover days

The following table sets forth its average trade payables turnover days for the years and periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
Turnover of Trade Payables (days)	12.2	6.6	5.6	5.5	6.2

Note:
The average trade payables turnover days are equal to average trade payables (trade payables at the beginning of the year/period plus trade payables at the end of the year/period divided by two) divided by cost of good sold for the year/period and multiplied by 365 for FY2009, FY2010 and FY2011, and 183 days for 1HFY2011 and 1HFY2012.

The decrease in our trade payables turnover days from 12.2 for FY2009 to 6.6 for FY2010 was primarily due to a earlier settlement of our trade payables allowing us to obtain discounts and other preferences from some suppliers. Our trade payables turnover days for FY2010, FY2011, 1HFY2011 and 1HFY2012 remained relatively stable.

Other payables primarily include deposits received in relation to prepayments from customers and franchisees, accrued staff costs, and other miscellaneous items. Please see Note 27 of the Accountants' Report in Appendix I for further details.

INDEBTEDNESS

The following table sets forth the amounts of the indebtedness as at the respective dates indicated:

	As at 31 March			As at 30 September	As at 31 October
	2009	2010	2011	2011	2011
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million (unaudited)*
Bank borrowings					
Secured	—	—	700.0	1,950.0	2,450.0
Unsecured	113.6	160.3	2,181.0	7,071.7	7,196.1
	113.6	160.3	2,881.0	9,021.7	9,646.1
Gold loans	2,060.8	2,189.2	3,931.6	4,960.8	5,144.2
Amounts due to related companies (unsecured)	4,726.8	4,639.8	7,833.3	8,458.6	8,426.0
Amount due to non-controlling shareholders of subsidiaries					
Interest bearing portion	7.1	7.1	9.1	29.9	30.0
Non-interest bearing portion	20.8	77.0	155.6	208.7	194.1
	27.9	84.1	164.7	238.6	224.1

The following table sets forth the ranges of interest rates per annum for our bank borrowings, gold loans, and amounts due to related companies/non-controlling shareholders of subsidiaries as at the respective year/period end indicated:

	As at 31 March			As at 30 September 2011
	2009	2010	2011	
Bank borrowings	5.51%	2.00% to 4.37%	0.77% to 5.60%	0.97% to 6.89%
Gold loans	1.25% to 2.30%	1.25% to 1.30%	1.25% to 3.50%	1.25% to 3.50%
Amounts due to related companies (interest bearing portion)	5.00%	5.00%	5.00%	N/A
Amounts due to non-controlling shareholders of subsidiaries (interest bearing portion)	5.31%	5.31%	6.06%	6.06%

Bank borrowings

Our bank borrowings consist of both secured and unsecured facilities.

As at 30 September 2011, our unsecured bank borrowings consisted of (i) short-term revolving credit facilities entered into by one of our PRC subsidiaries with major banks in the PRC and denominated in RMB and (ii) short term revolving credit facilities entered into by one of our Hong Kong subsidiaries with major international financial institutions (including the Joint Global Coordinators and their affiliated entities) and denominated in Hong Kong dollars. The facilities are used to finance our working capital, purchase of materials and Pre-IPO Dividend. Certain Hong Kong unsecured bank borrowings are guaranteed by CTFE. These guarantees will be released prior to the Listing and replaced by guarantees provided by the Company.

As at 30 September 2011, our secured bank borrowings consisted of short-term revolving credit facility with major international financial institutions (including one of the Joint Global Coordinators). Our secured bank borrowings are guaranteed by CTFE and secured by certain assets owned by related companies. Such guarantee and security will be released prior to the Listing and replaced by guarantees provided by the Company.

Our bank borrowings carry variable interest rates ranging from 0.30% to 1.25% per annum over HIBOR or 90% to 110% of the PBOC benchmark lending rate per annum. As at 30 September 2011, interest rates on our bank borrowings ranged from 0.97% to 6.89% per annum.

As at 31 March 2009, 2010 and 2011 and 30 September 2011, our bank borrowings amounted to HK$113.6 million, HK$160.3 million, HK$2,881.0 million and HK$9,021.7 million, respectively. Our bank borrowings increased significantly from HK$160.3 million as at 31 March 2010 to HK$2,881.0 million as at 31 March 2011 primarily to fund our significant increase in inventories during FY2011 as part of our expansion efforts as discussed above. Our bank borrowings further increased to HK$9,021.7 million as at 30 September 2011 primarily due to (i) the utilisation of the Pre-IPO Bank Loan Facility to finance our Pre-IPO Dividend and (ii) the funding of the significant increase in inventories during 1HFY2012 as part of our expansion efforts.

Pre-IPO bank loan facility

Pursuant to an agreement dated 21 September 2011, we obtained a Pre-IPO Bank Loan Facility, which consisted of a term loan of HK$3,300.0 million from the Joint Global Coordinators and their affiliated entities, to finance our Pre-IPO Dividend. Please refer to the sections headed "Summary — Pre-IPO Dividend and Interim Dividend" and "— Dividends and Dividend Policy — Dividends" in this Financial Information section below for further details of the Pre-IPO Dividend. The Pre-IPO Bank

Loan Facility has a term of 364 days from the date of signing. The interest rate applicable to the Pre-IPO Bank Loan Facility is HIBOR (Hong Kong Interbank Offer Rate) plus 0.85% per annum for the first six months after signing and 1.4% per annum thereafter. Interest shall accrue upon utilisation of the Pre-IPO Bank Loan Facility. As at 26 September 2011, the Pre-IPO Bank Loan Facility had been fully utilised. All outstanding amount owed under the Pre-IPO Bank Loan Facility shall be repaid in full immediately following the Listing using the net proceeds of the Global Offering. The Pre-IPO Bank Loan Facility is guaranteed by CTFE and the guarantee will be released immediately prior to the Listing.

Gold loans

Our gold loans consist of both secured and unsecured short term gold related facilities with both major PRC and major international financial institutions (including one of the Joint Global Coordinators). We use gold loans to minimise our finance costs as they generally carry lower interest rates as compared to bank borrowings and to reduce the impact of the fluctuations in gold prices on our gold inventories.

Our gold loans consist of a variety of (i) fixed term loan facilities in respect of gold and platinum whereby we are able to borrow such amount of metal either on account or physical delivery and repaid in the equivalent metal at the end of the fixed term, (ii) revolving credit facilities made available to us to finance the borrowing of gold for our business, which can either be repaid in cash, the crediting of gold into the relevant account at the financial institution or the physical delivery of gold; and (iii) bullion/spot deferred trading facilities and deferred bullion sale facilities whereby we are able to trade and purchase gold up to a defined monetary value with a financial institution; denominated in either RMB, USD or HKD. The gold facilities typically run for a tenure of one year.

As at 30 September 2011, certain gold loans with major international financial institutions (including one of the Joint Global Coordinators) are secured by certain listed securities owned by CTFE, in which certain directors have beneficial interests, as well as pledged bank deposits and/or are guaranteed by CTFE. Our gold loans with major PRC banks are unsecured. The guarantees and securities provided by CTFE with respect to our gold loans will be released prior to the Listing and replaced with guarantees provided by the Company. Our pledged bank deposits with respect to our gold loans amounted to HK$467.7 million, HK$225.9 million, HK$156.3 million and HK$186.9 million as at 31 March 2009, 2010 and 2011 and 30 September 2011, respectively.

As at 30 September 2011, gold loans carry fixed interest rates of between 1.25% to 3.50% per annum. Gold loans typically mature from one to twelve months from the date of inception. Although gold loans are used to reduce the impact of fluctuations in gold prices on gold inventories, the criteria for hedge accounting under IFRS are not fully met, and thus, gold loans are recorded as financial liabilities at fair value through profit and loss.

As at 31 March 2009, 2010 and 2011 and 30 September 2011, our gold loans amounted to HK$2,060.8 million, HK$2,189.2 million, and HK$3,931.6 million and HK$4,960.8 million, respectively. Our gold loans increased significantly from HK$2,189.2 million as at 31 March 2010 to HK$3,931.6 million as at 31 March 2011 and further increased to HK$4,960.8 million as at 30 September 2011 as we increased our gold inventories and expanded our business.

Amounts due to related companies

As at 30 September 2011, our amounts due to related companies, which were unsecured, interest free and repayable on demand, consisted of (i) borrowings from CTFE Group to provide funding for our working capital needs and the expansion of our POS network, (ii) amount due to a close family member of a director of the Company and (iii) amount due to an entity with common director of the Company.

Amounts due to non-controlling shareholders of subsidiaries

As at 30 September 2011, the amounts due to non-controlling shareholders of subsidiaries represent loans and advances from non-controlling shareholders of certain joint-venture partners for the operation of joint-venture POS. The interest bearing portion was unsecured and repayable on demand. The remaining portion was unsecured, interest free and repayable on demand.

Facilities

As at 31 March 2009, 2010 and 2011 and 30 September 2011, we had available bank and gold facilities amounting to HK$4,900.5 million, HK$8,483.5 million, HK$12,336.2 million and HK$19,012.2 million, respectively, and as at 31 March 2009, 2010 and 2011 and 30 September 2011, we had utilised HK$2,174.4 million, HK$2,349.5 million, HK$6,812.6 million and HK$13,982.5 million, respectively, of such banking and gold facilities. The recent credit tightening in the PRC has not had any material impact on our ability to obtain the necessary credit facilities during the Track Record Period and up till the Latest Practicable Date.

As at 31 October 2011, being the latest practicable date for the purpose of the indebtedness statement, we had bank borrowings, gold loans, amounts due to related companies and amounts due to non-controlling shareholders of subsidiaries of HK$9,646.1 million, HK$5,144.2 million, HK$8,426.0 million and HK$224.1 million respectively. The bank borrowings consisted of (i) unsecured portion of HK$7,196.1 million, of which HK$4,100.0 million was supported by corporate guarantee of CTFE and (ii) secured portion of HK$2,450.0 million which was secured by certain assets owned by CTFE as well as supported by corporate guarantee of CTFE. The gold loans consisted of (i) unsecured portion of HK$4,567.6 million, of which HK$2,143.1 million was supported by corporate guarantee of CTFE and (ii) secured portion of HK$576.6 million which was secured by certain listed securities owned by CTFE and pledged bank deposits of the Group, and supported by corporate guarantee of CTFE. Amounts due to related companies and non-controlling shareholders of subsidiaries were all unsecured. As at the same date, we had banking facilities of approximately HK$18,776.0 million, of which approximately HK$14,790.3 million had been utilised.

On 16 November 2011, we entered into a facility agreement with a major financial institution to obtain a secured term loan facility amounting to an aggregate principal amount of HK$5,101.5 million, with the purpose of reducing the amounts due to related companies prior to Listing. On 22 November 2011, we utilised HK$4,590.3 million of the loan facility. For details of this term loan facility, please see the section headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders and their Associates”.

CONTINGENT LIABILITIES

Other than as disclosed above and apart from intra-group liabilities and normal trade payables, as at 31 October 2011, we did not have any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities.

FINANCIAL LIABILITIES AND CONTRACTUAL OBLIGATIONS

The following tables set forth the contractual obligations, commercial commitments and principal payments which we were obligated to make as at 30 September 2011 and 31 March 2011 for the periods indicated. The timing of these payments is based on our best estimate of the contractual maturities of the obligations. The timing of the payments may differ significantly from the actual maturity of these obligations.

	As at 30 September 2011			
	Within one Year	Second to fifth year inclusive	Over five years	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Trade and other payables	1,057.0	—	—	1,057.0
Amounts due to related companies:				
— Non-interest bearing	8,458.6	—	—	8,458.6
Amounts due to non-controlling shareholders of subsidiaries:				
— Interest bearing portion	29.9	—	—	29.9
— Non-interest bearing portion	208.7	—	—	208.7
Bank borrowings	9,021.7	—	—	9,021.7
Gold loans	4,960.8	—	—	4,960.8
Operating leases	508.3	606.6	19.8	1,134.7
Capital expenditure contractual obligations	71.8	—	—	71.8
Total contractual obligations	**24,316.8**	**606.6**	**19.8**	**24,943.2**

	As at 31 March 2011			
	Within one Year	Second to fifth year inclusive	Over five years	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Trade and other payables	589.0	—	—	589.0
Amounts due to related companies:				
— Interest bearing portion	380.3	—	—	380.3
— Non-interest bearing portion	7,453.0	—	—	7,453.0
Amounts due to non-controlling shareholders of subsidiaries:				
— Interest bearing portion	9.1	—	—	9.1
— Non-interest bearing portion	155.6	—	—	155.6
Bank borrowings	2,881.0	—	—	2,881.0
Gold loans	3,931.6	—	—	3,931.6
Operating leases	380.0	437.4	29.8	847.2
Capital expenditure contractual obligations	30.0	—	—	30.0
Total contractual obligations	**15,809.6**	**437.4**	**29.8**	**16,276.8**

Amounts due to related companies will be fully repaid prior to the Listing. A significant majority of our leases have a term of one year to four years. Some of our lease arrangements are committed to paying either minimum guaranteed amounts or monthly payments in the amounts equivalent to certain prescribed percentages of monthly sales as rental payments, whichever is the higher. We expect to fund our contractual obligations through cash generated from our operations and the renewal of bank borrowings.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 September 2011, being the date of our most recent financial statements, we did not have any off-balance sheet arrangements.

CAPITAL EXPENDITURE

The following table sets forth our capital expenditures by nature for the years and period indicated:

	Year ended 31 March			Six months ended 30 September
	2009	2010	2011	2011
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Land and buildings	111.9	19.2	130.8	4.8
Plant and machinery	6.3	9.3	14.3	13.2
Furniture, fixtures and equipment	67.4	119.3	174.7	121.2
Leasehold improvements	105.4	179.5	140.7	84.8
Motor vehicles	0.7	2.3	8.5	8.3
Construction in progress	114.0	25.4	71.6	198.3
	405.7	355.0	540.6	430.6

Our capital expenditure has been primarily used to expand our POS network and improvements at existing POS.

Planned capital expenditures

As at 30 September 2011, we have capital commitments of HK$71.8 million contracted for but not yet incurred, which will be mainly used for the refurbishment of existing POS, and capital commitments of HK$302.4 million authorised but not yet contracted for, which will be used for the construction of our new office building in Shenzhen. We anticipate our capital expenditures for the year ending 31 March 2012 will be HK$850.0 million, which will mainly be used for the expansion of our POS network including acquiring properties as retail stores, purchase of production and research and development equipment, and construction of our new office building in Shenzhen. We aim to open a net of approximately 200 jewellery POS per year from 2012 to 2015 and, depending on the location and size of the new POS, we anticipate our capital expenditures that will be used for such expansion of our POS network to be from approximately HK$110 million to HK$250 million each year from 2012 to 2015. These capital expenditures will be financed by the net proceeds from the Global Offering, cash generated from our operations or bank borrowings.

Although these are our current plans with respect to capital expenditure, such plans may change as a result of changed circumstances. The actual amount of expenditure may vary from the estimated amount for a variety of reasons, including changes in market conditions, competition, and other factors. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding for our future capital expenditure is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in markets where we operate, and the PRC government’s policies relating to currency controls.

RELATED PARTY BALANCES

The following table sets forth our amounts due from or to related companies and non-controlling shareholders of subsidiaries as at the dates indicated:

	As at 31 March			As at 30 September
	2009	2010	2011	2011
		HK$ million		
Assets				
Amounts due from related companies:				
CTFE Group				
— Interest bearing portion(1)	1,466.0	1,095.0	945.0	—
— Non-interest bearing portion(2)	668.7	657.3	233.3	—
Entities in which a director of certain subsidiaries of the Company has control				
— Interest bearing portion(3)	30.0	110.0	100.0	88.0
Total amounts due from related companies	**2,164.7**	**1,862.3**	**1,278.3**	**88.0**
Liabilities				
Amounts due to related companies(4):				
CTFE 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 a subsidiary	—	—	—	14.5
An entity with common director of the Company	—	—	—	8.3
Total amounts due to related companies	**4,726.8**	**4,639.8**	**7,833.3**	**8,458.6**
Amounts due to non-controlling shareholders of subsidiaries(5)				
— Interest bearing portion	7.1	7.1	9.1	29.9
— Non-interest bearing portion	20.8	77.0	155.6	208.7
	27.9	**84.1**	**164.7**	**238.6**

Notes:

(1) The amounts are unsecured and we expect them 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 HIBOR to the prime rate in Hong Kong, while the respective remaining balances carry a fixed interest rate at 5.0% per annum. Such amounts had been repaid to us in full.

(2) The amounts are unsecured, interest free and expected to be settled within 12 months. Such amounts had been repaid to us in full.

(3) The amounts are secured over property owned by related companies. We are not permitted to sell or pledge such amounts in absence of default by the debtors. The amounts carry fixed effective interest rates ranging from 1.0% to 4.8% per annum. Such amounts had been repaid to us in full.

(4) The amounts due to related companies are unsecured and repayable on demand. The interest bearing portion of amounts due to CTFE Group carries a fixed interest rate at 5.0% per annum and had been fully repaid. The non-interest bearing portion will be first reduced prior to the Listing through a secured term loan facility provided by a financial institution. For details of this term loan facility, please see the section headed "Relationship with our Controlling Shareholders—Independence from our Controlling Shareholders and their Associates". The remaining portion of amounts due to related companies will be fully repaid using the net proceeds from the Global Offering. The amounts due to a close family member of a director of a subsidiary and an entity with common director of the Company are unsecured, non-interest bearing and repayable on demand.

(5) The balances represents loans and advances from non-controlling shareholders of certain joint-venture partners for the operation of joint-venture POS. The interest bearing portion was unsecured, and repayable on demand with interest rates of 5.31%, 5.31%, 6.06%, and 6.06% per annum as at 31 March 2009, 2010 and 2011 and 30 September 2011, respectively. The remaining portion was unsecured, interest free and repayable on demand. Please also refer to the section headed "Risk Factors—Risks Related To Our Business—The Group's past intra-group loan advancing activities may be subject to penalties."

Amounts due from related companies decreased from HK$2,164.7 million as at 31 March 2009 to HK$1,278.3 million as at 31 March 2011, and further decreased to HK$88.0 million as at

30 September 2011. This decrease was due to the repayments from related companies. Amounts due to related companies increased significantly from HK$4,726.8 million as at 31 March 2009 to HK$7,833.3 million as at 31 March 2011, and further increased to HK$8,458.6 million as at 30 September 2011. This increase reflects additional borrowings from CTFE to provide funding for our working capital needs (particularly for our increase in inventories) and expansion efforts during the Track Record Period. Amounts due to non-controlling shareholders of subsidiaries increased from HK$27.9 million as at 31 March 2009 to HK$164.7 million as at 31 March 2011, and further increased to HK$238.6 million as at 30 September 2011 due to additional funding provided by non-controlling shareholders for our operations.

During the Track Record Period, for the purpose of facilitating dividend settlement, CTF Holding designated CTFE as the recipient of the dividend declared to the then shareholders prior to Reorganisation. As a result, the dividend payable to our shareholders was transferred to “amounts due to related companies” under our accounting record. Out of the distribution of dividends totalling of HK$300.0 million, HK$306.7 million, HK$759.3 million and HK$3,331.4 million for FY2009, FY2010, FY2011 and 1HFY2012, respectively, HK$300.0 million, HK$300.0 million HK$750.0 million and HK$3,300.0 million was settled by CTFE Group 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.

INFLATION RISK

Inflation in the PRC has not materially affected our results of operations. According to the PRC National Bureau of Statistics, the consumer price index in the PRC increased by 5.9% in 2008, decreased by 0.7% in 2009, and increased by 3.3% in 2010.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

Credit risk

Our 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. We have no significant concentration of credit risk on trade receivables as our exposure is spread over a number of counterparties. We also believe that there is no significant credit risk on our receivables from related companies and loan receivables due to their strong financial position and creditability. Credit risk with respect to pledged bank deposits and bank balances are 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 FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, about 1.4%, 1.0%, 0.9%, 1.0% and 0.8% of the Group’s sales, respectively, are denominated in currencies other than the functional currency of the group entities. During FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, 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. Please refer to the Note 6 of the Accountants’ Report in the Appendix I for further details. In addition, certain group entities also have intra-group advances which are denominated in currencies other than their respective functional currency.

Liquidity risk

Our management has built an appropriate liquidity risk management framework for managing our short and medium-term funding and liquidity management requirements. We manage liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and the maturity profiles of its financial liabilities. Please see "— Financial Liabilities and Contractual Obligations" in this Financial Information section above and Note 6 of the Accountants' Report in Appendix I for more details.

Interest rate risk

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

We are 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. We do not have an interest rate hedging policy. However, our management will consider hedging significant interest rate risk should the need arise.

Commodity price risk

We are engaged in the sale of jewellery which includes gold products. The gold market is influenced by global as well as regional supply and demand conditions. A significant change in prices of gold could adversely affect our financial performance. In order to reduce commodity price risk, we use gold loans and derivative financial instruments, such as bullion forward contracts to reduce our 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 fair value change is immediately recognised in profit or loss.

As the fair values of outstanding bullion forward contracts as at 31 March 2009, 2010 and 2011 were negligible, such amounts were not recognised as at those dates. The amount of fair value of the outstanding bullion forward contracts as at 30 September 2011 was HK$164.7 million. The notional value of the outstanding bullion forward contracts as at 31 March 2009, 2010 and 2011 and 30 September 2011 amounted to HK$nil, HK$287.7 million, HK$674.4 million and HK$2,939.2 million, respectively. As 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 FY2009, FY2010, FY2011 and 1HFY2012 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. Please refer to the Note 6 of the Accountants' Report in Appendix I for further details.

Commodity price risk management

Hedging policy

We enter into gold loans and bullion forward contracts to hedge against movements in the price of gold, thereby mitigating the impact of gold price movements on our margins. Our gold hedging strategies are determined by the Board and monitored on a regular basis by the Board, with members examining the Group's hedging positions on a monthly frequency in general. Our management has implemented a hedging policy that includes adequate procedures, hedging timeframe and approval guidelines which are set out in the Group's internal control policy for all employees to adhere to. As a matter of policy, we do not take a view on future gold price movements and do not utilise hedging transactions for speculation purposes.

The hedging timeframe as provided by our hedging policy is generally a period of three to six months on average. We have engaged in hedging transactions on an ongoing basis during the Track Record Period. The counterparties in our hedging transactions are generally large, reputable, international and well-capitalised banks and financial institutions that are active in the gold hedging market. Their credit ratings range from Aa1 to A2 (based on Moody's) or from AA to A- (based on Standard & Poor's). In selecting the counterparties for our hedging transactions, we consider a number of factors, including but not limited to, the reputation and financial condition of the counterparty, any previous working relationship with such counterparty based on past financing matters, and whether the counterparty is an international entity. We do not have significant exposure to any one counterparty. During the Track Record Period, a majority of our hedging transactions were entered into using gold loans. In determining whether we use gold loans or bullion forward contracts for our hedging transactions, we consider factors such as the need for financing and the availability of such hedging instruments. In cases where we require additional financing, we will use gold loans in our hedging transactions since we do not have to separately obtain bank borrowings and gold loans are generally less expensive than bank borrowings. We generally use gold loans in the PRC as only a limited number of banks in the PRC provide bullion forward contracts.

Our gold inventory in the Track Record Period was hedged using a combination of gold loans and derivative financial instruments such as bullion forward contracts. We enter into hedging transactions whenever our net gold inventory balance changes. On a daily basis, a comparison is made between the long position (being our gold inventory balance) and short position (being our gold loan balance and outstanding bullion forward contracts). We hedge by employing a short position with a quantity (by weight) that approximates our gold inventory. The purchase amount of gold for our inventory is determined based on the estimated sales quantity of that day. If we strategically buy more than we can sell, such as when we prepare inventory for new stores, or buy less than we have sold, such as when we reduce inventory level after a peak season, we will adjust our short position accordingly by entering into new gold loans or bullion forward contracts, or closing out certain open position, such that that the quantity of short position will match that of long position again. We may experience a short timing difference between the time when our gain or loss on our hedging instrument is charged to the cost of goods sold and the time when the sale of those hedged inventory is recognised. Any such timing difference arising in our hedging transactions will be short-term, and the resulting exposure will not have a material impact on our results of operations.

As we do not utilise hedging transactions for speculation purposes, and the effect of long and short positions in gold due to gold price movement will net off each other through the sales of gold products, we therefore consider that the financial impact on our profits was not material during the Track Record Period.

Gold loans

During the Track Record Period, the effect of the use of gold loans in our hedging activities has been reflected in the cost of goods sold. The fair value changes of gold loans, which were included in cost of goods sold, were HK$17.8 million, HK$483.8 million, HK$725.7 million and HK$343.4 million for FY2009, FY2010, FY2011 and 1HFY2012, respectively. The use of gold loans as hedging instruments did not have any impact on our revenue during the Track Record Period.

The effect of long and short positions in gold due to gold price movement will largely net off each other through the sales of gold products. Any potential gain or loss from our gold loans will be largely offset by the inherent effect arising from our business. For example, if gold price goes up, the fair value of a gold loan will increase with the gold price, and a loss from such an increase in fair value of the loan at the end of the reporting period will be charged to cost of goods sold in the consolidated statements of comprehensive income. This loss will largely net against the increase in turnover of gold products due to increase in gold price. The same explanation applies to any decrease in gold price. As such, any potential gain or loss from our gold loans will be largely offset by the inherent effect from our business operations, and as such, any net financial impact of gold loans on our profits will not be material. The maximum financial exposure on the outstanding positions of our gold loans as at each of the year end date during the Track Record Period would be the outstanding amount of such gold loans as at the respective dates. During the Track Record Period, the outstanding amount of our gold loans is HK$2,060.8 million, HK$2,189.2 million, HK$3,931.6 million and HK$4,960.8 million as at 31 March 2009, 2010 and 2011 and 30 September 2011, respectively.

Bullion forward contracts

During the Track Record Period, the effect of the use of bullion forward contracts in our hedging activities has been reflected in the cost of goods sold. The (gain)/loss on bullion forward contracts, which are included in cost of goods sold, were HK$nil, HK$(6.7) million, HK$224.6 million and HK$151.7 million for FY2009, FY2010, FY2011 and 1HFY2012, respectively. The use of bullion forward contracts as hedging instruments did not have any impact on our revenue during the Track Record Period.

For the bullion forward contracts, any potential gain or loss from our bullion forward contracts will be largely offset by the inherent effect arising from our business. Should the gold price go up, we would charge a loss representing the increase in gold price compared to the contract price, as we are required to pay such difference to the counterparty. This loss will be charged to cost of goods sold in the consolidated statements of comprehensive income, and largely net against the increase in turnover of gold products as a result of gold price increase. The same explanation applies to any decrease in gold price. As such, any potential gain or loss from our bullion forward contracts will be largely offset by the inherent effect from our business operations, and as such, any net financial impact of bullion forward contracts on our profits will not be material. The maximum financial exposure on the outstanding positions of our bullion forward contracts as at each of the year end date during the Track Record Period would be the net exposure in our consolidated statements of comprehensive income during the relevant periods. The fair values of the outstanding bullion forward contracts as at 31 March 2009, 2010 and 2011 were negligible and therefore, such amounts were not recognised as at those dates. As at 30 September 2011, the fair value of the outstanding bullion forward contracts was HK$164.7 million.

Internal control

The responsibility for entering into hedging transactions is limited to a small group of experienced personnel. The Gold Management Section under the Production Management Centre closely monitors the comparison between the long and short position of gold as well as the level of the purchase amount of gold on a daily basis. The results are then reviewed by the Head of Production Management Centre and our financial controller of Production Management Centre. Any adjustment to the positions taken must be approved by our financial controller of Production Management Centre. For details on their experience and qualification, please see the section headed "Directors and Senior Management". A report on our hedge position, comparing the long and short position and detailing the size of the hedge position and diversification of the position among counterparties, is prepared and submitted to the Board every month in general. Any gold loan arrangement and bullion forward contracts entered into must be approved by the Board.

We regularly monitor gold prices and outstanding positions by using information, such as spot and forward gold prices, gold exchange disclosure and market information on news and economic events that affect gold prices, from several well-capitalised banks that are active in the gold hedging business. We mitigate counterparty risk by choosing only reputable banks that are active in the gold hedging market and have well-capitalised financial positions. After entering into a hedging transaction, we monitor gold prices closely and remain alert as to any news concerning our counterparties, their financial performance and any changes to their financial position. Our management also holds regular meetings to review trends in gold prices and the effectiveness of our hedging positions and strategies. Since we only chose reputable banks as our counterparties, we believe that the risk of default under these hedging contracts is low, and in any event would not be material to the consolidated financial results.

DIVIDENDS AND DIVIDEND POLICY

Dividends

In FY2009, FY2010 and FY2011, we declared and distributed dividends in the amount of HK$300.0 million, HK$306.7 million and HK$759.3 million, respectively, to the then Shareholders prior to the Reorganisation. During 1HFY2012, the Pre-IPO Dividend in the amount of HK$3,300.0 million was declared and distributed to CTF Holding, our Controlling Shareholder. The Pre-IPO Dividend was fully financed by the Pre-IPO Bank Loan Facility, which will be repaid using the net proceeds from the Global Offering. Please refer to the section headed "— Indebtedness— Bank borrowings — Pre-IPO Bank Loan Facility" in this Financial Information section for further details on the Pre-IPO Bank Loan Facility. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

Interim dividend

On 16 November 2011, our Board declared the Interim Dividend in the amount of HK$1,200.0 million for 1HFY2012 to CTF Holding, our Controlling Shareholder. The Interim Dividend will be paid out of our distributable profits in accordance with the Cayman Companies Law and our Articles of Association. The Directors have confirmed that the Company has sufficient distributable profits to pay the Interim Dividend. The Interim Dividend will be financed by our cash flows from our operations or available internal cash resources. We are satisfied, after due and careful inquiry, that after the payment of the Interim Dividend, we will have sufficient working capital available to satisfy our requirements for at least 12 months after the Listing.

Investors in the Global Offering should note that they will not be entitled to share in the Interim Dividend and therefore, any distributable profits available for distribution to the Shareholders after the completion of the Global Offering will exclude the amount of the Interim Dividend to be paid to CTF Holding.

The declaration of the Interim Dividend was made by us as a commercial decision. The amount of the Interim Dividend is not indicative of our Company's future profits for any dividend that we may declare or pay in the future.

Dividend policy

Subject to the below, we currently intend to pay dividends of not less than 20% of our annual profits after tax. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year. In addition to the limitations referred to below, the declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future. Please also see "Risk Factors — Risks Related to the PRC — Dividends payable by us to our foreign investors and gains on the sales of our Shares may become subject to withholding taxes under PRC tax laws" regarding potential PRC tax consequences.

Our Board has absolute discretion as to whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. Our Board has the discretion to declare dividends, subject to the Cayman Companies Law and our Articles of Association, including the approval of our Shareholders. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other applicable laws and regulations and other relevant factors.

In particular, future dividend payments will also depend on the availability of dividends from CTF HK, our key operating subsidiary in Hong Kong and Shenzhen CTF, our key operating subsidiary in the PRC. PRC laws require that dividends from our PRC subsidiaries be paid only out of its after-tax profit after the following allocations have been made (i) recovery of accumulated losses, if any and (ii) mandatory allocations to the statutory common reserve fund equivalent to 10% of its after tax profit, as determined under PRC GAAP, unless the common reserve fund reaches 50% of our registered capital or above.

DISTRIBUTABLE RESERVES

The aggregate amount of distributable reserves of the companies of our Group as at 30 September 2011 was approximately HK$10,282.2 million. The distributable reserves of our Group as at 30 September 2011 do not take into account additional earnings from 1 October 2011 to the date of this prospectus.

PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2012

On the bases and assumptions set out in "Appendix III — Profit Forecast" and, in the absence of unforeseen circumstances, certain profit forecast data of the Group for the year ending 31 March 2012 are set out below:

Forecast consolidated profit attributable to the owners of the Company for the year ending 31 March 2012(1)	not less than HK$6,300.0 million
Unaudited forecast earnings per Share on a pro forma basis for the year ending 31 March 2012(2)	not less than HK$0.63

Notes:

(1) Please also see the section headed "Risk Factors — Risks Related to Our Business — The potential impact of any future fluctuation in the prices of gold and platinum on our profit forecast is unclear".

(2) The unaudited forecast earnings per Share on a pro forma basis is calculated by dividing the forecast consolidated profit attributable to the owners of the Company for the year ending 31 March 2012 by 10,000,000,000 Shares as if such Shares had been issued on 1 April 2011. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Global Offering but excludes any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the issue mandate, or any Shares which may be repurchased pursuant to the repurchase mandate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Appendix II — Unaudited Pro Forma Financial Information" for details.

NO MATERIAL ADVERSE CHANGE

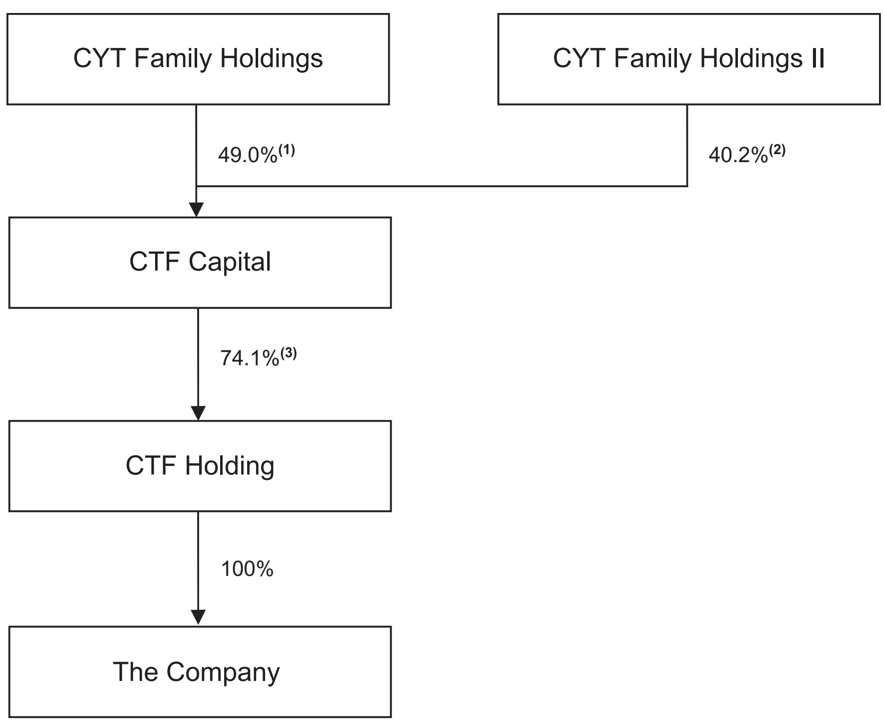
Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 September 2011 (being the date to which our Company's latest consolidated audited financial results were prepared) and there is no event since 30 September 2011 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

OVERVIEW

Immediately following the completion of the Global Offering and the Capitalisation Issue, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, CTF Holding, in which CTF Capital holds an approximate 74.1% interest, will hold 8,950,000,000 Shares (representing approximately 89.5% of the enlarged issued share capital of the Company). CYT Family Holdings and CYT Family Holdings II in turn hold approximately 49.0% and 40.2% interest in CTF Capital, respectively. CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding will continue to be the controlling shareholders of the Company after the Listing. Our business will, upon Listing, continue to be independent of, and separate from the business of, our Controlling Shareholders and their associates. See the section headed "Appendix V — Statutory and General Information — Further Information about our Directors and Substantial Shareholders — Disclosure of Interests — Interests of the Substantial Shareholders" for further details regarding the shareholding of the Company.

The shareholding relationships between the Company, CTF Holding, CTF Capital, CYT Family Holdings and CYT Family Holdings II as at the Latest Practicable Date and immediately following the completion of the Global Offering and the Capitalisation Issue are summarised below:

As at the Latest Practicable Date



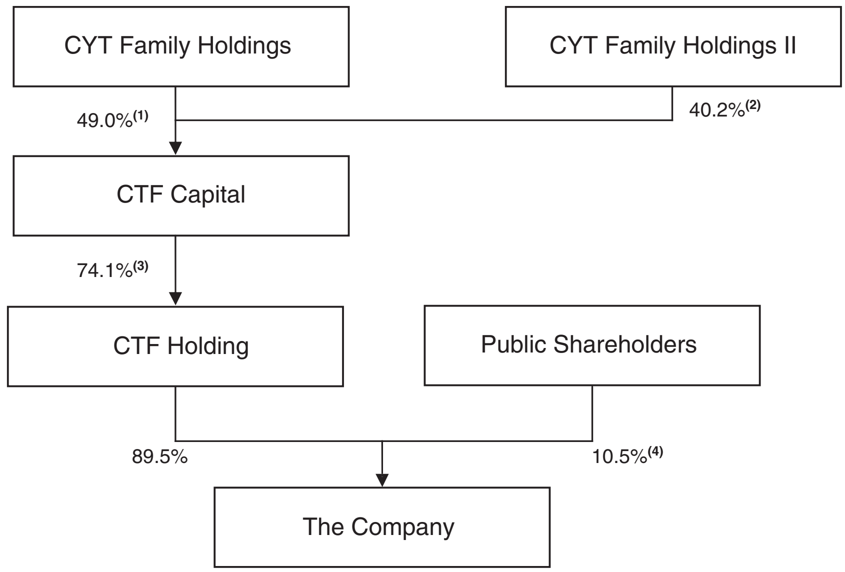
Notes:

(1) As at the Latest Practicable Date, CYT Family Holdings held 21,000 shares in the issued share capital of CTF Capital, representing approximately 49.0% of the issued share capital of CTF Capital.

(2) As at the Latest Practicable Date, CYT Family Holdings II held 17,250 shares in the issued share capital of CTF Capital, representing approximately 40.2% of the issued share capital of CTF Capital.

(3) As at the Latest Practicable Date, CTF Capital held 428,750 shares in the issued share capital of CTF Holding, representing approximately 74.1% of the issued share capital of CTF Holding.

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)



Notes:

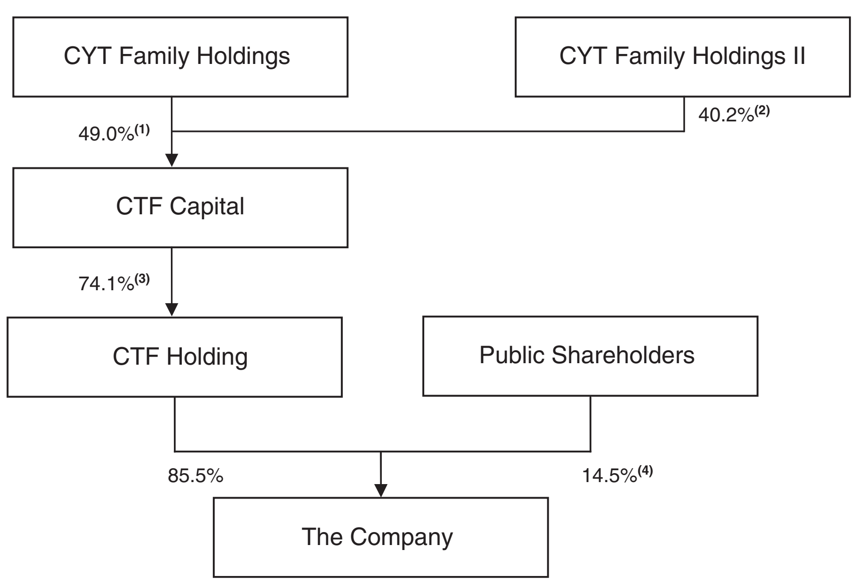
(1) CYT Family Holdings' shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.

(2) CYT Family Holdings II's shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.

(3) CTF Capital's shareholding interest in CTF Holding as at the Latest Practicable Date is shown in the chart above.

(4) Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed it will exercise, its discretion under the Listing Rules to accept the higher of (a) a minimum public float of at least 10% of the Shares; or (b) the percentage of the Shares held by the public immediately following the completion of the Global Offering and the Capitalisation Issue (as increased by the Shares to be sold upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full)



Notes:

(1) CYT Family Holdings' shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.

(2) CYT Family Holdings II's shareholding interest in CTF Capital as at the Latest Practicable Date is shown in the chart above.

(3) CTF Capital's shareholding interest in CTF Holding as at the Latest Practicable Date is shown in the chart above.

(4) Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed it will exercise, its discretion under the Listing Rules to accept the higher of (a) a minimum public float of at least

10% of the Shares; or (b) the percentage of the Shares held by the public immediately following the completion of the Global Offering and the Capitalisation Issue (as increased by the Shares to be sold upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

CYT Family Holdings (a private company incorporated in the British Virgin Islands) and CYT Family Holdings II (a private company incorporated in the British Virgin Islands) own approximately 49.0% and 40.2% of the issued share capital of CTF Capital (a private company incorporated in the British Virgin Islands), respectively, which in turn owns approximately 74.1% of CTF Holding (a private company incorporated in the British Virgin Islands). The principal business of each of CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding is investment holding. As at the Latest Practicable Date, various indirect subsidiaries of CTF Holding were indirect substantial shareholders of the following companies whose issued shares are listed on the Main Board of the Stock Exchange:

(i) International Entertainment Corporation (stock code: 1009);

(ii) Lifestyle International (stock code: 1212);

(iii) Kwoon Chung Bus Holdings Limited (stock code: 306);

(iv) New Environmental Energy Holdings Limited (stock code: 3989);

(v) Newton Resources Limited (stock code: 1231);

(vi) NWCL (stock code: 917);

(vii) NWD (stock code: 17);

(viii) NWDS (stock code: 825); and

(ix) NWS (stock code: 659).

Our Group has entered into certain connected transactions with some of the companies listed above, which will continue after the Listing. For details of such transactions, see the section headed "Connected Transactions".

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Our Board is satisfied that we can operate independently of our Controlling Shareholders and their associates after the Listing on the basis of the following information:

Clear delineation of business

None of our Controlling Shareholders and their associates are engaged in the primary business of production, marketing and sale of jewellery or retail of watches. Given the clear delineation between the business of our Group and the business of our Controlling Shareholders and their associates, our Board believes that our business will continue to be independent as there are no concerns regarding competition between our Group and our Controlling Shareholders and their associates.

Financial independence

Our financial system is independent from that of our Controlling Shareholders and their associates and our Group makes financial decisions according to our own business needs. Our Group's finance operations are handled by our Financial Management Department, which operates independently from our Controlling Shareholders and their associates, and does not share any other functions or resources with any of our Controlling Shareholders or their associates. The functions of our Financial Department include finance and treasury management.

In support of the working capital needs of our Group, as at 30 September 2011, the CTFE Group had provided loans, which in aggregate amounted to a gross sum of approximately HK$8.5 billion, to the Group (the "**Related Party's Loans**"). Details of the Related Party's Loans are set out in the Accountants' Report in Appendix I to this prospectus.

To reduce the size of the Related Party's Loans prior to the Listing, on 16 November 2011, the Company entered into a facility agreement (the "**Facility Agreement"**) with a financial institution (the "**Lender**") whereby the Lender provided a secured term loan facility (the "**Loan Facility**") to the Company amounting to an aggregate principal amount of up to approximately HK$5.1 billion. The term of the Loan Facility is 24 months from the date of the Facility Agreement. The Company intends to use the Loan Facility to repay part of the Related Party's Loans prior to the Listing.

Under the terms of the Facility Agreement, the provision of the Loan Facility to the Company is subject to CTF Holding and Dr. Cheng Kar-Shun, Henry providing the Lender with a guarantee in respect of the obligations of the Company under the Loan Facility. In addition, CTFE is required to provide the Lender with a share charge (the "**NWD Share Security**") over certain number of shares of NWD (the "**NWD Shares**") which it beneficially owns. The guarantee from CTF Holding will be released just prior to, or upon, the Listing. Subject to the terms of the Facility Agreement, it is contemplated that the guarantee from Dr. Cheng Kar-Shun, Henry (the "**Dr. Henry Cheng Guarantee**") and the NWD Share Security will be released within 12 months after the Listing.

Notwithstanding the arrangements above, our Board believes that our Group is able to operate financially independently of our Controlling Shareholders and the CTFE Group for the following reasons:

- **Strong financial position:** Our Group is a leading jeweller by market share in the PRC as well as in the Hong Kong and Macau jewellery markets with over 80 years of heritage and has been financially sound throughout the Track Record Period. For FY2009, FY2010, FY2011 and 1HFY2012, our Group's turnover was approximately HK$18.4 billion, HK$22.9 billion, HK$35.0 billion and HK$23.9 billion, respectively, and our net profit for the same years/periods amounted to approximately HK$1.9 billion, HK$2.2 billion, HK$3.7 billion and HK$2.8 billion, respectively. As at 30 September 2011, the Group had cash and bank balances of approximately HK$3.2 billion and available bank and gold revolving facilities of approximately HK$19.4 billion, of which approximately HK$14.0 billion was utilised and HK$5.4 billion is available. The available amount of approximately HK$5.4 billion can be entirely drawn as cash. Our Group's operating cash flows before movements in working capital for FY2011 and for 1HFY2012 were approximately HK$5.6 billion and HK$4.1 billion, respectively. Notwithstanding the existence of the Dr. Henry Cheng Guarantee and the NWD Share Security after the Listing, the amount of our Group's available bank and gold revolving facilities is sufficient to cover the outstanding sum under the Loan Facility. Our Group believes that, after considering the available options, it is in the interests of the Company and its shareholders as a whole to maintain maximum future financial flexibility by drawing down the Loan Facility and maintain the security arrangements for a period of 12 months after the Listing rather than utilising our Group's available bank and gold revolving facilities to repay the entire Related Party's Loans prior to, or upon, the Listing.

- **Strong credit position:** Besides having a strong financial position and cash generative operation as mentioned above, based on discussions with relevant lending banks, our Group also has a strong credit position on a stand-alone basis. The Group expects to maintain a net cash position after the Listing.

- **A track record of fund raising on a stand-alone basis:** Our Group was able to, and believes that it is able to continue to, secure bank loans from banks and other financial institutions without any credit support or guarantees from CTF Holding and CTFE. Historically, our Group had strong bank support on a stand-alone basis and this is supported by the fact that, as at 30 September 2011, our Group had unsecured bank borrowings of approximately HK$7.1 billion. Having regard to the fundamentals of our Group, our Company is confident that after the Listing, we will still be able to obtain credit facilities from financial institutions on a stand-alone basis. As such, our Group is satisfied of our capability of carrying on our business financially independently of our Controlling Shareholders and the CTFE Group.

- **Release of security arrangements:** The Dr. Henry Cheng Guarantee and the NWD Share Security will be released in an orderly manner within 12 months after the Listing.

Operational and administrative independence

During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their associates as we have our own company secretary, operational personnel and administrative personnel who are not in the employment of our Controlling Shareholders or their associates. Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after the Listing.

INDEPENDENCE OF BOARD AND MANAGEMENT

The Company has a Board and senior management that function independently from our Controlling Shareholders and their associates. We have 15 Directors on our Board, comprising eight executive Directors, three non-executive Directors and four independent non-executive Directors. There are only two Directors, namely Dato' Dr. Cheng Yu-Tung and Dr. Cheng Kar-Shun, Henry, who are directors of each of CYT Family Holdings, CYT Family Holdings II and CTF Capital. In the case of CTF Holding, four of our Directors, Dato' Dr. Cheng Yu-Tung, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng, Conroy, are directors of CTF Holding. Both Dato' Dr. Cheng Yu-Tung and Dr. Cheng Kar-Shun, Henry, in their capacity as Honorary Chairman and Chairman of the Company, respectively, participate in the strategic planning and general management of the Group and not its daily operations. Four of the 15 Directors are independent non-executive Directors, who are independent of CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding.

The senior management of the Company comprises 22 persons. Save in respect of Mr. Cheng Yu-Wai, Mr. Cheng Sek-Hung, Timothy, Mr. Ho Pak-Tao and Mr. Wong Kwok-Ting who are directors of CTF Holding, the rest of the senior management are independent of both CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding. Most members of our senior management have, for the entire or substantially the entire of the Track Record Period, undertaken senior management supervisory responsibilities in our business. The responsibilities of our senior management team include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders. Further details of our Board and senior management are set out in the section headed "Directors and Senior Management".

The following table shows the directorship and/or employment relationship (if any) that the Directors and the senior management of the Company have with CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding, respectively.

Name	Company	CYT Family Holdings	CYT Family Holdings II	CTF Capital	CTF Holding
Dato' Dr. Cheng Yu-Tung	Honorary Chairman and non-executive Director	Director	Director	Director	Director
Dr. Cheng Kar-Shun, Henry	Chairman and executive Director	Director	Director	Director	Director
Mr. Wong Siu-Kee, Kent	Managing Director	N/A	N/A	N/A	N/A
Mr. Cheng Chi-Kong, Adrian	Executive Director	N/A	N/A	N/A	Director
Mr. Cheng Chi-Heng, Conroy	Executive Director	N/A	N/A	N/A	Director
Mr. Chan Sai-Cheong	Executive Director	N/A	N/A	N/A	N/A
Mr. Chan Hiu-Sang, Albert	Executive Director	N/A	N/A	N/A	N/A
Mr. Cheng Ping-Hei, Hamilton	Executive Director	N/A	N/A	N/A	N/A
Mr. Suen Chi-Keung, Peter	Executive Director	N/A	N/A	N/A	N/A
Mr. Cheng Kam-Biu, Wilson	Non-executive Director	N/A	N/A	N/A	N/A
Mr. Koo Tong-Fat	Non-executive Director	N/A	N/A	N/A	N/A
Dr. Fung Kwok-King, Victor	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Kwong Che-Keung, Gordon	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Lam Kin-Fung, Jeffrey	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Or Ching-Fai, Raymond	Independent non-executive Director	N/A	N/A	N/A	N/A
Mr. Ho Pak-Tao	Honorary Adviser	N/A	N/A	N/A	Director
Mr. Wong Kwok-Ting	Honorary Adviser	N/A	N/A	N/A	Director
Mr. Cheng Yu-Wai	Honorary Adviser	N/A	N/A	N/A	Director
Mr. Cheng Sek-Hung, Timothy	Honorary Adviser	N/A	N/A	N/A	Director
Other members of the senior management of the Company	Senior management	N/A	N/A	N/A	N/A

Note: N/A means no positions held.

Pursuant to our Articles of Association, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested. Our Articles of Association do not require such a Director who is so interested not to attend any meeting of the Board. However, a Director shall not be entitled to vote (nor be counted in the quorum) on a resolution of the Directors in respect of any board resolution approving any contract or arrangement or any proposal in which he or any of his associates is materially interested, except in certain prescribed circumstances, details of which are set out in the section headed "Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law".

Whether a Director is conflicted on any matter depends on the particular circumstances of the matter under consideration. The fact that a Director also holds directorships in other companies does not create a conflict for that Director unless the matter under consideration involves his personal interests or those of the other companies as well as the Group.

The provisions in our Articles of Association ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice so as to ensure that the best interests of our Company and the Shareholders (including the minority Shareholders) taken as a whole are preserved. Following the Listing, the Board is required to comply with the provisions of the Listing Rules. This includes the review of the connected transactions by the independent non-executive Directors and where appropriate, independent financial advice and independent shareholders' approval will be required.

On the basis of the aforesaid, our Directors believe that we operate independently of our Controlling Shareholders and their associates and in the best interests of our Company and the Shareholders.

We have entered into certain transactions with parties who are our connected persons and these transactions will continue following the Listing Date, thereby constituting continuing connected transactions of our Group under the Listing Rules.

CONNECTED PERSONS OF OUR GROUP

CTF Holding, our direct Controlling Shareholder, directly owns the entire issued share capital of CTFE, which owns the entire issued capital of Go Create Limited ("**Go Create**").

Go Create is directly interested in 50% of the equity interest in Real Reward Limited ("**Real Reward**"), the direct controlling shareholder of Lifestyle International (stock code: 1212), a company listed on the Main Board of the Stock Exchange. By virtue of CTF Holding's indirect shareholding in Lifestyle International, Lifestyle International Group is an associate of CTF Holding under the Listing Rules. As CTF Holding is a connected person of our Group, Lifestyle International Group is therefore a connected person of our Group under the Listing Rules. Accordingly, transactions between our Group and the Lifestyle International Group will constitute connected transactions of our Group.

CTFE, a direct wholly-owned subsidiary of CTF Holding, is a substantial shareholder of NWD (stock code: 17), a company listed on the Main Board of the Stock Exchange. NWD indirectly owns the entire issued share capital of NWT and is also the controlling shareholder of the following companies, each of which is listed on the Main Board of the Stock Exchange:

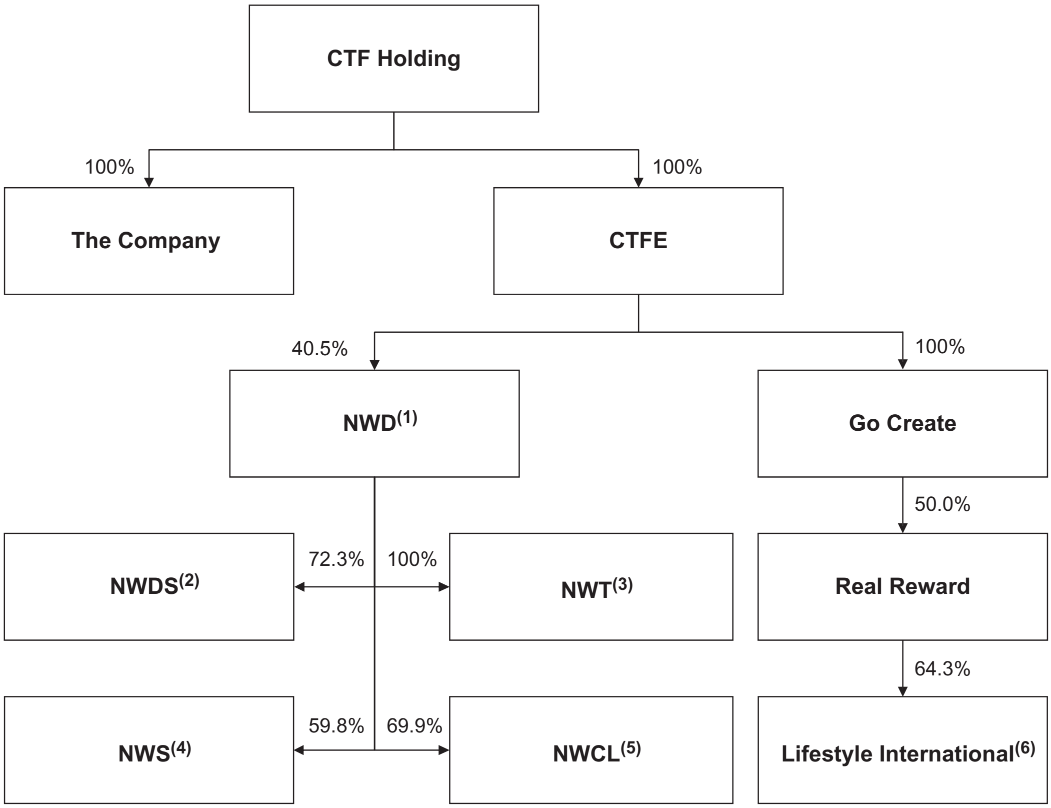
(i) NWDS (stock code: 825);

(ii) NWCL (stock code: 917); and

(iii) NWS (stock code: 659).

NWD Group, NWDS Group, NWCL Group, NWS Group and NWT Group are associates of CTF Holding and therefore are connected persons of our Group under the Listing Rules. Accordingly, transactions among our Group, the NWD Group, the NWDS Group, the NWCL Group, the NWS Group and the NWT Group will constitute connected transactions of our Group.

The shareholding relationships between our Company, CTF Holding, CTFE, NWD, Lifestyle International, NWT, NWDS, NWCL and NWS as at the Latest Practicable Date are set out in the simplified chart below:



Notes:

(1) NWD is directly and indirectly owned as to approximately 40.5% by CTFE.
(2) NWDS is directly owned as to approximately 72.3% by NWD.
(3) NWT is an indirect wholly-owned subsidiary of NWD.
(4) NWS is indirectly owned as to approximately 59.8% by NWD.
(5) NWCL is effectively owned as to approximately 69.9% by NWD.
(6) Lifestyle International is directly owned as to approximately 64.3% by Real Reward, which is a 50% directly owned subsidiary of Go Create, which in turn is a direct wholly-owned subsidiary of CTFE.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

1. Advertising services provided by NWST Group

(a) Description of the transaction

Our Group has entered into various agreements with NWS Transport Services Limited, a transport services provider with operations in the PRC and Hong Kong, and its subsidiaries (collectively, the "**NWST Group**") under which our Group advertises on the exterior of Citybus and New World First Bus (collectively, the "**NWS Buses**"), all of which are owned and operated by NWST Group, which is indirectly owned as to 50% by NWS and as to 50% by CTFE. These transactions have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. The fees payable are set forth in each agreement relating to these transactions.

Our Group expects to continue its transactions with NWST Group to advertise its business on the NWS Buses following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by NWST Group to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees paid on an annual basis by our Group to NWST Group for advertising services were approximately HK$6.3 million, HK$5.6 million, HK$5.6 million and HK$2.1 million, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of the advertisement services provided by NWST Group will be, on an annual basis, less than 0.1% and is on normal commercial terms, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

2. Engineering and construction services provided by the Far East Companies

(a) Description of the transaction

Our Group has entered into various agreements with Far East Engineering Services Limited and Far East Technical Service (Macao) Limited (collectively, the "**Far East Companies**"), which are engaged in the provision of engineering, construction and maintenance services. The Far East Companies provide certain engineering, construction and maintenance services to the premises of our Group in Hong Kong and Macau.

The Far East Companies are indirect wholly-owned subsidiaries of Fung Seng Enterprises Limited, which in turn is beneficially owned as to approximately 90% by Mr. Doo Wai-Hoi, William, the son-in-law of Dato' Dr. Cheng Yu-Tung, the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kam-Biu, Wilson and the uncle of Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng, Conroy. Pursuant to the Listing Rules, the Far East Companies are associates of Mr. Doo Wai-Ho, William and hence connected persons of our Group.

These transactions with the Far East Companies have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. The fees payable are set forth in each agreement relating to these transactions. Our Group expects to continue its transactions with the Far East Companies following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by the Far East Companies to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees paid on an annual basis by our Group to the Far East Companies for engineering and construction services were approximately HK$5.0 million, HK$12.4 million, HK$8.6 million and HK$3.6 million, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of the engineering and construction services provided by the Far East Companies will be, on an annual basis, less than 0.1% and is on normal commercial terms, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

3. Information technology and telecommunication services provided by NWT Group

(a) Description of the transaction

Our Group has entered into various agreements with NWT Group, a telecommunication service provider in Hong Kong and the PRC, under which NWT Group provides certain information technology and telecommunication services as well as related services, including system management and solution services, to our Group. These transactions have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. The fees payable are set forth in each agreement relating to these transactions. Our Group expects to continue utilising and receiving such services from NWT Group following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by NWT Group to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees paid on an annual basis by our Group to NWT Group for information technology and telecommunication services were approximately HK$3.4 million, HK$2.4 million, HK$2.3 million and HK$1.7 million, respectively.

(c) Listing Rules requirements

The information technology and telecommunication services provided by NWT Group constitute the provision of shared administrative services on a cost basis, and the fees payable for these services are allocated to the parties involved on a fair and equitable basis in compliance with Rule 14A.31(8) of the Listing Rules. Accordingly, the information technology and telecommunication services, and any further agreements of the same nature that our Group may enter into, with NWT Group following the Listing Date, constitute connected transactions exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

4. NWD Hospitality Services provided by NWD Group

(a) Description of the transaction

Our Group has been using hotel, food and beverage and catering services (the "**NWD Hospitality Services**") provided by hotels owned by NWD Group, a conglomerate which is principally engaged in the investment and development of properties, hotels and department stores, infrastructure operations and service operations. These services have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. The fees payable are at market prices. Our Group expects to continue utilising such services from NWD Group following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by NWD Group to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees paid on an annual basis by our Group to NWD Group for the NWD Hospitality Services were approximately HK$1.1 million, HK$2.5 million, HK$2.2 million and HK$1.9 million, respectively.

(c) Listing Rules requirements

The NWD Hospitality Services provided by NWD Group constitute acquisitions as a consumer in the ordinary and usual course of business of consumer services from NWD Group, a connected person, on normal commercial terms in compliance with Rule 14A.31(7) of the Listing Rules. Accordingly, the NWD Hospitality Services, and any further transactions of the same nature that our Group may enter into, with NWD Group following the Listing Date, constitute connected transactions exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

5. NWD Miscellaneous Services provided by NWD Group

(a) Description of the transaction

Our Group has been using advertising services at certain properties of the NWD Group as well as parking, cleaning and merchandising services (collectively, the "**NWD Miscellaneous Services**") which were provided by members of the NWD Group, a conglomerate which is principally engaged in the investment and development of properties, hotels and department stores, infrastructure operations and service operations. These services have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. The fees payable are at market prices. Our Group expects to continue utilising such services from NWD Group following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by NWD Group to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees paid on an annual basis by our Group to NWD Group for the NWD Miscellaneous Services were approximately HK$0.4 million, HK$0.4 million, HK$0.7 million and HK$0.3 million, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of the NWD Miscellaneous Services provided by NWD Group will be, on an annual basis, less than 0.1% and is on normal commercial terms, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

6. NWDS Shopping and Advertising Services provided by NWDS Group

(a) Description of the transaction

Our Group has been purchasing shopping cards from, and using advertising services provided by, (collectively, the "**NWDS Shopping and Advertising Services**") members of the NWDS Group, which is principally engaged in the development and operation of department stores in the PRC. These purchases and services have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. The fees payable are at market prices. Our Group expects to continue with such purchases and services from NWDS Group following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by NWDS Group to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees paid on an annual basis by our Group to NWDS Group for the NWDS Shopping and Advertising Services were approximately HK$nil, HK$nil, HK$1.6 million and HK$4.6 million, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of the NWDS Shopping and Advertising Services provided by NWDS Group will be, on an annual basis, less than 0.1% and is on normal commercial terms, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

7. Macau Tenancy Arrangement

(a) Description of the transaction

As part of the Reorganisation, Ourivesaria e Relojoaria Chao Tai Fok, Limitada ("**CTF Macau**") (formerly known as Relojoaria Forever, Limitada) has acquired the jewellery and watch businesses (including the tenancies) of Ourivesaria Chao Tai Fok, Limitada ("**Ourivesaria CTF**"). Ourivesaria CTF has entered into a tenancy arrangement with Kam Iek Limitada ("**Kam Iek**"), whose entire share capital is 60% owned by CTF Holding and 40% by Chow Tai Fook Nominee Limited, both of which are engaged in investment holding, to lease certain premises in Macau in accordance with the terms of the tenancy arrangement (the "**Macau Tenancy Arrangement**"). The Macau Tenancy Arrangement was entered into by Ourivesaria CTF in the ordinary and usual course of business. The following table summarises the Macau Tenancy Arrangement between Kam Iek and CTF Macau (previously Ourivesaria CTF) as at 1 December 2011:

Landlord	Tenant	Location	Monthly rental	Term	Use
Kam Iek	CTF Macau	Shop A & B on G/F, 44-50 Avenida do Infante D. Henrique & 18 Rua do Dr. Pedro Jose Lobo, Macau	MOP490,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate rental payments made to Kam Iek by Ourivesaria CTF under the Macau Tenancy Arrangement were approximately HK$4.0 million, HK$4.0 million, HK$4.0 million and HK$2.0 million, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of the Macau Tenancy Arrangement provided by Kam Iek will be, on an annual basis, less than 0.1%, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

8. Transactions relating to one of our joint-venture partners, Hangzhou Zhouji

(a) Description of the transaction

From time to time, our Group sells jewellery products at wholesale prices to Hangzhou Zhouji Jewellery Co., Ltd. 杭州周記珠寶有限公司 ("**Hangzhou Zhouji**"), our joint-venture partner and a substantial shareholder of Hangzhou Fucai Jewellery Limited 杭州福才珠寶有限公司 ("**Hangzhou Fucai**"), a subsidiary of our Company. Hangzhou Zhouji is principally engaged in the retail of jewellery. These sales are in the ordinary and usual course of our Group's business and are on normal commercial terms as the terms offered is consistent with, and no more favourable than, those offered by our Group to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate annual value of these sales of jewellery products by our Group to Hangzhou Zhouji was approximately HK$nil, HK$20.1 million, HK$28.7 million and HK$26.7 million, respectively.

(c) Listing Rules requirements

As (i) these transactions are: (1) on normal commercial terms, (2) of a revenue nature in our Company's ordinary and usual course of business, and (3) are with persons connected to our Company only at the level of its subsidiary and (ii) Hangzhou Fucai's total assets, profits and revenue are each less than 10% of the percentage ratios (as defined under the Listing Rules) for each of FY2009, FY2010, FY2011 and 1HFY2012, these transactions constitute transactions with a person connected at the subsidiary level and as such are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33(4) of the Listing Rules.

9. Transactions relating to one of our joint-venture partners, Puning Dadefu

(a) Description of the transaction

From time to time, our Group sells jewellery products at wholesale prices to Puning Dadefu Trading Co., Ltd. 普寧市大德福貿易有限公司 ("**Puning Dadefu**"), our joint-venture partner and a substantial shareholder of Guangzhou Fuxin Jewellery Company Limited 廣州市福欣珠寶金行有限公司 ("**Guangzhou Fuxin**"), a subsidiary of our Company. Puning Dadefu is principally engaged in the trading and retail business. These sales are in the ordinary and usual course of our Group's business and are on normal commercial terms as the terms offered is consistent with, and no more favourable than, those offered by our Group to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate annual value of these sales of jewellery products by our Group to Puning Dadefu was approximately HK$nil, HK$6.0 million, HK$8.1 million and HK$3.3 million, respectively.

(c) Listing Rules requirements

As (i) these transactions are: (1) on normal commercial terms, (2) of a revenue nature in our Company's ordinary and usual course of business, and (3) are with persons connected to our Company only at the level of its subsidiary and (ii) Guangzhou Fuxin's total assets, profits and revenue are each less than 10% of the percentage ratios (as defined under the Listing Rules) for each of FY2009, FY2010, FY2011 and 1HFY2012, these transactions constitute transactions with a person connected at the subsidiary level and as such are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33(4) of the Listing Rules.

10. Transactions relating to one of our joint-venture partners, Kunming Yinfu

(a) Description of the transaction

Kunming Yinfu Jewellery Company Limited 昆明銀福珠寶首飾有限公司 ("**Kunming Yinfu**"), a subsidiary of our Company, has entered into various concessionaire agreements with Kunming

Department Store (Group) Jewellery Management Co., Ltd. 昆明百貨大樓（集團）珠寶經營有限公司 ("**Kunming Department Store Group**"), under which Kunming Department Store Group agreed to provide certain floor space in its stores in Sichuan and Yunnan provinces to Kunming Yinfu for exhibiting and selling jewellery during the term of the concessionaire agreements. Kunming Department Store Group, which is principally engaged in the development and operation of department stores in the PRC, is a joint-venture partner of our Group and a substantial shareholder of Kunming Yingfu. The terms of, and the consideration payable under, the concessionaire agreements are negotiated on an arm's length basis and on normal commercial terms.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees with respect to the concessionaire agreements paid by Kunming Yinfu were approximately HK$6.1 million, HK$10.2 million, HK$13.6 million and HK$9.9 million, respectively.

(c) Listing Rules requirements

As (i) these transactions are: (1) on normal commercial terms, (2) of a revenue nature in our Company's ordinary and usual course of business, and (3) are with persons connected to our Company only at the level of its subsidiary and (ii) Kunming Yinfu's total assets, profits and revenue are each less than 10% of the percentage ratios (as defined under the Listing Rules) for each of FY2009, FY2010, FY2011 and 1HFY2012, these transactions constitute transactions with a person connected at the subsidiary level and as such are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33(4) of the Listing Rules.

11. Security Services provided by General Security

(a) Description of the transaction

Our Group has entered into various agreements with General Security (H.K.) Limited ("**General Security**"), a company engaged in the provision of guard services and security systems, under which General Security provides security guard services as well as the design, installation and maintenance of security systems at certain POS of our Group (collectively, the "**Security Services**").

General Security is an indirect wholly-owned subsidiary of Fung Seng Enterprises Limited, which in turn is beneficially owned as to approximately 90% by Mr. Doo Wai-Hoi, William, the son-in-law of Dato' Dr. Cheng Yu-Tung, the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kam-Biu, Wilson and the uncle of Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng, Conroy. Pursuant to the Listing Rules, General Security is an associate of Mr. Doo Wai-Ho, William and hence a connected person of our Group.

The agreements for the Security Services have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. The fees payable are set forth in each agreement relating to such Security Services. Our Group expects to continue utilising such Security Services from General Security following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by General Security to independent third parties.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees paid on an annual basis by our Group to General Security for the Security Services were approximately HK$1.1 million, HK$2.0 million, HK$1.4 million and HK$0.5 million, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of the Security Services provided by General Security will be, on an annual basis, less than 0.1% and is on normal commercial terms, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

12. Acquisition of jewelleries and/or watches by directors of our Group and their associates

(a) Description of the transaction

Our Group from time to time sells jewelleries and/or watches to directors of our Group and their associates for their own private consumption or to be used as gifts. These sales were entered into in the ordinary and usual course of our Group's business and are on normal commercial terms which are no more favourable than those offered to third party customers. Our Group expects to continue with such sales to directors of our Group and their associates following the Listing Date.

(b) Listing Rules requirements

The sales of jewelleries and/or watches, being consumer goods, to directors of our Group and their associates by our Group constitute acquisitions as a consumer and are acquired by directors of our Group and their associates for their own private consumption or to be used as gifts. The sales are conducted in the ordinary and usual course of our Group's business and are on normal commercial terms in compliance with Rule 14A.31(7) of the Listing Rules. Accordingly, these sales of jewelleries and/or watches to, and any further transactions of the same nature that our Group may enter into with, the directors of our Group and their associates following the Listing Date, constitute connected transactions exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

13. Purchase of jewelleries and/or watches by CTFE Group

(a) Description of the transaction

Our Group from time to time sells jewelleries and/or watches to members of the CTFE Group, which is engaged in investment holding, for their own private consumption or to be used as gifts. These sales were entered into in the ordinary and usual course of our Group's business and are on normal commercial terms which are no more favourable than those offered to third party customers. Our Group expects to continue with such sales to members of the CTFE Group following the Listing Date.

(b) Listing Rules requirements

The sales of jewelleries and/or watches, being consumer goods, to members of the CTFE Group by our Group constitute acquisitions as a consumer and are acquired by members of the CTFE Group for their own private consumption or to be used as gifts. The sales are conducted in the ordinary and usual course of our Group's business and are on normal commercial terms in compliance with Rule 14A.31(7) of the Listing Rules. Accordingly, these sales of jewelleries and/or watches to, and any further transactions of the same nature that our Group may enter into with, members of the CTFE Group following the Listing Date, constitute connected transactions exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

14. Purchase of wine and beverages from Anway Limited

(a) Description of the transaction

Our Group from time to time purchases wines and beverages from Anway Limited, which is principally engaged in the business of operating duty free shops and a wholly-owned subsidiary of NWS. These purchases were entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. Our Group expects to continue with such purchases from Anway Limited following the Listing Date and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by Anway Limited to independent third parties.

(b) Listing Rules requirements

The purchases of wines and beverages, being consumer goods, constitute acquisitions as a consumer in the ordinary and usual course of business of consumer services from Anway Limited, a connected person, on normal commercial terms in compliance with Rule 14A.31(7) of the Listing Rules. Accordingly, the purchases of wines and beverages from, and any further transactions of the same nature that our Group may enter into with, Anway Limited following the Listing Date, constitute connected transactions exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

15. NWD Master Sales Agreement

(a) Background of the transaction

Our Group sells jewelleries at various floor space locations at NWDS Stores, which are owned and/or operated by NWDS Group. NWDS Group is principally engaged in the business of owning and operating NWDS Stores in the PRC. NWD, a connected person of both our Group and NWDS Group, is principally engaged in investments in property, infrastructure, hotel operation, department store operation services as well as telecommunication and technology.

NWDS Group may from time to time accept NWD Shopping Vouchers from, and/or issue NWD Prepaid Shopping Cards to, NWD Group, which could be used or redeemed for the purchase of merchandise at NWDS Stores. Similar to the aforesaid, NWDS Group may from time to time accept NWDS CTF Joint Name Vouchers from, and issue the NWD Prepaid Shopping Cards to, CTF HK Group, which could be used or redeemed for the purchase of merchandise at NWDS Stores.

(b) Description of the transaction

On 22 March 2011, CTF HK, a subsidiary of our Company, entered into a master sales agreement (the "**NWD Master Sales Agreement**") with NWDS and NWD for a term commencing on 22 March 2011 and ending on 30 June 2013 (both days inclusive). Pursuant to the NWD Master Sales Agreement, NWDS Group allowed merchandise in NWDS Stores to be sold to customers who present NWD Shopping Vouchers, NWD Prepaid Shopping Cards and/or NWDS CTF Joint Name Vouchers at NWDS Stores.

In the case of customers who purchase jewelleries of CTF HK Group using NWD Shopping Vouchers at NWDS Stores:

- CTF HK Group has agreed to offer NWD Shopping Vouchers Commissions (being the commissions payable by CTF HK Group to NWDS Group for use of floor space in NWDS Stores under the NWDS Master Concessionaire Counter Agreement) to NWD Group; and

- NWDS Group has agreed to offer NWD Rebates to CTF HK Group,

in respect of such purchases.

NWDS Group will, subject to the arrangements under the relevant NWD Sales Contracts, reconcile the amount of such NWD Shopping Vouchers Commissions and/or NWD Rebates with the amount receivable from the NWD Group in connection with the relevant NWD Shopping Vouchers and NWDS Group will settle such amounts with CTF HK Group. The rate of the NWD Shopping Vouchers Commission or NWD Rebates will be determined in accordance with the terms of the relevant NWD Sales Contracts.

Further, under the NWD Master Sales Agreement, CTF HK Group also allowed customers to purchase jewelleries of CTF HK Group using NWDS CTF Joint Name Vouchers at NWDS Stores. In connection with this arrangement, CTF HK Group will offer NWDS CTF Joint Name Vouchers Commissions (which is in addition to the commissions payable by CTF HK Group to NWDS Group for use of floor space in NWDS Stores under the NWDS Master Concessionaire Counter Agreement) to NWDS Group in respect of customers who purchased jewelleries of CTF HK Group at NWDS Stores using NWDS CTF Joint Name Vouchers. The rate of such NWDS CTF Joint Name Vouchers Commissions will be determined in accordance with the terms of the relevant NWD Sales Contracts.

The NWD Master Sales Agreement terminated a previous master sales agreement which was entered into by NWDS and NWD on 18 June 2010.

The terms of, and the consideration payable in respect of, each NWD Transaction (including the amount of consideration payable and the payment terms) under a NWD Sales Contract shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by NWDS Group and/or NWD Group to independent third parties. The arrangements under the NWD Master Sales Agreement were disclosed in the announcement of NWDS dated 22 March 2011.

(c) Historical transaction amounts

There was no historical transaction in respect of the NWD Master Sales Agreement prior to 22 March 2011 given that the term of the NWD Master Sales Agreement started on the same date. For the period from 22 March 2011 to 31 March 2011 and 1HFY2012, the aggregate payment made to NWDS Group by our Group under the NWD Master Sales Agreement was approximately HK$47,550 and HK$50,192, respectively, based on the anticipated growth of our Group's business.

(d) Listing Rules requirements

As the highest relevant percentage ratio in respect of the NWD Master Sales Agreement will be, on an annual basis, less than 0.1% and is on normal commercial terms, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

16. NWCL Master Sales Agreement

(a) Background of the transaction

Our Group sells jewelleries at various floor space locations at NWDS Stores, which are owned and/or operated by NWDS Group. NWDS Group is principally engaged in the business of owning and operating NWDS Stores in the PRC. NWCL Group, a connected person of both our Group and NWDS Group, is principally engaged in property development in the PRC.

NWCL Group may from time to time issue NWCL Shopping Vouchers to purchasers of properties of NWCL Group, which could be used or redeemed at NWDS Stores. In connection with the aforesaid, NWDS Group may from time to time issue NWCL Prepaid Shopping Cards to NWCL Group which could be used or redeemed for the purchase of merchandise at NWDS Stores.

(b) Description of the transaction

On 22 March 2011, CTF HK, a subsidiary of our Company, entered into a master sales agreement (the "**NWCL Master Sales Agreement**") with NWDS and NWCL for a term commencing on 22 March 2011 and ending on 30 June 2013 (both days inclusive). Pursuant to the NWCL Master Sales Agreement, NWDS Group allowed merchandise in NWDS Stores to be sold to customers who present NWCL Shopping Vouchers, NWCL Prepaid Shopping Cards or any other means acceptable to NWDS Group at NWDS Stores on condition that the relevant value represented by the NWCL Shopping Vouchers, NWCL Prepaid Shopping Cards or any other means acceptable to NWDS Group will be settled by NWCL Group.

In the case of customers who purchase jewelleries of CTF HK Group using NWCL Shopping Vouchers or any other means acceptable to NWDS Group at NWDS Stores:

- CTF HK Group has agreed to offer NWCL Commissions (being the commissions payable by CTF HK Group to NWDS Group for use of floor space in NWDS Stores under the NWDS Master Concessionaire Counter Agreement) to NWCL Group; and

- NWDS Group has agreed to offer NWCL Rebates (being the rebates payable by NWDS Group to CTF HK Group under the NWD Master Sales Agreement) to CTF HK Group,

in respect of such purchases.

NWDS Group will, subject to the arrangements under the relevant NWCL Sales Contracts, reconcile the amount of such NWCL Commissions and/or NWCL Rebates with the amount receivable from the NWCL Group in connection with the relevant NWCL Transactions and NWDS Group will settle such amounts with CTF HK Group. The rate of the NWCL Commissions or NWCL Rebates will be determined in accordance with the terms of the relevant NWCL Sales Contracts.

The NWCL Master Sales Agreement terminated a previous master sales agreement which was entered into by the same parties on 22 May 2009 and was subsequently amended on 21 September 2009.

The terms of, and the consideration payable in respect of, each NWCL Transaction (including the amount of consideration payable and the payment terms) under a NWCL Sales Contract shall be negotiated on a case-by-case basis and in compliance with the applicable laws and regulations, on an arm's length basis, on normal commercial terms and on terms no less favourable than the terms offered by NWDS Group and/or NWCL Group to independent third parties. The arrangements under the NWCL Master Sales Agreement were disclosed in the joint announcement of NWDS and NWCL dated 22 March 2011.

(c) Historical transaction amounts

There was no historical transaction in respect of the NWCL Master Sales Agreement prior to 22 March 2011 given that the term of the NWCL Master Sales Agreement started on the same date. For the period from 22 March 2011 to 31 March 2011 and 1HFY2012, there was no payment made by CTF HK Group under the NWCL Master Sales Agreement.

(d) Listing Rules requirements

As the highest relevant percentage ratio in respect of the NWCL Master Sales Agreement will be, on an annual basis, less than 0.1% and is on normal commercial terms, it will constitute a *de minimis* continuing connected transaction exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

17. Financial assistance by connected persons to certain of our Group's PRC subsidiaries

(a) Description of the transaction

Some of our Group's non wholly-owned PRC subsidiaries received loans, which constitute financial assistance, from their respective minority shareholders (the "**Joint-venture Partners**"). The loans were predominantly used by our PRC subsidiaries as working capital. As the Joint-venture Partners are substantial shareholders of certain of our PRC subsidiaries, they are persons connected to our Company only at the level of our subsidiaries. The loans were extended by our Joint-venture Partners to our PRC subsidiaries either on normal commercial terms or on terms which were better to the Group. No security has been granted over the assets of our Group in respect of such financial assistance.

(b) Listing Rules requirements

The granting of loans by our Joint-venture Partners to certain of our PRC subsidiaries constitute financial assistance to our Group by connected persons. As the loans were granted for the benefit of our PRC subsidiaries and are either on normal commercial terms or on terms which are better to the Group with no security granted over the assets of our Group, the loan arrangements are in compliance with Rule 14A.65(4) of the Listing Rules. Accordingly, these loans that our Group enters into with our Joint-venture Partners, following the Listing Date, constitute connected transactions exempt pursuant to Rule 14A.65(4) of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

18. Related Party's Loans and the Dr. Henry Cheng Guarantee

(a) Description of the transaction

There are Related Party's Loans between the Group and certain members of CTFE Group, including the Dr. Henry Cheng Guarantee, which will remain in place after the Listing. Details of the Related Party's Loans between the Group and CTFE Group and the Dr. Henry Cheng Guarantee are contained in the section headed "Relationship with our Controlling Shareholders—Independence from our Controlling Shareholders and their associates—Financial independence".

(b) Listing Rules requirements

The Related Party's Loans and the Dr. Henry Cheng Guarantee constitute financial assistance to our Group by connected persons. As the Related Party's Loans and the Dr. Henry Cheng Guarantee are for the benefit of the Group and are either on normal commercial terms or on terms which are better to the Group with no security granted over the assets of our Group, the Related Party's Loans and the Dr. Henry Cheng Guarantee are in compliance with Rule 14A.65(4) of the Listing Rules. Accordingly, the Related Party's Loans and the Dr. Henry Cheng Guarantee, following the Listing Date, constitute connected transactions exempt pursuant to Rule 14A.65(4) of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as continuing connected transactions exempt from independent shareholders' approval requirement but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

1. NWDS Master Concessionaire Counter Agreement

(a) Description of the transaction

CTF HK Group operates some of its business at the NWDS Stores, which are owned and operated by NWDS Group, which is principally engaged in the development and operation of department stores in the PRC. On 22 May 2009, CTF HK entered into a master concessionaire counter agreement (the "**NWDS Master Concessionaire Counter Agreement**") with NWDS for a term commencing on 1 July 2009 and ending on 30 June 2012 (both days inclusive), pursuant to which NWDS agreed to, and to procure its subsidiaries to, provide floor space in the NWDS Stores to CTF HK Group from time to time for exhibiting and selling jewellery during the term of the NWDS Master Concessionaire Counter Agreement in accordance with its terms and the terms and conditions of (a) the relevant concessionaire counter agreements to be entered into between members of the NWDS Group and members of the CTF HK Group which are still in force and have not expired; or (b) the relevant concessionaire counter agreements to be entered into between members of the NWDS Group and members of the CTF HK Group from time to time. The terms of, and the consideration payable under, the new concessionaire counter agreements are negotiated on a case-by-case basis and in compliance with the applicable laws, on an arm's length basis and on normal commercial terms. The arrangements under the NWDS Master Concessionaire Counter Agreement were disclosed in the announcement of NWDS dated 22 May 2009.

For each transaction under the Master Concessionaire Counter Agreement, pursuant to the relevant concessionaire counter agreements, commissions and basic usage costs are payable by the CTF HK Group to members of the NWDS Group for the use of the floor space in the NWDS Stores. Such commissions are to be calculated by a pre-determined percentage of sales made for each type of the products sold at the concessionaire counters and the gross sales figures of concessionaire counters, while the basic usage costs comprise the general promotional contributions and other fixed charges.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate fees with respect to the concessionaire counter agreements paid or payable by our Group were approximately HK$48.9 million, HK$53.6 million, HK$73.3 million and HK$50.2 million, respectively. The fees paid to NWDS Group by our Group are on normal commercial terms and are on terms which are no less favourable than the terms for similar transactions with independent third parties.

(c) Annual caps on future transaction amounts

Despite the fact that the terms of the concessionaire counter agreements with NWDS Group ranged from one year to two years, based on historical arrangements, it is expected that each of the agreements will be renewed upon expiry. In this regard, it is expected that the aggregate fees payable by our Group with respect to the concessionaire counter agreements to NWDS Group for the year ending 31 March 2012 and the three months ending 30 June 2012 will not exceed the caps of approximately HK$139.0 million and HK$58.0 million, respectively. In arriving at the abovementioned caps, our Company has taken into account the terms of the existing concessionaire counter agreements, the historical transaction amounts, the approximate 79.3% increase in turnover for 1HFY2012 compared to 1HFY2011, the expected increase of sales of each of the concessionaire counters of the CTF HK Group along with the number of new concessionaire counters which members of the CTF HK Group might enter into. The Directors consider that the abovementioned caps are reasonably determined pursuant to Rule 14A.35(2) of the Listing Rules.

(d) Listing Rules requirements

As the highest relevant percentage ratio in respect of the NWDS Master Concessionaire Counter Agreement will be, on an annual basis, more than 0.1% but less than 5% and is on normal commercial terms, it will be exempt pursuant to Rule 14A.34 of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements in Chapter 14A of the Listing Rules.

2. Transactions between Lifestyle International Group and our Group

(a) Description of the transaction

Lifestyle International Group, a Hong Kong-based retail operator that specialises in the operation of mid to upper-end department stores in Hong Kong and the PRC, has entered into various transactions (the "**Lifestyle Transactions**") with members of our Group in the ordinary and usual course of our Group's business arising from:

- concessionaire arrangements in respect of retailing counters for the sale of jewellery and watches at Lifestyle International's properties in Hong Kong and the PRC by our Group; and
- leasing of premises at Lifestyle International Group's property in Tianjin by our Group.

Our Group expects to enter into transactions of this nature between the Lifestyle International Group and members of our Group following the Listing Date.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate annual value of payments made to Lifestyle International by our Group was approximately HK$12.6 million, HK$14.4 million, HK$21.0 million and HK$16.2 million, respectively. The payments made to Lifestyle International by our Group are on normal commercial terms and are on terms which are no less favourable than the terms for similar transactions with independent third parties.

(c) Framework Agreement with Lifestyle International Group

To ensure that the Lifestyle Transactions between Lifestyle International Group and the rest of our Group comply with Rule 14A.35 of the Listing Rules, the Company entered into a framework agreement with Lifestyle International (the "**Lifestyle International Framework Agreement**") on 29 November 2011 with effect from the Listing Date. The Lifestyle International Framework Agreement stipulates that the Lifestyle Transactions between Lifestyle International Group and the rest of our Group must be (i) in the usual course of business of our Company and Lifestyle International; (ii) on normal commercial terms; and (iii) in compliance with all applicable provisions of the Listing Rules. The Lifestyle International Framework Agreement expires on 31 March 2014 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving 30 business days' prior written notice.

(d) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules, our Company has set annual caps for the maximum aggregate amount payable under the Lifestyle Transactions between the Lifestyle International Group and our Group for the years ending 31 March 2012, 2013 and 2014. It is anticipated that the aggregate annual value of payments in respect of the Lifestyle Transactions made to Lifestyle International by our Group for the years ending 31 March 2012, 2013 and 2014 will be approximately HK$42.0 million, HK$68.0 million and HK$117.0 million, respectively.

The abovementioned annual caps have been estimated primarily based on the terms of the existing concessionaire and leasing arrangements, the historical transaction amounts, the approximate 79.3% increase in turnover for 1HFY2012 compared to 1HFY2011, the fact that two new POS were opened at Lifestyle International Group's property in Tianjin in the first quarter of 2011, the expected increase of sales of each of the concessionaire counters of our Group along with the number of new concessionaire counters and/or new tenancies which members of our Group might enter into. The Directors consider that the abovementioned caps are reasonably determined pursuant to Rule 14A.35(2) of the Listing Rules.

(e) Listing Rules requirements

As the highest relevant percentage ratio in respect of the Lifestyle Transactions between Lifestyle International Group and our Group will be, on an annual basis, more than 0.1% but less than 5% and is on normal commercial terms, it will be exempt pursuant to Rule 14A.34 of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements in Chapter 14A of the Listing Rules.

3. Tenancy arrangements between NWD Group and our Group

(a) Description of the transaction

Members of our Group have entered into various tenancy arrangements with members of the NWD Group to lease certain premises in accordance with the respective terms of the relevant tenancy agreements (the "**NWD Tenancy Agreements**"). NWD Group is principally engaged in the investment and development of properties, hotels and department stores, infrastructure operations and service operations. As at 1 December 2011, our Group has entered into 11 NWD Tenancy Agreements with members of the NWD Group in respect of the lease of certain properties owned by members of the NWD Group to our Group and these NWD Tenancy Agreements were entered into by our Group after having considered, among others, the prime location of the relevant properties and the terms offered by the NWD Group. The tenancy agreements were entered into in the ordinary and usual course of our Group's business. The following table summarises the NWD Tenancy Agreements between our Group and NWD Group as at 1 December 2011:

Landlord	Tenant	Location	Monthly rental	Term	Use
Paterson Plaza Properties Limited	CTF HK	Shop No.1 on G/F, Pearl City, Paterson Street, Causeway Bay, Hong Kong	HK$750,000	3 years from 1 December 2010 to 30 November 2013	Retail shop
Ever Light Limited	CTF HK	Portion B, 4/F, Pearl City Mansion, 24-32 Paterson Street, Causeway Bay, Hong Kong	HK$9,000	3 years from 1 December 2010 to 30 November 2013	Office

Landlord	Tenant	Location	Monthly rental	Term	Use
New World Tower Company Limited	CTF HK	31/F, New World Tower, 16-18 Queen's Road Central, Hong Kong	HK$464,162	3 years from 1 February 2011 to 31 January 2014	Office
New World Tower Company Limited	CTF HK	38/F, New World Tower, 16-18 Queen's Road Central, Hong Kong	HK$393,624	3 years from 1 November 2010 to 31 October 2013	Office
New World Tower Company Limited	CTF HK	Room 3903, New World Tower, 16-18 Queen's Road Central, Hong Kong	HK$123,305	3 years from 28 October 2010 to 27 October 2013	Office
Pridemax Limited	CTF HK	Shop No.44 & 46, G/F, Manning House, 38-48 Queen's Road Central, Hong Kong	HK$1,572,000	3 years from 1 October 2010 to 30 September 2013	Retail shop
Pridemax Limited	CTF HK	Room 1109, Manning House, 38-48 Queen's Road Central, Hong Kong	HK$13,680	3 years from 1 July 2010 to 30 June 2013	Office
Sunfield Investments Limited Park New Astor Hotel Limited	Markson Limited	Shop No.G02-4, G/F, K11, 18 Hanoi Road, Tsimshatsui, Kowloon, Hong Kong	HK$388,320	3 years from 10 October 2009 to 9 October 2012	Retail shop
Sunfield Investments Limited Park New Astor Hotel Limited	CTF HK	Shop No.G06, G/F and Shop No.113, 1/F, K11, 18 Hanoi Road, Tsimshatsui, Kowloon, Hong Kong	HK$977,400	3 years from 30 September 2009 to 29 September 2012	Retail shop
New World Development (Wuhan) Co., Ltd.	Chow Tai Fook Jewellery Company (Wuhan) Limited	Shop 1-1A, 1-1B, New World Centre, Pedestrian Street, 634 Hanko Liberation Avenue, Wuhan, PRC	RMB40,339	3 years from 1 May 2010 to 30 April 2013	Retail shop
Hubei New World Department Store Company Limited	Chow Tai Fook Jewellery Company (Wuhan) Limited	Shop 13-2, First Floor, New World, Centre Back Street, 634 Hanko Liberation Avenue, Wuhan, PRC	RMB122,400	46 months from 1 November 2008 to 31 August 2012	Retail shop

Knight Frank Petty Limited, our independent property valuer, has confirmed that the terms and conditions of the NWD Tenancy Agreements are on normal commercial terms and conditions and are fair and reasonable except the absence of rental deposit clause to be borne by our Group. Knight Frank Petty Limited is also of the view that the monthly rental paid by our Group under each of the NWD Tenancy Agreements is no less favourable than that offered by an independent third party.

(b) Historical transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate annual rental payment made to NWD Group by our Group under the NWD Tenancy Agreements was approximately HK$25.9 million, HK$29.5 million, HK$49.6 million and HK$28.8 million, respectively.

(c) NWD Tenancy Framework Agreement with NWD Group

Our Group expects to enter into transaction of this nature between NWD Group and members of our Group following the Listing Date. To ensure that all tenancy transactions between NWD Group and the rest of our Group comply with Rule 14A.35 of the Listing Rules, our Company entered into a tenancy framework agreement with NWD (the "**NWD Tenancy Framework Agreement**") on 28 November 2011 with effect from the Listing Date. The NWD Tenancy Framework Agreement stipulates that all tenancy transactions between NWD Group and the rest of our Group must be (i) in writing; (ii) in the usual course of business of our Company; (iii) on normal commercial terms; and (iv) in compliance with all applicable provisions of the Listing Rules. The NWD Tenancy Framework Agreement expires on 31 March 2014 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving 30 business days' prior written notice.

(d) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules, our Company has set annual caps for the maximum aggregate rental amount payable under the tenancy transactions between NWD Group and our Group for the years ending 31 March 2012, 2013 and 2014. It is anticipated that the aggregate annual value of rental payments made to NWD Group by our Group for the years ending 31 March 2012, 2013 and 2014 will be approximately HK$70.0 million, HK$125.0 million and HK$136.0 million, respectively.

The abovementioned annual caps have been estimated primarily based on our consideration of the existing rentals of our properties, the current rentals of other properties in the same areas and the prevailing market rates at the time when entering or renewing the leases. Our POS and floor space planning corresponds to our turnover growth. Our turnover increased by approximately 79.3% for 1HFY2012 compared to 1HFY2011. The Directors consider that the abovementioned caps are reasonably determined pursuant to Rule 14A.35(2) of the Listing Rules.

(e) Listing Rules requirements

As the highest relevant percentage ratio in respect of the NWD Tenancy Agreements between NWD Group and our Group will be, on an annual basis, more than 0.1% but less than 5% and is on normal commercial terms, it will be exempt pursuant to Rule 14A.34 of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements in Chapter 14A of the Listing Rules.

4. Tenancy arrangements between CTFE Group and our Group

(a) Description of the transaction

Members of our Group have entered into various tenancy arrangements with members of the CTFE Group to lease certain premises in accordance with the respective terms of the relevant tenancy arrangements (the "**CTFE Tenancy Arrangements**"). CTFE Group is principally engaged in investment holding. As at 1 December 2011, our Group has entered into 20 CTFE Tenancy Arrangements with members of the CTFE Group in respect of the lease of certain properties owned by members of the CTFE Group to our Group and these CTFE Tenancy Arrangements were entered into by our Group after having considered, among others, the location of the relevant properties and the terms offered by the CTFE Group. The tenancy arrangements were entered into in the ordinary and usual course of our Group's business. The following table summarises the CTFE Tenancy Arrangements between our Group and CTFE Group as at 1 December 2011:

Landlord	Tenant	Location	Monthly rental	Term	Use
Chief Ray Limited	CTF HK	Shop No.11, G/F & Shop No.6A, 1/F, Park Lane Shopper's Boulevard, Kowloon, Hong Kong	HK$737,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop
Kinsion Limited	CTF HK	Shop No.12, G/F & Shop No.6B, 1/F, Park Lane Shopper's Boulevard, Kowloon, Hong Kong	HK$655,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop
Mayard Limited	CTF HK	Shop No.13, G/F & Shop No.7A, 1/F, Park Lane Shopper's Boulevard, Kowloon, Hong Kong	HK$655,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop
Topscene Limited	CTF HK	Shop No.14, G/F & Shop No.7B, 1/F, Park Lane Shopper's Boulevard, Kowloon, Hong Kong	HK$655,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop
Fook Tai Investment Company Limited	CTF HK	G/F, 422 Prince Edward Road West, Kowloon City, Kowloon, Hong Kong	HK$83,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop
Fook Tai Investment Company Limited	CTF HK	G/F, 61-63 Mut Wah Street, Kwun Tong, Kowloon, Hong Kong	HK$321,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop

Landlord	Tenant	Location	Monthly rental	Term	Use
Fook Tai Investment Company Limited	CTF HK	Flat J-K, 1/F, Winner Building, 8-16 Wing Wah Lane, Central, Hong Kong	HK$19,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Residential
Fook Tai Investment Company Limited	CTF HK	Flat M, 15/F, Hennessy Apartment, 48 Percival Street, Hong Kong	HK$15,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Residential
Fook Tai Investment Company Limited	CTF HK	Flat B-2, 3/F, Burlington House, 92 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$23,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Residential
Fook Tai Investment Company Limited	CTF HK	Room 1802-3, Sun Hing Building, 607 Nathan Road, Kowloon, Hong Kong	HK$22,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Residential
Fook Tai Investment Company Limited	CTF HK	Flat G, 4/F, Hong Ping Building, 65 Hip Wo Street, Kwun Tong, Kowloon, Hong Kong	HK$6,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Residential
Fook Tai Investment Company Limited	CTF HK	Flat B, 12/F, Block 2, Wai Wah Centre, 11/17 Sha Tin Centre Street, Shatin, New Territories, Hong Kong	HK$10,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Residential
Maronne Limited	CTF HK	G01-G06, 580A Nathan Road, Mongkok, Kowloon, Hong Kong	HK$1,631,000	2 years and 4 months from 1 December 2011 to 31 March 2014	Retail shop
Maronne Limited	CTF HK	2201-06, 22/F, Chow Tai Fook Centre, 580 A-F Nathan Road, Mongkok, Kowloon, Hong Kong	HK$114,900	2 years and 4 months from 1 December 2011 to 31 March 2014	Office

Landlord	Tenant	Location	Monthly rental	Term	Use
Global Winner Limited	CTF HK	G/F, 2/F-4/F, 24/F-25/F, World Peace Tower, 55 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	HK$403,800	36 months from 1 May 2009 to 30 April 2012	Industrial
Global Winner Limited	CTF HK	Units 6-10, 8/F, World Peace Tower, 55 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	HK$38,100	3 years from 18 October 2010 to 17 October 2013	Industrial
Global Winner Limited	CTF HK	12/F and 15/F, World Peace Tower, 55 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	HK$188,900	3 years from 1 July 2011 to 30 June 2014	Industrial
Chao Tai Fok Import & Export and Investment Company Limited	CTF Macau	Shop C, G/F, 38-42 Avenida do Infante D. Henrique, Macau	MOP193,000	2 years, 6 months and 3 days from 28 September 2011 to 31 March 2014	Retail shop
Chao Tai Fok Import & Export and Investment Company Limited	CTF Macau	G/F, Cockloft, 1/F, 2/F, 3/F & 4/F, 328 Avenida De Almeida Ribeiro & 4 Travessa Do Paralelo, Macau	MOP509,000	2 years, 6 months and 3 days from 28 September 2011 to 31 March 2014	Retail shop and office
Chao Tai Fok Import & Export and Investment Company Limited	CTF Macau	1/F & 2/F, 352 Avenida De Almeida Ribeiro Macau	MOP14,800	2 years, 6 months and 3 days from 28 September 2011 to 31 March 2014	Office

Knight Frank Petty Limited, our independent property valuer, has confirmed that the terms and conditions of the CTFE Tenancy Arrangements are on normal commercial terms and conditions and are fair and reasonable. Knight Frank Petty Limited is also of the view that the monthly rental paid by our Group under each of the CTFE Tenancy Arrangements is no less favourable than that offered by an independent third party.

(b) Historical and future transaction amounts

For each of FY2009, FY2010, FY2011 and 1HFY2012, the aggregate annual rental payment made to CTFE Group by our Group under the CTFE Tenancy Arrangements was approximately HK$20.0 million, HK$22.0 million, HK$22.6 million and HK$11.5 million, respectively.

(c) CTFE Tenancy Framework Agreement with CTFE Group

Our Group expects to enter into transactions of this nature between CTFE Group and members of our Group following the Listing Date. To ensure that all tenancy transactions between CTFE Group and the rest of our Group comply with Rule 14A.35 of the Listing Rules, our Company entered into a tenancy framework agreement with CTFE (the "**CTFE Tenancy Framework Agreement**") on 28 November 2011 with effect from the Listing Date. The CTFE Tenancy Framework Agreement stipulates that all tenancy transactions between CTFE Group and the rest of our Group must be (i) in writing; (ii) in the usual course of business of our Company; (iii) on normal commercial terms; and (iv) in compliance with all applicable provisions of the Listing Rules. The CTFE Tenancy Framework Agreement expires on 31 March 2014 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving 30 business days' prior written notice.

(d) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules, our Company has set annual caps for the maximum aggregate rental amount payable under the tenancy transactions between CTFE Group and our Group for the years ending 31 March 2012, 2013 and 2014. It is anticipated that the aggregate annual value of rental payments made to CTFE Group by our Group for the years ending 31 March 2012, 2013 and 2014 will be approximately HK$49.0 million, HK$97.0 million and HK$97.0 million, respectively.

The abovementioned annual caps have been estimated primarily based on our consideration of the existing rentals of our properties, the current rentals of other properties in the same areas, the prevailing market rates at the time when entering or renewing the leases, and our plan that two new tenancy agreements to be entered into with members of the CTFE Group will be effective near the end of 2011. As some of CTFE Group's properties are currently leased by our Group at below market rates, it is expected that CTFE Group will revise rentals for certain properties to match market levels and will be set at a rate which is no less favourable than that offered by an independent third party. In addition, our POS and floor space planning corresponds to our turnover growth. Our turnover increased by approximately 79.3% for 1HFY2012 compared to 1HFY2011. The Directors consider that the abovementioned caps are reasonably determined pursuant to Rule 14A.35(2) of the Listing Rules.

(e) Listing Rules requirements

As the highest relevant percentage ratio in respect of the CTFE Tenancy Arrangements between CTFE Group and our Group will be, on an annual basis, more than 0.1% but less than 5% and is on normal commercial terms, it will be exempt pursuant to Rule 14A.34 of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements in Chapter 14A of the Listing Rules.

Aggregation of certain non-exempt continuing connected transactions

The following table summarises the aggregation of certain non-exempt continuing connected transactions between the Group and connected persons of the Company after the Listing.

	Historical figures				Annual caps		
Transaction	Year ended 31 March			Six months ended 30 September	Year ending 31 March		
	2009	2010	2011	2011	2012	2013	2014
	HK$million	*HK$million*	*HK$million*	*HK$million*	*HK$million*	*HK$million*	*HK$million*
1. Tenancy arrangements between NWD Group and our Group	25.9	29.5	49.6	28.8	70.0	125.0	136.0
2. Tenancy arrangements between CTFE Group and our Group	20.0	22.0	22.6	11.5	49.0	97.0	97.0
Total	**45.9**	**51.5**	**72.2**	**40.3**	**119.0**	**222.0**	**233.0**

Each of the tenancy arrangements between NWD Group and our Group and the tenancy arrangements between CTFE Group and our Group (collectively, the "**Aggregated Non-Exempt Continuing Connected Transactions**") constitutes a connected transaction under Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.25 of the Listing Rules, the Stock Exchange will aggregate a series of connected transactions as if they were one transaction if they were all completed within a 12-month period or are otherwise related. Further, under Rule 14A.26 of the Listing Rules, in determining whether connected transactions will be aggregated, the Stock Exchange will take into account whether the connected transactions were entered into by an issuer with the same party or with parties connected or otherwise associated with one another. In light of Rules 14A.25 and 14A.26 of the Listing Rules, the Aggregated Non-Exempt Continuing Connected Transactions have been aggregated given that the nature of the transactions are related and the counterparties to the Aggregated Non-Exempt Continuing Connected Transactions are connected or otherwise associated with the Company. As the highest relevant percentage ratio in respect of the Aggregated Non-Exempt Continuing Connected Transactions will be, on an annual basis, more than 0.1% but less than 5% and the Aggregated Non-Exempt Continuing Connected Transactions are on normal commercial terms, they will be exempt pursuant to Rule 14.34A of the Listing Rules from the independent shareholders' approval requirement but will be subject to the reporting and announcement requirements in Chapter 14A of the Listing Rules.

Waiver application for non-exempt continuing connected transactions

In respect of the NWDS Master Concessionaire Counter Agreement, transactions under the Lifestyle International Framework Agreement and the Aggregated Non-Exempt Continuing Connected Transactions described in this section, as the highest applicable percentage ratio as set out in the Listing Rules is, on an annual basis, in each case expected to be more than 0.1% but less than 5%, such transactions are exempt from the independent shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Listing Rules.

As described above, our Company expects these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, our Company has applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement relating to continuing connected transactions under Rule 14A.35 of the Listing Rules in respect of the NWDS Master Concessionaire Counter Agreement, transactions under the Lifestyle International Framework Agreement and the Aggregated Non-Exempt Continuing Connected Transactions.

Our Company will, however, comply at all times with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in respect of these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, our Company will take immediate steps to ensure compliance with such new requirements.

Confirmation from Directors

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described in this section have been entered into in the ordinary and usual course of business of our Company and are on normal commercial terms. The Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of our Company, are on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable, and in the interests of the Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of our Company, are on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable, and in the interest of the Shareholders as a whole.

DIRECTORS

Our Board of Directors consists of 15 Directors, eight of whom are executive Directors, three of whom are non-executive Directors and four of whom are independent non-executive Directors. The following table sets out certain information concerning our Directors:

Name	Age	Year joined	Position
Dato' Dr. Cheng Yu-Tung (鄭裕彤)	86	1947	Honorary Chairman and Non-executive Director
Dr. Cheng Kar-Shun, Henry (鄭家純)	64	1971	Chairman and Executive Director
Mr. Wong Siu-Kee, Kent (黃紹基)	55	1977	Managing Director
Mr. Cheng Chi-Kong, Adrian (鄭志剛)	32	2007	Executive Director
Mr. Cheng Chi-Heng, Conroy (鄭志恒)	34	2007	Executive Director
Mr. Chan Sai-Cheong (陳世昌)	49	1985	Executive Director
Mr. Chan Hiu-Sang, Albert (陳曉生)	61	1977	Executive Director
Mr. Cheng Ping-Hei, Hamilton (鄭炳熙)	37	2004	Executive Director
Mr. Suen Chi-Keung, Peter (孫志強)	46	1985	Executive Director
Mr. Cheng Kam-Biu, Wilson (鄭錦標)	53	1979	Non-executive Director
Mr. Koo Tong-Fat (古堂發)	61	1985	Non-executive Director
Dr. Fung Kwok-King, Victor (馮國經)	66	2011	Independent non-executive Director
Mr. Kwong Che-Keung, Gordon (鄺志強)	62	2011	Independent non-executive Director
Mr. Lam Kin-Fung, Jeffrey (林健鋒)	60	2011	Independent non-executive Director
Mr. Or Ching-Fai, Raymond (柯清輝)	61	2011	Independent non-executive Director

Honorary Chairman and Non-executive Director

Dato' Dr. Cheng Yu-Tung (鄭裕彤), GBM, aged 86, was appointed as our Honorary Chairman and non-executive Director on 26 July 2011. Dr. Cheng is responsible for advising on overall strategic planning and management of our Group.

Dr. Cheng joined our Group in January 1947 as a trainee and rose through the ranks to become the permanent chairman of CTF HK in March 1961.

Dr. Cheng holds the following positions in companies listed on the Main Board of the Stock Exchange:

- chairman and executive director of NWD;
- non-executive director of Shun Tak Holdings Limited;
- non-executive director of SJM Holdings Limited;
- chairman and executive director of Melbourne Enterprises Limited; and
- chairman and non-executive director of Lifestyle International.

Dr. Cheng is the permanent chairman of CTFE and a director of CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding. Dr. Cheng was also an independent non-executive director of Hang Seng Bank Limited (a company listed on the Main Board of the Stock Exchange) until 6 May 2009. Dr. Cheng was awarded the Grand Bauhinia Medal by the Government of Hong Kong in July 2008.

Internationally, Dr. Cheng has served as the Honorary Consul of Bhutan in Hong Kong from May 2004 to April 2011, and was awarded the Commandeur de L'ordre des Arts et des Lettres in April 1996 and the Chevalier de la Legion d'Honneur in June 2001 by the Government of France. Dr. Cheng was awarded Honorary Professor from Peking Union Medical School in October 1995, Honorary

Doctor of Laws from The University of Toronto in June 1987, Honorary Doctor of Business Administration from The University of Macau in March 1986, The Hong Kong Polytechnic University in November 1997 and The Open University of Hong Kong in December 2006 and an Honorary Doctor of Social Sciences from The Chinese University of Hong Kong in October 1993.

Dr. Cheng is the father of Dr. Cheng Kar-Shun, Henry, our Chairman and executive Director, the grandfather of Mr. Cheng Chi-Kong, Adrian, our executive Director and Mr. Cheng Chi-Heng, Conroy, our executive Director, an uncle of Mr. Cheng Kam-Biu, Wilson, our non-executive Director and Mr. Cheng Sek-Hung, Timothy, our Honorary Adviser to the Board of Directors and the elder brother of Mr. Cheng Yu-Wai, our Honorary Adviser to the Board of Directors.

Chairman and Executive Director

Dr. Cheng Kar-Shun, Henry (鄭家純), GBS, aged 64, was appointed as our Chairman and executive Director on 26 July 2011 and is a member of the Company's Nomination Committee and Remuneration Committee. Dr. Cheng is responsible for the strategic direction and overall performance of our Group.

Dr. Cheng joined our Group in May 1971 and has served as a director of CTF HK since May 1971 and the vice-chairman since March 2007.

Dr. Cheng holds the following positions in companies listed on the Main Board of the Stock Exchange:

- managing director of NWD;
- chairman and managing director of NWCL;
- chairman and executive director of NWS;
- chairman and non-executive director of NWDS;
- chairman and executive director of International Entertainment Corporation;
- independent non-executive director of HKR International Limited; and
- non-executive director of Lifestyle International.

In addition, Dr. Cheng is also a director of CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding and the vice-chairman of CTFE.

Dr. Cheng was the chairman and executive director of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a company listed on the Main Board of the Stock Exchange) up to his resignation on 13 January 2010.

Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation, chairman of the Advisory Panel of the Asian Management Institute, The University of Western Ontario, a member of the Advisory Committee for the Harvard Asia Center, a member of the John Harvard Fellows, and a Standing Committee Member of the Eleventh Chinese People's Political Consultative Conference.

In May 1996, Dr. Cheng was awarded an Honorary Doctor of Business Administration in Hospitality Management by Johnson & Wales University and in April 1997, he was awarded an Honorary Doctor of Laws by The University of Western Ontario. In July 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of Hong Kong.

Dr. Cheng is the eldest son of Dato' Dr. Cheng Yu-Tung, our Honorary Chairman and non-executive Director, the father of Mr. Cheng Chi-Kong, Adrian, our executive Director, an uncle of Mr. Cheng Chi-Heng, Conroy, our executive Director, a cousin of Mr. Cheng Kam-Biu, Wilson, our non-executive Director and Mr. Cheng Sek-Hung, Timothy, our Honorary Adviser to the Board of Directors and a nephew of Mr. Cheng Yu-Wai, our Honorary Adviser to the Board of Directors.

Executive Directors

Mr. Wong Siu-Kee, Kent (黃紹基), aged 55, was appointed as our Managing Director on 26 July 2011 and is a member of the Company's Nomination Committee and Remuneration Committee. Mr. Wong is responsible for the overall management of our Group.

Mr. Wong joined our Group in January 1977, working initially as a trainee. In 1986, he was promoted to branch manager, and then to administrative manager in 1994 and senior administrative manager in 1997. Mr. Wong's diverse experience in both operations and management led to his appointment as the general manager of the PRC business of the Group in 1999, where he was responsible for developing the Group's market in the PRC. Since 2002, Mr. Wong has taken the position of director of CTF HK and CTFE, and in 2008 he was promoted to managing director of CTF HK.

Mr. Wong is a member of the Hong Kong Trade Development Council Watches and Clocks Advisory Committee, director of welfare of the Hong Kong Jewellers' & Goldsmiths' Association, the chairman of the supervising committee of the Hong Kong & Kowloon Jewellers' & Goldsmiths' Employees' Association Ltd, vice chairman of the Gems and Jewellery Trade Association of China and vice-chairman of the Yantian District General Chamber of Commerce.

Mr. Cheng Chi-Kong, Adrian (鄭志剛), aged 32, was appointed as our executive Director on 26 July 2011. Mr. Cheng joined our Group in April 2007 as a director of CTF HK and is responsible for the marketing activities of our Group as well as customer relationship management and branding and e-commerce operations.

Prior to joining our Group in April 2007, Mr. Cheng worked at UBS AG from September 2003 to April 2006.

Mr. Cheng holds the following positions in companies listed on the Main Board of the Stock Exchange:

- executive director of NWD;
- executive director of NWCL;
- executive director of NWDS; and
- executive director of International Entertainment Corporation.

Mr. Cheng is a director of CTF Holding and CTFE. Mr. Cheng has also been a director of CTF HK since 2007.

Mr. Cheng is the vice-chairman of the All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, vice-chairman of the Youth Federation of State-owned Enterprises, a consultant of the Beijing Municipal Committee of The Chinese People's Political Consultative Conference, chairman of the China Young Leaders Foundation and the honorary chairman of Fundraising Committee, Wu Zhi Qiao (Bridge to China) Charitable Foundation.

Mr. Cheng obtained a Bachelor of Arts degree (cum laude) from Harvard University in March 2003.

Mr. Cheng is a grandson of Dato' Dr. Cheng Yu-Tung, our Honorary Chairman and non-executive Director, a son of Dr. Cheng Kar-Shun, Henry, our Chairman and executive Director, a cousin of Mr. Cheng Chi-Heng, Conroy, our executive Director, a nephew of Mr. Cheng Kam-Biu, Wilson, our non-executive Director and Mr. Cheng Sek-Hung, Timothy, our Honorary Adviser to the Board of Directors and a grand nephew of Mr. Cheng Yu-Wai, our Honorary Adviser to the Board of Directors.

Mr. Cheng Chi-Heng, Conroy (鄭志恒), aged 34, was appointed as our executive Director on 26 July 2011. Mr. Cheng joined our Group in April 2007 as a director of CTF HK and is responsible for our procurement of diamonds and gemstones as well as production management.

Prior to joining our Group in April 2007, Mr. Cheng had worked at Yu Ming Investment Management Limited from 1999 to 2000 as a corporate finance executive.

Mr. Cheng is currently an executive director of NWD, a company listed on the Main Board of the Stock Exchange. Mr. Cheng is a director of CTFE and CTF Holding. Mr. Cheng has also been a director of CTF HK since 2007.

He obtained his Bachelor of Arts degree in Economics from The University of Western Ontario in June 1999.

Mr. Cheng is a grandson of Dato' Dr. Cheng Yu-Tung, our Honorary Chairman and non-executive Director, a nephew of Dr. Cheng Kar-Shun, Henry, our Chairman and executive Director, Mr. Cheng Kam-Biu, Wilson, our non-executive Director and Mr. Cheng Sek-Hung, Timothy, our Honorary Adviser to the Board of Directors, a cousin of Mr. Cheng Chi-Kong, Adrian, our executive Director and a grand nephew of Mr. Cheng Yu-Wai, our Honorary Adviser to the Board of Directors.

Mr. Chan Sai-Cheong (陳世昌), aged 49, was appointed as our executive Director on 26 July 2011. Mr. Chan is responsible for our Group's PRC and overseas operations.

Mr. Chan has been in the jewellery industry for 31 years. He joined our Group in May 1985 as a salesman and was appointed as a branch manager in January 1996 and a district manager in February 2000. Mr. Chan has been appointed as a director of CTF HK since July 2005.

Mr. Chan is a member of the Hong Kong Trade Development Council's Jewellery Advisory Committee, a director of the Gems and Jewellery Trade Association of China, a vice-president of the Guangdong Gold and Silver Jewellery Chamber of Commerce, president of the Shenzhen Gold Jewellery Association, a vice-president of the Guangdong Jade Jewellery Manufacturers Association and a director of the Gemological Association of China.

Mr. Chan Hiu-Sang, Albert (陳曉生), aged 61, was appointed as our executive Director on 26 July 2011. Mr. Chan is responsible for our Group's diamond procurement and operations of our Diamond Department.

Mr. Chan joined our Group in August 1977 as a diamond procurement staff and has been appointed as a director of CTF HK since January 2006.

Mr. Chan obtained a Bachelor's degree in Business from Western Illinois University in August 1977. Mr. Chan became a Graduate Gemologist of the Gemological Institute of America in July 1981, a Fellow of The Gemmological Association of Great Britain in June 1988 and is a Lifetime Member of the Gemological Institute of America, Alumni Association.

Mr. Cheng Ping-Hei, Hamilton (鄭炳熙), aged 37, was appointed as our executive Director on 26 July 2011. Mr. Cheng is our Finance Director and Company Secretary for our Group and is responsible for our Group's financial management and overseeing our Group's company secretarial functions.

Mr. Cheng joined our Group in April 2004 as a Finance Manager and subsequently became the Head of Financial Management of our Group in February 2011.

Mr. Cheng obtained a Bachelor of Business Administration degree in Professional Accountancy from The Chinese University of Hong Kong in December 1998 and became a member of the Hong Kong Institute of Certified Public Accountants in June 2002. Mr. Cheng became a Fellow of The Association of Chartered Certified Accountants in December 2006 and received his designation as a Chartered Financial Analyst from the CFA Institute in September 2008.

Mr. Suen Chi-Keung, Peter (孫志強), aged 46, was appointed as our executive Director on 26 July 2011. Mr. Suen is responsible for our Hong Kong and Macau operations. Mr. Suen joined our Group in September 1985 as a trainee and was appointed as our administrative manager in January 2010 and has served as a general manager, Hong Kong and Macau operations since February 2011.

Non-executive Directors

Mr. Cheng Kam-Biu, Wilson (鄭錦標), aged 53, was appointed as our non-executive Director on 26 July 2011. Mr. Cheng is responsible for our Group's bank and landlord relationship management.

Mr. Cheng joined our Group in May 1979 as a manager and has served as a director of CTF HK since May 1990.

Mr. Cheng is currently an executive director of International Entertainment Corporation, a company listed on the Main Board of the Stock Exchange. Mr. Cheng is also a director of CTFE. Mr. Cheng is vice-president of The Chinese Gold and Silver Exchange Society.

Mr. Cheng obtained a Bachelor of Arts degree in Economics from the University of Hawaii, Honolulu in December 1978.

Mr. Cheng is a nephew of Dato' Dr. Cheng Yu-Tung, our Honorary Chairman and non-executive Director, a cousin of Dr. Cheng Kar-Shun, Henry, our Chairman and executive Director, an uncle of Mr. Cheng Chi-Kong, Adrian, our executive Director and Mr. Cheng Chi-Heng, Conroy, our executive Director, a cousin of Mr. Cheng Sek-Hung, Timothy, our Honorary Adviser to the Board of Directors and a nephew of Mr. Cheng Yu-Wai, our Honorary Adviser to the Board of Directors.

Mr. Koo Tong-Fat (古堂發), aged 61, was appointed as our non-executive Director on 26 July 2011. He is responsible for the procurement of raw materials — coloured stones, jadeite and pearls of our Group.

Mr. Koo has been in the jewellery industry for 36 years. He joined our Group in October 1985 as a salesman and was subsequently appointed as a manager in 1994 and has been appointed as a director of CTF HK since July 2005.

Mr. Koo received a continuing education certificate in operations management from the City Polytechnic of Hong Kong and the Hong Kong Productivity Council in November 1994 and is also a full member of The Hong Kong Management Association.

Independent non-executive Directors

Dr. Fung Kwok-King, Victor (馮國經), GBM, GBS, CBE, aged 66, was appointed as our independent non-executive Director on 17 November 2011 and is the chairman of the Company's Nomination Committee and a member of our Remuneration Committee.

Dr. Fung holds a Bachelor's and a Master's degree in Electrical Engineering from the Massachusetts Institute of Technology and a Doctorate in Business Economics from Harvard University.

The Government of Hong Kong awarded Dr. Fung the Gold Bauhinia Star in 2003 and the Grand Bauhinia Medal in 2010 for his distinguished service to the community in Hong Kong.

Dr. Fung has extensive experience in the retail industry. He is the Group Chairman of the Li & Fung group of companies including major subsidiaries Li & Fung Limited, Convenience Retail Asia Limited and Trinity Limited, all of which are companies listed on the Main Board of the Stock Exchange.

In addition, Dr. Fung holds major directorships as follows:

- independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed on the Main Board of the Stock Exchange);

- independent non-executive director of Koc Holding A.S. (a company listed on the Istanbul Stock Exchange); and

- independent non-executive director of Baosteel Group Corporation in Shanghai, the PRC.

Dr. Fung was an independent non-executive director of Orient Overseas (International) Limited between July 1996 and April 2009, an independent non-executive director of PCCW Limited between October 2000 and May 2007 and an independent non-executive director of Sun Hung Kai Properties Limited between May 1999 and December 2007, all of which are listed on the Main Board of the Stock Exchange. Dr. Fung was also an independent non-executive director of CapitaLand Limited (a company listed on the Singapore Exchange Limited) between May 2005 and April 2010.

In public service, Dr. Fung is Honorary Chairman of the International Chamber of Commerce, a member of Chinese People's Political Consultative Conference, a vice chairman of China Centre for International Economic Exchanges, Chairman of the Greater Pearl River Delta Business Council, a member of the Commission on Strategic Development of the Hong Kong Government and the Founding Chairman of the Fung Global Institute, an independent and non-profit think-tank that generates and disseminates innovative thinking and business-relevant research on global issues from Asian perspectives. From 1991 to 2000, Dr. Fung was Chairman of the Hong Kong Trade Development Council; from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council; from 1999 to 2008, he was Chairman of the Hong Kong Airport Authority; from 2001 to 2009, he was Chairman of The Council of The University of Hong Kong and from 2004 to 2010, he was Chairman of the Hong Kong—Japan Business Co-operation Committee.

Mr. Kwong Che-Keung, Gordon (鄺志強), aged 62, was appointed as our independent non-executive Director on 17 November 2011 and is the chairman of the Company's Audit Committee and a member of our Remuneration Committee.

Mr. Kwong graduated with a Bachelor of Social Sciences degree from The University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977 and was a Partner of Price Waterhouse (now known as PwC) from 1984 to 1998, an independent member of the Council of the

Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Mr. Kwong holds the following positions in companies listed on the Main Board of the Stock Exchange:

- independent non-executive director of Agile Property Holdings Limited;
- independent supervisor of the supervisory committee of Beijing Capital International Airport Company Limited;
- independent non-executive director of China Chengtong Development Group Limited;
- independent non-executive director of China COSCO Holdings Company Limited;
- independent non-executive director of China Power International Development Limited;
- independent non-executive director of CITIC Telecom International Holdings Limited (formerly known as CITIC 1616 Holdings Limited);
- independent non-executive director of Global Digital Creations Holdings Limited;
- independent non-executive director of Henderson Investment Limited;
- independent non-executive director of Henderson Land Development Company Limited;
- independent non-executive director of NWS;
- independent non-executive director of OP Financial Investments Limited; and
- independent non-executive director of Quam Limited.

Mr. Kwong was an independent non-executive director of Ping An Insurance (Group) Company of China, Limited up to his retirement on 3 June 2009, Tianjin Development Holdings Limited up to his retirement on 26 May 2010, China Oilfield Services Limited up to his retirement on 28 May 2010, Frasers Property (China) Limited up to his retirement on 14 January 2011, COSCO International Holdings Limited up to his retirement on 9 June 2011 and Beijing Capital International Airport Company Limited up to his retirement on 15 June 2011, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Lam Kin-Fung, Jeffrey (林健鋒), GBS, JP, aged 60, was appointed as our independent non-executive Director on 17 November 2011 and is a member of the Company's Audit Committee and Nomination Committee.

Mr. Lam obtained a Bachelor's degree in Mechanical Engineering from Tufts University in June 1974. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

Mr. Lam holds the following positions in companies listed on the Main Board of the Stock Exchange:

- independent non-executive director of C C Land Holdings Limited;
- independent non-executive director of China Overseas Grand Oceans Group Limited;

- independent non-executive director of Hsin Chong Construction Group Limited;
- independent non-executive director of Sateri Holdings Limited; and
- independent non-executive director of Wynn Macau, Limited.

Mr. Lam is a member of the National Committee of the PRC People's Political Consultative Conference. He also holds a number of other public and community service positions including being a member of the Legislative Council in Hong Kong, the chairman of the Assessment Committee of Mega Events Fund, a member of the board of Airport Authority Hong Kong, a member of the board of the West Kowloon Cultural District Authority, a member of the Advisory Committee on Corruption of Independent Commission Against Corruption, a member of the Steering Committee on the Community Care Fund, a council member of Hong Kong Trade Development Council and a general committee member of the Hong Kong General Chamber of Commerce.

Mr. Or Ching-Fai, Raymond (柯清輝), SBS, JP, aged 61, was appointed as our independent non-executive Director on 17 November 2011 and is the chairman of the Company's Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Mr. Or received a Bachelor of Social Sciences degree in Economics and Psychology from The University of Hong Kong in July 1972 before joining The Hongkong and Shanghai Banking Corporation Limited as a management trainee. Mr. Or worked in a variety of positions in personnel, securities, retail and corporate banking divisions. Mr. Or was appointed as general manager and group general manager in 2000 and became a director in 2005. Mr. Or was then appointed as vice-chairman and chief executive of Hang Seng Bank Limited (a company listed on the Main Board of the Stock Exchange) in 2005 and retired in May 2009.

Mr. Or holds the followings positions in companies listed on the Main Board of the Stock Exchange):

- vice-chairman, chief executive officer and executive director of China Strategic Holdings Limited;
- vice-chairman and independent non-executive director of G-Resources Group Limited; and
- independent non-executive director of Esprit Holdings Limited.

Mr. Or was also an independent non-executive director of Hutchison Whampoa Limited from February 2000 to May 2009 and Cathay Pacific Airways Limited from February 2000 to May 2009, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Or was a chairman of the Hong Kong Association of Banks in 2000 and 2003 and was vice chairman of the Hong Kong Association of Banks in 2001, 2002, 2004 and 2005. He was also a chairman of the Financial Services Advisory Committee and a member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He was a member of the Risk Management Committee of the Hong Kong Exchanges and Clearing Limited, vice president and a council member of the Hong Kong Institute of Bankers, a council member of the University of Hong Kong and the City University of Hong Kong, an adviser of the Employers' Federation of Hong Kong and a member of the Planning Committee of the 5th East Asian Games. Mr. Or is currently the acting chairman of the Council of City University of Hong Kong.

Save as disclosed above, there is no other information in respect of our Directors that is discloseable pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management of our business. Our executive Directors are shown in the sub-section headed "Directors" above. The following table sets out certain information concerning our Honorary Advisers to the Board of Directors and senior management:

Name	Age	Year joined	Position
Mr. Ho Pak-Tao (何伯陶)	81	1947	Honorary Adviser to the Board of Directors
Mr. Wong Kwok-Ting (黃國庭)	80	1947	Honorary Adviser to the Board of Directors
Mr. Cheng Yu-Wai (鄭裕偉)	79	1949	Honorary Adviser to the Board of Directors
Mr. Cheng Sek-Hung, Timothy (鄭錫鴻)	61	1994	Honorary Adviser to the Board of Directors
Dr. Tan Guet-Lan, Lauren (陳月蘭)	44	2011	General Counsel
Mr. Chan Yee-Pong, Alan (陳義邦)	39	2010	Director of Branding Department
Mr. Wong Kim-Pun, Barry (黃劍斌)	47	1998	Assistant Financial Controller
Mr. Li Kit-Sang (李杰生)	53	1978	Financial Controller of Production Management Centre
Mr. Tsang Siu-Kwong (曾紹光)	41	1993	Senior Manager
Mr. Wong Kim-Ming, Mark (黃劍明)	50	1986	Senior Manager
Mr. Cheng Ming-Chi (鄭明智)	40	1994	Senior Manager
Mr. Tam Chun-Wah, Daniel (譚振華)	49	2011	Head of Production Management Centre
Mr. Chan Dick-On, Collan (陳迪安)	39	2010	Manager
Mr. Liu Chun-Wai, Bobby (廖振為)	37	1999	General Manager
Mr. Lee Kwok-Keung (李國強)	61	1972	Regional General Manager
Mr. Hon Kin-Sang (韓建生)	54	1973	Regional General Manager
Mr. So Kim-Shing (蘇儉成)	51	1989	Regional General Manager
Ms. Lau Pok (劉璞)	62	1999	Regional General Manager
Mr. Chan Chee-Shing (陳志成)	65	1970	Regional Manager
Mr. Chan Wah-Ho (陳華浩)	51	1977	Regional Manager
Mr. Lui Yick-Keung (雷亦強)	54	1978	Regional Manager
Mr. Chow Hung-Fai (周鴻輝)	63	1985	Regional Manager

Honorary Advisers to the Board of Directors

Mr. Ho Pak-Tao (何伯陶), aged 81, was appointed as an Honorary Adviser to the Board of Directors with effect from 26 August 2011 and is responsible for advising on research and development. Mr. Ho joined our Group in January 1947 as an apprentice and has been appointed as a director of CTF HK since March 1961, responsible for the design, production and operations in Hong Kong and Macau. Mr. Ho is also a director of CTF Holding and CTFE.

Mr. Ho is vice-chairman of the Hong Kong Jewellers' & Goldsmiths' Association, a member of the board of supervisors of the Kowloon Jewellers' & Goldsmiths' Association, honorary president of the Hong Kong and Kowloon Jewellers & Goldsmiths' Employees' Association, president of the Wan Chai District Kai Fong Welfare Association and president of the Wan Chai District Arts Cultural Recreation and Sports Association.

Mr. Wong Kwok-Ting (黃國庭), aged 80, was appointed as an Honorary Adviser to the Board of Directors with effect from 26 August 2011 and is responsible for advising on procurement. Mr. Wong joined our Group in January 1947 as a salesman and has served as a director of CTF HK since March 1961. Mr. Wong is also a director of CTF Holding and CTFE.

Mr. Cheng Yu-Wai (鄭裕偉), aged 79, was appointed as an Honorary Adviser to the Board of Directors with effect from 26 August 2011 and is responsible for advising on procurement. Mr. Cheng joined our Group in February 1949 as apprentice and was appointed as a director of CTF HK since March 1961. He has served in the board of CTF HK since then until he was appointed as a Honorary Adviser to the Board. Mr. Cheng is also a director of CTF Holding and CTFE.

Mr. Cheng is the younger brother of Dato' Dr. Cheng Yu-Tung, our Honorary Chairman and non-executive Director, the uncle of Dr. Cheng Kar-Shun, Henry, our Chairman and executive Director, the grand uncle of Mr. Cheng Chi-Kong Adrian, our executive Director, and Mr. Cheng Chi-Heng, Conroy, our executive Director, and the uncle of Mr. Cheng Kam-Biu, Wilson, our non-executive Director, and Mr. Cheng Sek-Hung, Timothy, our Honorary Adviser to the Board of Directors.

Mr. Cheng Sek-Hung, Timothy (鄭錫鴻), aged 61, was appointed as an Honorary Adviser to the Board of Directors with effect from 26 August 2011. Mr. Cheng joined our Group in December 1994 and has served as a director of CTF HK since then. Prior to joining our Group, Mr. Cheng served as a manager of the IT Department of NWD from January 1977 until December 1994. Mr. Cheng obtained a Master's degree in Computer Science from the University of California, Los Angeles in March 1976. Mr. Cheng is also a director of CTF Holding and CTFE.

Mr. Cheng is a nephew of Dato' Dr. Cheng Yu-Tung, our Honorary Chairman and non-executive Director, a cousin of Dr. Cheng Kar-Shun, Henry, our Chairman and executive Director, an uncle of Mr. Cheng Chi-Kong Adrian, our executive Director, and Mr. Cheng Chi-Heng, Conroy, a cousin of Mr. Cheng Kam-Biu, Wilson, our non-executive Director, and a nephew of Mr. Cheng Yu-Wai, our Honorary Adviser to the Board of Directors.

Senior Management

Dr. Tan Guet-Lan, Lauren (陳月蘭), aged 44, is the General Counsel for our Group. She is responsible for overseeing the legal department of our Group.

Dr. Tan joined our Group in July 2011 as a Consulting Corporate Counsel and was subsequently appointed to be our General Counsel on 28 October 2011.

Dr. Tan is a lawyer with over 18 years of international legal experience in regional and global roles in Asia, North America and Europe providing legal advice and support to multinational and start-up companies at both operational and management level. Prior to joining our Group, Dr. Tan worked for Rodyk & Davidson in Singapore from December 1993 to February 1996 where she completed her pupillage and subsequently practised as an Advocate & Solicitor in their Corporate and Commercial Department. Dr. Tan then joined Philips Electronics Asia Pacific Pte Ltd. as its Regional Legal Counsel from March 1996 to September 1996, and Philips Consumer Communications Asia Pacific Pte Limited as its Regional Legal Counsel (Asia Pacific) from October 1996 to June 1999. Dr. Tan then joined Masons Solicitors (now Pinsent Masons) in Hong Kong from July 1999 to January 2001 and practised as a Registered Foreign Lawyer (Singapore) in their Information and Technology Law Group and was subsequently seconded to Informix Software Inc. as its sole Regional Legal Counsel for Asia Pacific. Dr. Tan then joined Doubleclick Inc. first at its Hong Kong regional office from February 2001 to October 2005 as its in-house legal counsel, and from October 2005 onwards she assumed global responsibilities, and moved to New York in January 2006 as Doubleclick's in-house legal counsel until April 2008. Following the acquisition of Doubleclick Inc. by Google Inc. in March 2008, Dr Tan then joined Google Inc. in New York from April 2008 to July 2008. Dr. Tan then joined American International Assurance Co. Ltd from April 2009 to August 2010 as an Associate General Counsel in its group law department.

Dr. Tan obtained a Bachelor of Laws degree with honours from the University of Birmingham in 1990 and a Doctor of Philosophy degree in Law from the University of Birmingham in 1993. Dr. Tan was called to the Bar of England and Wales (Middle Temple) as a Barrister-at-law in 1993, and admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1995 and a Solicitor of the High Court of Hong Kong in 2011.

Mr. Chan Yee-Pong, Alan (陳義邦), aged 39, joined our Group as the director of Branding Department in April 2010. Mr. Chan is responsible for the branding and marketing activities of our Group. Prior to joining our Group, Mr. Chan was at Chow Sang Sang Holdings International Ltd. from June 2007 to April 2010. Mr. Chan has over 17 years of experience in luxury branding and marketing. Mr. Chan obtained a Master of Business Administration degree in Marketing from The Hong Kong University of Science and Technology in August 2006.

Mr. Wong Kim-Pun, Barry (黃劍斌), aged 47, was appointed as our assistant financial controller in June 2011. Mr. Wong is responsible for the financing and treasury management of the Group. Mr. Wong joined our Group in May 1998 and was subsequently appointed as an assistant manager in January 2006, then assistant financial controller in June 2011. Prior to joining our Group, Mr. Wong worked as an officer for various banks, including Hang Seng Bank from March 1989 to February 1993 and HSBC from August 1993 to April 1994. He has over 18 years of experience in banking and finance. Mr. Wong obtained a Bachelor of Science in Economics degree from The University of Michigan Ann Arbor in August 1988 and a Bachelor of Business Administration degree in Accounting from Simon Fraser University in May 1997.

Mr. Li Kit-Sang (李杰生), aged 53, was appointed our financial controller of Production Management Centre in February 2011. Mr. Li is responsible for the financial and system control of the Production Management Centre of the Group. Mr. Li has over 20 years of experience in accounting and information system and over 10 years of experience in gold inventory and gold hedging management. He joined our Group in March 1978 as our accounting officer and subsequently was appointed as an assistant accounting manager in January 1996, an administrative manager in January 2007 and the financial controller of Production Management Centre in February 2011.

Mr. Tsang Siu-Kwong (曾紹光), aged 41, was appointed our senior manager in August 2010. Mr. Tsang is responsible for the management information system of the Group. Mr. Tsang has over 19 years of experience in information technology. He joined our Group in January 1993 as a Management Information System Department manager and subsequently was appointed as a senior manager in August 2010. Prior to joining our Group, Mr. Tsang was an officer-Management Information System at NWD from January 1993 to March 2003.

Mr. Tsang obtained a Master of Science degree from The Chinese University of Hong Kong in December 1998.

Mr. Wong Kim-Ming, Mark (黃劍明), aged 50, was appointed as our senior manager in January 2011 and is responsible for the operation of the Diamond Department of the Group. Mr. Wong joined our Group in February 1986 as a clerk in the Diamond Department and was subsequently appointed as an assistant manager in August 2006, a manager in August 2009 and a Senior Manager in January 2011. Mr. Wong has over 25 years of experience in the jewellery industry.

Mr. Cheng Ming-Chi (鄭明智), aged 40, was appointed our senior manager in the Procurement (Gemstones) Department in August 2010. Mr. Cheng is responsible for managing and purchasing our Group's gemstones such as jadeite, coloured stones and pearls. Mr. Cheng joined our Group in July 1994 and was subsequently appointed as a Jade Department assistant manager in July 1998, an assistant administrative manager in March 1999, an administrative manager in January 2006, a senior manager of the Hong Kong and Macau Executive Office in January 2008, and a Senior Manager of the Procurement (Gemstones) Department in August 2010. Mr. Cheng has over 17 years of experience in the jewellery industry. Mr. Cheng obtained a Bachelor of Science degree from The Chinese University of Hong Kong in December 1994. Mr. Cheng obtained a Diploma of Gemology (FGA) from The

Gemological Association of Great Britain in June 1995 and became a Graduate Gemologist of the Gemological Institute of America in December 1996.

Mr. Tam Chun-Wah, Daniel (譚振華), aged 49, joined as the Head of Production Management Centre of our Group in June 2011. Mr. Tam is responsible for our Group's production management. He has over five years of experience in gold inventory management. Prior to joining our Group, Mr. Tam worked in Lorenzo Jewellery Limited from June 2002 to May 2011 as Research & Development manager. During part of his tenure, he was a key member on controlling the overall production of gold inventory. Mr. Tam obtained a Bachelor of Science degree in Mechanical Engineering from The University of Hong Kong in November 1986.

Mr. Chan Dick-On, Collan (陳迪安), aged 39, joined our Group in August 2010 as a manager. Mr. Chan is responsible for our Group's research and development. Mr. Chan has over 19 years of experience in the jewellery design industry. Mr. Chan obtained a Diploma in Design (Jewellery/Toy) from Lee Wai Lee Technical Institute in August 1992.

Mr. Liu Chun-Wai, Bobby (廖振為), aged 37, was appointed as our general manager in January 2009. Mr. Liu is responsible for managing the PRC Management Centre and the Group's businesses in western China. Mr. Liu joined our Group in November 1999 as an administrative associate and was subsequently appointed as a senior manager in January 2006. Mr. Liu obtained a Bachelor of Science degree in Computer Mathematics from Carleton University in June 1998. Mr. Liu has over 10 years of experience in retail and administrative management.

Mr. Lee Kwok-Keung (李國強), aged 61, was appointed as our regional general manager in January 2004. Mr. Lee is responsible for the Group's businesses in southern China. Mr. Lee joined our Group in February 1972 as a trainee and was subsequently appointed a manager in August 1988, an administrative manager in November 1994, and a regional general manager in January 2004. Mr. Lee has over 30 years of experience in factory management and retail industry.

Mr. Hon Kin-Sang (韓建生), aged 54, was appointed as our regional general manager in January 2004. Mr. Hon is responsible for the Group's businesses in eastern China. Mr. Hon joined our Group in March 1973 as a trainee and subsequently was appointed a regional general manager in January 2004. Mr. Hon has over 38 years of experience in production and retail industry.

Mr. So Kim-Shing (蘇儉成), aged 51, was appointed as our regional general manager in January 2005. Mr. So is responsible for the Group's businesses in northern China. Mr. So joined our Group in July 1989 as a salesman and was subsequently appointed as an assistant manager in July 1997, an assistant regional manager in January 2004 and a regional general manager in January 2005. Prior to joining our Group, Mr. So had over 10 years of experience in the retail industry.

Ms. Lau Pok (劉璞), aged 62, was appointed as our regional general manager in January 2004. Ms. Lau is responsible for the Group's businesses in central China. Ms. Lau joined our Group in February 1999. Ms. Lau has over 10 years of experience in the investment in the PRC and retail industry. Ms. Lau obtained an Executive Master of Business Administration degree from Peking University in January 2011.

Mr. Chan Chee Shing (陳志成), aged 65, was appointed as our regional manager in February 2000. Mr. Chan is responsible for the Group's business in Kowloon and New Territories West District. Mr. Chan joined our Group in November 1970 as a salesman and was subsequently appointed as an assistant manager in March 1991, a manager in February 1999, and a regional manager in February 2000. Mr. Chan has over 40 years of experience in the jewellery industry.

Mr. Chan Wah-Ho (陳華浩), aged 51, was appointed as our regional manager in March 2011. Mr. Chan is responsible for the Group's businesses in Hong Kong. Mr. Chan joined our Group in November 1977 as our junior salesman and was subsequently appointed as a sales supervisor in

October 1991, a manager in September 2003, an assistant regional manager in January 2010, and a regional manager in March 2011. Mr. Chan has over 35 years of experience in the jewellery industry.

Mr. Lui Yick-Keung (雷亦強), aged 54, was appointed as our regional manager in February 2000. Mr. Lui is responsible for the Group's businesses in Kowloon and Hong Kong. Mr. Lui joined our Group in November 1978 as our senior trainee and was subsequently appointed as an assistant manager in August 1986, a manager in January 1995, and a regional manager in February 2000. Mr. Lui has over 37 years of experience in the jewellery industry.

Mr. Chow Hung-Fai (周鴻輝), aged 63, was appointed as our regional manager in January 2006. Mr. Chow is responsible for the Group's businesses in Kowloon and New Territories East District. Mr. Chow joined our Group in March 1985 as a salesman and was subsequently appointed as an assistant manager in August 1994, a manager in September 1996, an assistant regional manager in February 2000, and a regional manager in January 2006. Mr. Chow has over 48 years of experience in the jewellery industry.

Save as disclosed in this prospectus, none of our Directors or senior management has other directorships in listed companies during the Track Record Period.

COMPANY SECRETARY

Our company secretary is Mr. Cheng Ping Hei, Hamilton. He is also our executive Director and is employed by us on a full-time basis. Please refer to his biographical details in the sub-section headed "Executive Directors" above.

COMPLIANCE ADVISER

We have appointed Rothschild (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will provide advice to us when consulted by us in any of the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) if a transaction which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases;

(c) if we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; or

(d) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

Audit Committee

We have established a Board audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal controls.

The audit committee currently consists of three independent non-executive Directors. The members of the audit committee are currently Mr. Kwong Che-Keung, Gordon, Mr. Lam Kin-Fung, Jeffrey and Mr. Or Ching Fai, Raymond. It is currently chaired by Mr. Kwong Che-Keung, Gordon, an independent non-executive Director.

Nomination Committee

We have established a Board nomination committee as recommended by the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment and removal of Directors.

The nomination committee currently consists of two executive Directors and three independent non-executive Directors. The members of the nomination committee are currently Dr. Fung Kwok-King, Victor, Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Mr. Lam Kin-Fung, Jeffery and Mr. Or Ching-Fai, Raymond. It is currently chaired by Dr. Fung Kwok-King, Victor, an independent non-executive Director.

Remuneration Committee

We have established a Board remuneration committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee currently consists of two executive Directors and three independent non-executive Directors. The members of the remuneration committee are currently Mr. Or Ching-Fai, Raymond, Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Dr. Fung Kwok-King, Victor and Mr. Kwong Che-Keung, Gordon. It is currently chaired by Mr. Or Ching-Fai, Raymond, an independent non-executive Director.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remunerations (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors in aggregate for FY2009, FY2010, FY2011 and 1HFY2012 were approximately HK$23.4 million, HK$25.1 million, HK$25.6 million and HK$16.0 million, respectively.

The remunerations (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Group's five highest paid individuals in aggregate for FY2009, FY2010, FY2011 and 1HFY2012 were approximately HK$30.0 million, HK$33.2 million, HK$24.8 million and HK$18.5 million, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of FY2009, FY2010, FY2011 and 1HFY2012 by any member of the Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 March 2012 to be approximately HK$40.4 million.

FUTURE PLANS

See the section headed "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$18,336.8 million (assuming an Offer Price of HK$18.00 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and estimated expenses payable by the Company.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

(1) approximately 50.0% of the net proceeds will be used for sourcing and procurement of raw materials and inventory, which include rough and polished diamonds, gemstones, precious metals and watches to support the expansion of our operations;

(2) approximately 18.5% of the net proceeds will be used for the repayment of the remaining portion of the Related Party's Loans;

(3) approximately 18.0% of the net proceeds will be used for repayment in full of the HK$3,300.0 million Pre-IPO Bank Loan Facility which is the funding facility for the purpose of the Pre-IPO Dividend;

(4) approximately 5.0% of the net proceeds will be used for the refurbishment of our new and existing POS and the acquisition of properties as wholly-owned POS;

(5) approximately 5.0% of the net proceeds, of which 50.0% of such amount will be used to purchase production and research and development equipment and the remaining 50.0% will be used for construction of our new office building in Shenzhen. The construction of the new office building commenced in early 2011 and is expected to be completed by the end of 2013; and

(6) the remaining amount will be used for providing funding for working capital and other general corporate purposes.

Our Directors believe that we have sufficient mechanism in place to ensure proper application of the use of proceeds on inventories. As part of our internal controls relating to management and procurement of inventory, we have in place a monthly procurement plan for the inventories of each product type. Our procurement plan is based on our anticipated sales level. Our finance department also closely monitors the actual procurement of inventories and the payment amount. Subsequent to the Listing, we will prepare a report on the use of proceeds, including the amount for sourcing and procurement of raw materials and inventory, for our reporting accountants and our audit committee semi-annually.

In the event that the Offer Price is set at HK$15.00 per Share (being the low end of the indicative Offer Price range), the net proceeds we will receive will be reduced by approximately HK$3,079.1 million. In the event that the Offer Price is set at HK$21.00 per Share (being the high end of the indicative Offer Price range), the net proceeds we will receive will be increased by approximately HK$3,079.1 million.

We intend to repay in full the Pre-IPO Bank Loan Facility and the remaining portion of the Related Party's Loans mentioned above regardless of the final Offer Price. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of that net proceeds for the above purposes, except for the repayment of the Pre-IPO Bank Loan Facility and the remaining portion of the Related Party's Loans, on a pro rata basis. To the extent that proceeds are not used immediately for the purposes stated, the net proceeds will be invested in short-term demand deposits with licensed banks and money market instruments.

We estimate the net proceeds to the Selling Shareholder of the sale of Shares pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option in full to be approximately HK$7,020.4 million (assuming an Offer Price of HK$18.00 per Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) payable by the Selling Shareholder.

As each of the Offer Size Adjustment Option and the Over-allotment Option is granted by the Selling Shareholder, and not the Company, the Company will not receive any proceeds from any exercise of the Offer Size Adjustment Option or the Over-allotment Option.

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited
Credit Suisse (Hong Kong) Limited
Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
J.P. Morgan Securities (Asia Pacific) Limited
UBS AG, Hong Kong Branch
BNP Paribas Capital (Asia Pacific) Limited
BOCI Asia Limited
BOCOM International Securities Limited
CCB International Capital Limited
DBS Asia Capital Limited
Emperor Securities Limited
Haitong International Securities Company Limited
Kingston Securities Limited
Polaris Securities (Hong Kong) Limited
VMS Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 2 December 2011. Pursuant to the Hong Kong Underwriting Agreement and subject to the Offer Size Adjustment Option, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price. Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) on the Main Board of the Stock Exchange, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Selling Shareholder has granted to the Hong Kong Underwriters the Offer Size Adjustment Option, exercisable by the Joint Global Coordinators, in consultation with our Company and the Selling Shareholder, on behalf of the Hong Kong Underwriters, on or before the Price Determination Date, to require the Selling Shareholder to sell up to an aggregate of 210,000,000 Shares at the Offer Price to cover additional market demand, if any.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (jointly for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, after consultation with our Company where practicable, by written notice to our Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date, there shall develop, occur, exist or come into effect:

(a) this prospectus, any of the Application Forms, the preliminary offering circular, the pricing term sheet or the final offering circular in connection with the International Offering, or any amendment or supplement to any of the foregoing, containing or has been discovered to contain any untrue statement of a material fact or omission to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; or any forecast, expression of opinion, intention or expectation expressed in this prospectus, any of the Application Forms, the preliminary offering circular, the pricing term sheet or the final offering circular in connection with the International Offering, or any amendment or supplement to any of the foregoing, is not fair and honest in any material respect or based on reasonable assumptions, when taken as a whole; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus; or

(c) any material breach of any of the obligations imposed on our Company or the Selling Shareholder under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(d) any material adverse change, or development involving a material adverse change, in the conditions, business affairs, profits, losses or the financial or trading position of the Group taken as a whole; or

(e) any breach of any of the representations, warranties and undertakings given by our Company and/or the Selling Shareholder in the Hong Kong Underwriting Agreement which is material in the context of the Global Offering, or any matter or event showing any of such representations, warranties and undertakings to be untrue, misleading or inaccurate in any material respect; or

(f) any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities, acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, outbreaks of diseases, pandemics or epidemics, in each case beyond the control of the Hong Kong Underwriters; or

(g) any change or development in local, national, international, financial, economic, legal, political, military, fiscal, regulatory, currency or market conditions, conditions in Hong Kong, the Cayman Islands, the PRC, the United States of America or any other jurisdictions relevant to our Company, or monetary or trading settlement system (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange or the London Stock Exchange, or a material fluctuation in the exchange rate of the Hong Kong dollar against the currency of the United States of America, or any interruption in securities settlement or clearance service or procedures in Hong Kong); or

(h) any litigation the effect of which will have a material adverse effect on the financial condition of the Group taken as a whole; or

(i) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering,

in each case in the opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) after consultation with our Company where practicable:

(i) has a material adverse effect on the business, financial or trading condition of the Group taken as a whole; or

(ii) has a material adverse effect on the success of the Global Offering; or

(iii) makes it impossible, impracticable or inadvisable for the Global Offering to proceed.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including pursuant to the exercise of the options which may be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option and/or the Stock Borrowing Agreement, it will not and will procure that the relevant registered holder(s) will not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(i) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by Our Company

We have undertaken to the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them not to (except for (a) the offer, allotment and issue of Shares by our Company pursuant to the Global Offering or the exercise of any options which may be granted under the Share Option Scheme and (b) the grant of any options under the Share Option Scheme), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or contract or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, any Shares or any other securities of our Company);

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company, or any interest in any of the foregoing;

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether the transaction specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of our Company, will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company.

(B) Undertakings by the Selling Shareholder

The Selling Shareholder has undertaken to our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) it will not (except for (i) any lending of Shares by the Selling Shareholder pursuant to the Stock Borrowing Agreement, (ii) any sale of Shares by the Selling Shareholder pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option and (iii) any pledge or charge of Shares (in respect of which the Selling Shareholder is shown in this prospectus as the beneficial owner) by the Selling Shareholder as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan)), at any time during the First Six-Month Period:

(i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, any Shares or any other securities of our Company) beneficially owned by it as at the Listing Date (the "**Locked-up Securities**");

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (a)(ii) or (a)(iii) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise;

(b) it will not, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above in respect of any Locked-up Securities or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above in respect of any Locked-up Securities or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company.

Hong Kong Underwriters' Interests in Our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any shares or securities of our Company or any other member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any shares or securities of our Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company and the Selling Shareholder expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally to subscribe for, or procure subscribers for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. Please refer to the section headed "Structure of the Global Offering — The International Offering" for further details.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price of all the Offer Shares (including Offer Shares sold pursuant to the exercise of each of the Offer Size Adjustment Option and the Over-allotment Option but excluding any Offer Shares subscribed or bought by any institutional investors meeting certain specified criteria), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Bookrunners may receive a discretionary incentive fee of up to 0.75% of the aggregate Offer Price of all the Offer Shares (including Offer Shares sold pursuant to the exercise of each of the Offer Size Adjustment Option and the Over-allotment Option but excluding any Offer Shares subscribed or bought by any institutional investors meeting certain specified criteria).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$564.8 million (assuming an Offer Price of HK$18.00 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the full payment of a discretionary incentive fee), shall be borne by the Company, save for the commissions and fees relating to the Offer Shares to be sold by the Selling Shareholder pursuant to the exercise of the Offer Size Adjustment Option or the Over-allotment Option, which shall be borne by the Selling Shareholder, and for certain fees and expenses which shall be borne by the Underwriters.

Indemnity

We and the Selling Shareholder have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities (Asia Pacific) Limited and Deutsche Bank AG, Hong Kong Branch are the Joint Global Coordinators of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 52,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) in Hong Kong as described below in "— The Hong Kong Public Offering" in this section; and

(ii) the International Offering of initially 997,500,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, and in the United States to QIBs, as described below in "— The International Offering" in this section.

Of the 52,500,000 Shares initially being offered under the Hong Kong Public Offering, 3,675,000 Shares are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offer.

Up to 210,000,000 additional Shares may be offered pursuant to the exercise of the Offer Size Adjustment Option as set forth in "— Offer Size Adjustment Option" in this section. Furthermore, up to 189,000,000 additional Shares, assuming the full exercise of the Offer Size Adjustment Option, may be offered pursuant to the exercise of the Over-allotment Option as set forth in "— Over-Allotment Option" in this section.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

Eligible Directors (or their associates who are Eligible Employees) may apply for Employee Reserved Shares under the Employee Preferential Offer but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering. Eligible Employees who are not Eligible Directors (or their associates) may make an application for Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering.

The Offer Shares will represent approximately 10.5% of the issued share capital of the Company immediately following the completion of the Global Offering and the Capitalisation Issue, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the Offer Shares will represent approximately 14.49% of the issued share capital of the Company immediately following the completion of the Global Offering and the Capitalisation Issue.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 52,500,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 5% of the total number of Shares initially available under the Global Offering. The number of Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and the Offer Size Adjustment Option, will represent approximately 0.53% of the issued share capital of the Company immediately after the completion of the Global Offering and the Capitalisation Issue.

Of the 52,500,000 Shares initially being offered under the Hong Kong Public Offering, 3,675,000 Shares (representing 7% and 0.35% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set forth in "— Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below and after deducting the number of Hong Kong Offer Shares validly applied for under the Employee Preferential Offer) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. If the Hong Kong Offer Shares offered to Eligible Employees for subscription on a preferential basis are not fully taken up, any excess Hong Kong Offer Shares will be re-allocated to pool A and pool B in equal proportion. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools.

Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 24,412,400 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the clawback requirements set out in paragraph 4.2 of Practice Note 18 to the Listing Rules on the following basis. If the number of Offer Shares validly applied for under the Hong Kong Public Offering (including the Employee Preferential Offer) represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering (including the Employee Preferential Offer) will be increased to 78,750,000 Offer Shares (in the case of (i)), 105,000,000 Offer Shares (in the case of (ii)) and 210,000,000 Offer Shares (in the case of (iii)) representing approximately 7.5%, 10% and 20% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Offer Size Adjustment Option or the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate.

The Employee Reserved Shares will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering described above.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$21.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$4,242.34 for one board lot of 200 Shares. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" in this section, is less than the maximum price of HK$21.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set forth below in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares".

THE EMPLOYEE PREFERENTIAL OFFER

Of the 52,500,000 Shares initially being offered under the Hong Kong Public Offering, 3,675,000 Shares (representing 7% and 0.35% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

The Employee Reserved Shares are being offered out of the Hong Kong Offer Shares but will not be subject to the clawback mechanism as set out in "— The Hong Kong Public Offering — Reallocation" in this section or the Offer Size Adjustment Option.

As at 31 October 2011, there were a total of 2,401 persons eligible to apply for Employee Reserved Shares under the Employee Preferential Offer.

Eligible Employees can apply for less than, equal to or more than their Assured Employee Entitlement but any application made on a **PINK** Application Form for more than 30,000 Shares will be treated as if it is an application for 30,000 Shares. A valid application made on a **PINK** Application Form in respect of a number of Shares less than or equal to an Eligible Employee's Assured Employee Entitlement will be accepted in full, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms. Eligible Employees who apply for more than their Assured Employee Entitlement may receive such additional Employee Reserved Shares depending on the aggregate level of applications by other Eligible Employees.

Allocation of the Hong Kong Offer Shares under the Employee Preferential Offer will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Hong Kong Offer Shares under the Employee Preferential Offer will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No preferential treatment will be given to the Eligible Directors (or their associates who are Eligible Employees). Eligible Directors (or their associates who are Eligible Employees) who apply for more than their Assured Employee Entitlement will not be offered Employee Reserved Shares on a preferential basis compared to the other Eligible Employees who apply for the same. The allocation basis will be determined by the Company's Hong Kong Listed Share Registrar, Tricor Investor Services Limited, based on the level of valid applications received under the Employee Preferential Offer and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications.

Any Hong Kong Offer Shares not subscribed for by the Eligible Employees under the Employee Preferential Offer will be available for subscription by the public in Hong Kong under the Hong Kong Public Offering after the reallocation as described above in "— The Hong Kong Public Offering" in this section.

Eligible Directors (or their associates who are Eligible Employees) may apply for Employee Reserved Shares under the Employee Preferential Offer but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering. Eligible Employees who are not Eligible Directors (or their associates) may make an application for Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.

Any Director who (or any of whose associates who are Eligible Employees) intends to apply for Offer Shares under the Employee Preferential Offer will not participate in any decision of the Company in relation to the allocation basis for the Employee Preferential Offer.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a wavier from strict compliance with Rule 10.03 of the Listing Rules in relation to the participation by the Eligible Directors (and their associates who are Eligible Employees) in the Employee Preferential Offer.

The **PINK** Application Forms include a condition that applications received from the Eligible Directors (or their associates who are Eligible Employees) may be reduced by the Company (but not less than their Assured Employee Entitlement) before allocation of Offer Shares to the Eligible Directors and the other Eligible Employees in the Employee Preferential Offer. This is intended to ensure that the number of Shares held by the public upon completion of the Global Offering would not be below the prescribed minimum required by the Stock Exchange. The reduction is intended to be on a pro-rata basis (subject to rounding to the nearest whole number of board lots). Such reduction (if any) will be performed by the Company's Hong Kong Listed Share Registrar, Tricor Investor Services Limited, with the assistance of the Company and the Joint Bookrunners.

Assured Employee Entitlements of the Eligible Employees to the Employee Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Hong Kong Public Offering (including the Employee Preferential Offer) will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no Employee Reserved Shares are being offered to Overseas Employees under the Employee Preferential Offer and no Application Forms will be sent to such persons. Applications will not be accepted from Overseas Employees or persons who are acting for the benefit of Overseas Employees.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 997,500,000 Shares, representing 95% of the total number of Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and its shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" in this section, the exercise of the Offer Size Adjustment Option or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering (including the Employee Preferential Offer).

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering, the Selling Shareholder has granted the Offer Size Adjustment Option to the Hong Kong Underwriters under the Hong Kong Underwriting Agreement. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option is exercisable by the Joint Global Coordinators, in consultation with the Company and the Selling Shareholder, on behalf of the Hong Kong Underwriters on or before the Price Determination Date, and will lapse immediately thereafter.

Under the Offer Size Adjustment Option, the Selling Shareholder may be required to sell up to an aggregate of 210,000,000 Offer Shares at the Offer Price. These Offer Shares, if any, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangements described in "— The Hong Kong Public Offering — Reallocation" in this section. The Offer Size Adjustment Option will not be used for price stabilisation purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option. As no new Shares will be issued under the Offer Size Adjustment Option (as all Offer Shares being offered under the Offer Size Adjustment Option will be existing Shares), there will be no dilution effect on investors' potential shareholding, nor will any additional proceeds be raised by the Company.

The Company will disclose in its announcement of the results of allocations for the Hong Kong Public Offering and the Employee Preferential Offer if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time during the 30-day period from the last date for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to 15% of the aggregate of the total number of Shares initially available under the Global Offering and the Shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be sold pursuant thereto will represent approximately 1.89% of the issued share capital of the Company (assuming the exercise of the Offer Size Adjustment Option in full) or approximately 1.58% of the issued share capital of the Company (assuming the Offer Size Adjustment Option is not exercised), in each case immediately after the completion of the Global Offering and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and in what the Stabilising Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The Underwriting Agreements provide that any profit resulting from any stabilising action shall be shared by the Joint Bookrunners with the Selling Shareholder. Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;

- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 7 January 2012, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager or any person acting for it may choose to borrow up to 157,500,000 Shares (being the maximum number of Shares which may be sold upon exercise of the Over-allotment Option assuming that the Offer Size Adjustment Option is not exercised) or 189,000,000 Shares (being the maximum number of Shares which may be sold upon exercise of the Over-allotment Option assuming that the Offer Size Adjustment Option is exercised in full) from the Selling Shareholder pursuant to the Stock Borrowing Agreement expected to be entered into between the Stabilising Manager or any person acting for it and the Selling Shareholder on or about 9 December 2011 or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with the Selling Shareholder is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to the Selling Shareholder or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Selling Shareholder by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

OFFER SIZE

The table below sets out a summary of the total number of Hong Kong Offer Shares and International Offer Shares being offered in the Global Offering under a series of scenarios, depending on (i) whether a reallocation pursuant to the clawback arrangement under any of the three potential scenarios described in "— The Hong Kong Public Offering — Reallocation" in this section occurs and

(ii) whether either or both of the Offer Size Adjustment Option and the Over-allotment Option is or are not exercised at all or exercised in full.

The allocation and total number of Offer Shares under the Global Offering will be determined in the following manner. The allocation of Offer Shares between the International Offering and the Hong Kong Public Offering will first be subject to a reallocation adjustment depending on the number of Offer Shares validly applied for under the Hong Kong Public Offering. See "— The Hong Kong Public Offering — Reallocation" in this section. Following reallocation, in the event that the Offer Size Adjustment Option is exercised in full, the additional Offer Shares made available as a result, representing 20% of the total number of Offer Shares initially offered in the Global Offering, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering on a post-clawback basis. The Offer Size Adjustment Option will lapse if it is not exercised by the Price Determination Date. See "— Offer Size Adjustment Option" in this section. The number of Offer Shares to be made available under the International Offering may be further increased in the event that the Over-allotment Option is exercised. The maximum number of additional International Offer Shares to be offered pursuant to the exercise of the Over-allotment Option will represent approximately 15% of the aggregate of the total number of Shares initially available under the Global Offering and the Shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any. Please refer to "— Over-Allotment Option" in this section.

The Employee Reserved Shares are not subject to any clawback reallocation or the Offer Size Adjustment Option.

	No clawback reallocation	**7.5% clawback reallocation**	**10% clawback reallocation**	**20% clawback reallocation**
Total number of Offer Shares before exercise of the Offer Size Adjustment Option and Over-allotment Option	52,500,000 Hong Kong Offer Shares 997,500,000 International Offer Shares	78,750,000 Hong Kong Offer Shares 971,250,000 International Offer Shares	105,000,000 Hong Kong Offer Shares 945,000,000 International Offer Shares	210,000,000 Hong Kong Offer Shares 840,000,000 International Offer Shares
Total number of Offer Shares after the exercise in full of the Offer Size Adjustment Option only (the Over-allotment Option is not exercised)	63,000,000 Hong Kong Offer Shares 1,197,000,000 International Offer Shares	94,500,000 Hong Kong Offer Shares 1,165,500,000 International Offer Shares	126,000,000 Hong Kong Offer Shares 1,134,000,000 International Offer Shares	252,000,000 Hong Kong Offer Shares 1,008,000,000 International Offer Shares
Total number of Offer Shares after the exercise in full of the Over-allotment Option only (the Offer Size Adjustment Option is not exercised)	52,500,000 Hong Kong Offer Shares 1,155,000,000 International Offer Shares	78,750,000 Hong Kong Offer Shares 1,128,750,000 International Offer Shares	105,000,000 Hong Kong Offer Shares 1,102,500,000 International Offer Shares	210,000,000 Hong Kong Offer Shares 997,500,000 International Offer Shares
Total number of Offer Shares after the exercise in full of the Offer Size Adjustment Option and the Over-allotment Option	63,000,000 Hong Kong Offer Shares 1,386,000,000 International Offer Shares	94,500,000 Hong Kong Offer Shares 1,354,500,000 International Offer Shares	126,000,000 Hong Kong Offer Shares 1,323,000,000 International Offer Shares	252,000,000 Hong Kong Offer Shares 1,197,000,000 International Offer Shares

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around 9 December 2011 but in any event no later than 14 December 2011, by agreement among the Joint Bookrunners, on behalf of the Underwriters, the Selling Shareholder and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$21.00 per Offer Share and is expected to be not less than HK$15.00 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$21.00 per Offer Share plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK$4,242.34 for one board lot of 200 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Bookrunners, on behalf of the Underwriters, may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, after, and based on, consultation with the Company, reduce the number of Offer Shares offered under the Global Offering, and the Company may, where it deems appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, after, and based on, consultation with the Joint Bookrunners, reduce the Offer Price range below that stated in this prospectus, in each case at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon issue of such a notice, the revised Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners, on behalf of the Underwriters, the Selling Shareholder and the Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the forecast of the consolidated profit after taxation of the Group for the financial year ending 31 March 2012 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Company, the Selling Shareholder and the Joint Bookrunners on behalf of the Underwriters, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, an indication of the level of interest in the International Offering, the basis of allocation of Offer Shares available under the Hong Kong Public Offering and the Employee Preferential Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Employee Preferential Offer are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Despatch/Collection of Share Certificates and Refund Monies".

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company, the Selling Shareholder and the Joint Bookrunners, on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed "Underwriting".

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) on the Main Board of the Stock Exchange;

(ii) the Offer Price being duly determined among the Company, the Selling Shareholder and the Joint Bookrunners (on behalf of the Underwriters);

(iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company, the Selling Shareholder and the Joint Bookrunners (on behalf of the Underwriters) on or before 14 December 2011, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.chowtaifook.com** on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Despatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on 15 December 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed ''Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination'' has not been exercised.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 15 December 2011, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on 15 December 2011.

The Shares will be traded in board lots of 200 Shares each and the stock code of the Shares will be 1929.

1. HOW TO APPLY

You may either:

- apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for International Offer Shares under the International Offering,

but you may not do both.

You may apply for the Hong Kong Offer Shares by using one of the following three methods:

- using a **WHITE** or **YELLOW** Application Form;
- applying online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through the **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC.

In addition, if you are an Eligible Employee (including an Eligible Director), you may also apply for Employee Reserved Shares by using a **PINK** Application Form. However, Eligible Directors and their associates (including those associates who are Eligible Employees) may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering.

If you do not follow the instructions detailed on the Application Form or on the **HK eIPO White Form**, your application may be rejected.

Our Company, the Joint Global Coordinators or the HK eIPO White Form Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

2. WHO CAN APPLY

You can apply for the Hong Kong Offer Shares available for purchase by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States or are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

You can also apply for Employee Reserved Shares if you satisfy the above criteria and you are also an Eligible Employee.

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also (i) have a valid Hong Kong identity card number and (ii) be willing to provide a valid e-mail address and a contact telephone number.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Global Coordinators (or its agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four. Joint applicants may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

The Hong Kong Offer Shares and the Employee Reserved Shares are not available to existing beneficial owners of Shares or of shares of any of the subsidiaries of the Company, the Directors or their respective associates or any other connected persons of the Company or persons who will become our connected persons immediately upon completion of the Global Offering (except for Eligible Directors and their associates who are Eligible Employees that may apply for Employee Reserved Shares).

3. APPLYING BY USING AN APPLICATION FORM

Which Application Form to Use

If you want the Hong Kong Offer Shares issued in your own name, use a **WHITE** Application Form or apply online through the designated website at **www.hkeipo.hk**.

If you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

If you are an Eligible Employee applying for the Employee Reserved Shares under the Employee Preferential Offer by using a **PINK** Application Form, you may apply on an assured basis for a number of Employee Reserved Shares for less than, equal to or more than your Assured Employee Entitlement, but any application made on a **PINK** Application Form for more than 30,000 Shares will be treated as if it is an application for 30,000 Shares.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. to 4:30 p.m. from Monday, 5 December 2011 to Wednesday, 7 December 2011 and between 9:00 a.m. to 12:00 noon on Thursday, 8 December 2011 from:

(1) any of the following offices of the Joint Bookrunners:

Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Citigroup Global Markets Asia, Ltd.	50th Floor, Citibank Tower Citibank Plaza 3 Garden Road, Central Hong Kong
Deutsche Bank AG, Hong Kong Branch	Level 52, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	Level 15, 1 Queen's Road Central Hong Kong
J.P. Morgan Securities (Asia Pacific) Limited	28th Floor, Chater House 8 Connaught Road Central Hong Kong
UBS AG, Hong Kong Branch	52/F, Two International Finance Centre 8 Finance Street Central Hong Kong

(2) any of the branches of the following receiving banks:

(i) The Hongkong and Shanghai Banking Corporation Limited:

	Branch Name	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central
	Pacific Place Branch	Shop 401, Pacific Place, 88 Queensway
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point
	The Westwood Branch	LG01-3, LG Floor, The Westwood, 8 Belcher's Street
	Causeway Bay Branch	1/F, Causeway Bay Plaza 2, 463-483 Lockhart Road
Kowloon	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City
	Tin On Building Branch	777-779 Cheung Sha Wan Road
	Tsim Sha Tsui Branch	Basement & 1/F, 82-84 Nathan Road, Tsim Sha Tsui
New Territories	Sunshine City Plaza Branch	Shop No. 3010, Level 3, Sunshine City Plaza, Ma On Shan
	Maritime Square Branch	Shop 308F, Level 3, Maritime Square, Tsing Yi
	Shatin Plaza Branch	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin

(ii) Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	North Point Centre Branch	North Point Centre, 284 King`s Road, North Point
Kowloon	Kwun Tong Hoi Yuen Road	G/F., Fook Cheong Building, No. 63, Hoi Yuen Road, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G101, G/F., Lok Fu Shopping Centre
New Territories	Kwai Chung Branch	Unit A, G/F, Effort Industrial Building, 2-8 Kung Yip Street, Kwai Chung
	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

(iii) Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch Name	Address
Hong Kong Island . . .	Hong Kong Branch	20 Pedder Street, Central
	Hennessy Road Sub-Branch	G/F., Bank of Communications Building, 368 Hennessy Road
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road
Kowloon	Shamshuipo Sub-Branch	G/F., Shop 1, Golden Centre, 94 Yen Chow Street
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road
	Tuen Mun Sub-Branch	Shop 7-8, G/F., Castle Peak Lin Won Building, 2-4 Yan Ching Street
	Fanling Sub-Branch	Shop No.84A-84B, G/F., Flora Plaza

(iv) The Bank of East Asia, Limited:

	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion
Kowloon	Waterloo Road Branch	Shop A, G/F, Richland House, 77B & 77C Waterloo Road
	Kwun Tong Branch	7 Hong Ning Road
	Ma Tau Wei Road Branch	23 - 27 Ma Tau Wei Road
New Territories	Tai Wai Branch	16-18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Park Central Branch	Shop G6, G/F, Park Central, 9 Tong Tak Street, Tseung Kwan O
	Tsuen Wan Branch	239-243 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 5 December 2011 until 12:00 noon on Thursday, 8 December 2011 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

A **PINK** Application Form together with the prospectus will be delivered to Eligible Employees on Monday, 5 December 2011 at the centres/offices of the Company to which he or she belongs. Additional copies of the **PINK** Application Form and the prospectus can be collected from the Company's office at 38/F, New World Tower, 16-18 Queen's Road Central, Hong Kong. Electronic copies of the **PINK** Application Form and the prospectus can be viewed from the website of the Company at **www.chowtaifook.com**.

Your stockbroker may also have **YELLOW** Application Forms and this prospectus available.

4. TERMS AND CONDITIONS OF AN APPLICATION

There are detailed instructions on each Application Form. You should read and follow these instructions carefully. If you do not strictly follow the instructions, your application may be rejected.

You should note that by completing and submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents on your behalf and to do on your behalf all things necessary to effect the registration of any Hong Kong Offer Shares and/or Employee Reserved Shares allocated to you in your name(s) or in the name of HKSCC Nominees, as the case may be, required by the Articles, and otherwise to give effect to the arrangements described in this prospectus, the Application Forms and/or the **HK eIPO White Form** service designated website at **www.hkeipo.hk** (as the case may be);

(ii) undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares and/or Employee Reserved Shares to be allocated to you, and as required by the Articles;

(iii) agree with the Company and each of our shareholders, and the Company agrees with each of our shareholders, to observe and comply with the Hong Kong Companies Ordinance and the Articles;

(iv) confirm that you have read the terms and conditions and application procedures set out in this prospectus (and in the case of an application through the **HK eIPO White Form** service, additionally the terms and conditions of the **HK eIPO White Form** service designated website at **www.hkeipo.hk**) and agree to be bound by them;

(v) confirm that you have received and/or read a copy of this prospectus (and in the case of an application through the **HK eIPO White Form** service, the terms and conditions of the aforesaid services' designated website at **www.hkeipo.hk**) and have only relied on the information and representations contained in this prospectus (and additionally in the case of an application through the **HK eIPO White Form** service, via the designated website at **www.hkeipo.hk**) in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;

(vi) confirm that you are aware of the restrictions on the Global Offering disclosed in this prospectus;

(vii) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);

(viii) undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor otherwise participated in the International Offering;

(ix) agree to disclose to the Company, our Hong Kong Listed Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(x) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xi) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xii) (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;

(xiii) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xiv) represent, warrant and undertake that you understand that the Hong Kong Offer Shares and the Employee Reserved Shares have not been and will not be registered under the U.S. Securities Act and you and any person for whose account or benefit you are applying for the Hong Kong Offer Shares and/or Employee Reserved Shares are outside the United States (as defined in Regulation S) when completing and submitting any Application Form or applying through the **HK eIPO White Form** service or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xv) warrant the truth and accuracy of the information contained in the application;

(xvi) undertake and agree to accept the Hong Kong Offer Shares and/or Employee Reserved Shares applied for, or any lesser number allocated to you under the application;

(xvii) authorise the Company to place your name(s) or the name of the HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares and/or Employee Reserved Shares allocated to you, and the Company and/or its agents to despatch any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated on the application, except that if you have applied for 1,000,000 or more Hong Kong Offer Shares and/or 30,000 or more Employee Reserved Shares, and have indicated in the relevant application that you will collect the share certificate(s) and/or refund cheque(s) in person, you may do so in the manner as described in "— Despatch/Collection of Share Certificates and Refund Monies" in this section or on such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/ e-refund payment instructions/refund cheques;

(xviii) authorise the Company to enter into a contract on your behalf with each of the Directors and officers whereby each such Director and officer undertakes to observe and comply with their obligations to shareholders of the Company, as stipulated in the Articles; and

(xix) understand that these declarations and representations will be relied upon by the Company and the Joint Global Coordinators in deciding whether or not to allocate any Hong Kong Offer Shares and/or Employee Reserved Shares in response to this application and you may be prosecuted for making a false declaration.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

If you are an individual and meet the criteria set forth in "— Who can apply" in this section, you may apply through the **HK eIPO White Form** service by submitting an application for the Shares to be allotted and registered in your own name through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the HK eIPO White Form Service Provider and may not be submitted to the Company.

If you give electronic application instructions through the designated website at **www.hkeipo.hk**, you will have authorised the HK eIPO White Form Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Monday, 5 December 2011 until 11:30 a.m. on Thursday, 8 December 2011 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 8 December 2011 or such later time as described under "— Effects of Bad Weather on the Opening of the Applications Lists" in this section (24 hours daily, except on the last application day). If you do not make complete payment of the application monies (including any related fees) in time, the HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.hkeipo.hk**.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the HK eIPO White Form Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through the **HK eIPO White Form** service to the HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, or if your application is otherwise rejected alternative arrangements for the refund of monies to you may be adopted. Please refer to the additional information provided by the HK eIPO White Form Service Provider on the designated website at **www.hkeipo.hk**.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may apply for the Hong Kong Offer Shares in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company, the Joint Global Coordinators and our Hong Kong Listed Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Offer Shares to be allotted shall be transferred into the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;

- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given electronic application instructions or any lesser number allocated to that person;

- undertakes and confirms that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor otherwise participated in the International Offering;

- (if the electronic application instructions are given for that person's own benefit) declares that only one set of electronic application instructions has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of electronic application instructions for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- understands that these declarations and representations will be relied upon by the Company, the Directors and the Joint Global Coordinators in deciding whether or not to make any allocation of Hong Kong Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises the Company to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allocated in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- confirms that that person has received and/or read a copy of this prospectus and has only relied on the information and representations in this prospectus in giving that person's electronic application instructions or instructing that person's broker or custodian to give electronic application instructions on that person's behalf save as set out in any supplement to this prospectus;

- agrees that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);

- agrees to disclose that person's personal data to the Company, our Hong Kong Listed Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents which they may require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by the Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to Hong Kong Offer Shares;

- agrees with the Company, for ourselves and for the benefit of each Shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Hong Kong Companies Ordinance and the Articles; and

- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 200 Hong Kong Offer Shares. Such instructions in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give electric application instructions to HKSCC through CCASS terminals to apply for Hong Kong Offer Shares on their behalf.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, 5 December 2011 — 9:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, 6 December 2011 — 8:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, 7 December 2011 —8:00 a.m. to 8:30 p.m.[(1)]
- Thursday, 8 December 2011 — 8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 5 December 2011 until 12:00 noon on Thursday, 8 December 2011 (24 hours daily, except the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 8 December 2011, the last application day or such later time as described in "— Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance.

Warning

The subscription of Offer Shares by giving electronic applications instructions to HKSCC is only a facility provided to CCASS Participants. The Joint Bookrunners and the Company take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System, or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit the **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form by 12:00 noon on Thursday, 8 December 2011.

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by us and our Hong Kong Listed Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The purchase of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait till the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

8. HOW MANY APPLICATIONS CAN YOU MAKE

You may make more than one application for the Hong Kong Offer Shares if and only if you are a nominee, in which case you may give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or

- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications for the Hong Kong Offer Shares are not allowed.

In addition, if you are an Eligible Employee you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offer. Multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider through **HK eIPO White Form** service at **www.hkeipo.hk**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

It will be a term and condition of all applications for Hong Kong Offer Shares that by completing and delivering an Application Form or applying through the **HK eIPO White Form** service, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC and that you are duly authorised to sign the Application Form or give electronic application instructions as that other person's agent.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving electronic application instructions through the designated website at **www.hkeipo.hk** and completing payment in respect of such electronic application instructions, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

9. HOW MUCH ARE THE HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

The maximum offer price is HK$21.00 per Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 200 Shares you will pay HK$4,242.34. The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for the numbers of Shares as shown in the table.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation".

10. WHEN AND WHERE CAN YOU APPLY

Completed **WHITE** and **YELLOW** Application Forms, together with a cheque attached and marked payable to "HSBC Nominees (Hong Kong) Limited — Chow Tai Fook Public Offer" for the payment, and completed **PINK** Application Form, together with a cheque attached and marked payable to "HSBC Nominees (Hong Kong) Limited — Chow Tai Fook Preferential Offer" for the payment must be deposited by 12:00 noon on Thursday, 8 December 2011 or, in the case **PINK** Application Forms, submitted not later than 12:00 noon on Wednesday, 7 December 2011, or, if the application lists are not open on that day, then by the time and date stated in "— Effect of Bad Weather on the Opening of the Application Lists" in this section.

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque attached and marked payable to "HSBC Nominees (Hong Kong) Limited — Chow Tai Fook Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under "— where to collect the Application Form" above, at the following times:

- Monday, 5 December 2011 — 9:00 a.m. to 4:30 p.m.
- Tuesday, 6 December 2011 — 9:00 a.m. to 4:30 p.m.
- Wednesday, 7 December 2011 — 9:00 a.m. to 4:30 p.m.
- Thursday, 8 December 2011 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 8 December 2011.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "HSBC Nominees (Hong Kong) Limited — Chow Tai Fook Preferential Offer" for the payment must be returned to your supervisor by 12:00 noon on Wednesday, 7 December 2011.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allotment of any of the Hong Kong Offer Shares will be made until after Thursday, 8 December 2011.

11. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 December 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

"**Business Day**" means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

If the application lists do not open and close on Thursday, 8 December 2011 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable", such dates mentioned in the section headed "Expected Timetable" may be affected. An announcement will be made in such event.

12. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, an indication of the level of interest in the International Offering, the level of applications of the Hong Kong Public Offering, the level of application of the Employee Preferential Offer and the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares on Wednesday, 14 December 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at **www.chowtaifook.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Employee Preferential Offer will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering and the Employee Preferential Offer can be found in our announcement to be posted on the Company's website at **www.chowtaifook.com** and the website of the Stock Exchange at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 14 December 2011;

- Results of allocations for the Hong Kong Public Offering and the Employee Preferential Offer will be available from our designated results of allocations website at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. on Wednesday, 14 December 2011 to 12:00 midnight on Tuesday, 20 December 2011. Search by ID function will be available on our results of allocations website at **www.tricor.com.hk/ipo/result**, or via a hyperlink from our website at **www.chowtaifook.com** to our results of allocations website at **www.tricor.com.hk/ipo/result**. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations will be available from our Hong Kong Public Offering and Employee Preferential Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares and/or Employee Reserved Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 14 December 2011 to Monday, 19 December 2011 (excluding Saturday, Sunday and Public Holiday);

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, 14 December 2011 to Friday, 16 December 2011 at all the receiving bank branches and sub-branches at the addresses set forth "— Where to Collect the Application Forms" in this section.

The Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

If the Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and/or the Employee Reserved Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

13. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES/ EMPLOYEE RESERVED SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares and/or Employee Reserved Shares are set out in this prospectus, in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf) and in the electronic application instructions on the **HK eIPO White Form** service designated website at **www.hkeipo.hk** for applications made using the **HK eIPO White Form** service, and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer shares and/or Employee Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form, submit an application through the **HK eIPO White Form** service or give your electronic application instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares or Employee Reserved Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they are required to confirm their applications. If applicant(s) have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will not be valid. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or our agents exercise our or their discretion to reject your application:

The Company and the Joint Global Coordinators, or our or their respective agents and nominees or the HK eIPO White Form Service Provider (where applicable), have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(iii) If the allotment of Hong Kong Offer Shares and Employee Reserved Shares is void:

The allotment of Hong Kong Offer Shares and/or Employee Reserved Shares to you or to HKSCC Nominees (if you give electronic application instructions to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications as described in "— How many Applications can you make" in this section;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving electronic application instructions to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service at **www.hkeipo.hk**, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.hkeipo.hk**;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- the Hong Kong Underwriting Agreement and the International Underwriting Agreement do not become unconditional;
- the Hong Kong Underwriting Agreement and the International Underwriting Agreement are terminated in accordance with their respective terms;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 24,412,400 Hong Kong Offer Shares.

14. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK$21.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering or Employee Preferential Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or, as the case may be, the cheque will not be cleared. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

Refund of your application monies (if any) will be made on Wednesday, 14 December 2011 in accordance with the various arrangements as described in this section.

15. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all the Hong Kong Offer Shares sold to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all of the Employee Reserved Shares sold to you under the Employee Preferential Offer.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. Subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(i) for applications on **WHITE** and/or **PINK** Application Forms:

(a) share certificate(s) for all the Hong Kong Offer Shares and/or Employee Reserved Shares applied for, if the application(s) is wholly successful; or

(b) share certificate(s) for the number of Hong Kong Offer Shares and/or Employee Reserved Shares successfully applied for, if the application(s) is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms, share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and

(ii) for applications on all Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares and/or Employee Reserved Shares unsuccessfully applied for, if the application(s) is partially unsuccessful; or (ii) all the application monies, if the application(s) is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/ passport number, or, if you are joint applicants, part of the Hong Kong identity card number/ passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque(s).

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under the **WHITE** and/or **YELLOW** and/or **PINK** Application Forms, and share certificates for wholly and partially successful applicants under **WHITE** and/or **PINK** Application Forms, are expected to be posted on or around Wednesday, 14 December 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 15 December 2011 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates do so entirely at their own risk.

Personal Collection

(i) If you apply using a WHITE and/or PINK Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or 30,000 or more Employee Reserved Shares and have indicated your intention in your **WHITE** and/or **PINK** Application Form to collect your refund cheque(s) and/or share certificate(s) (where applicable) in relation to the relevant application in person and have provided all information required by your Application Form, you may collect the relevant refund cheque(s) and/or share certificate(s) (where applicable) from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 December 2011 or such other date as notified by us in the newspapers as the date of collection/despatch of refund cheques/share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in the relevant Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares and/or less than 30,000 Employee Reserved Shares, or you apply for 1,000,000 or more Hong Kong Offer Shares and/or 30,000 or more Employee Reserved Shares but have not indicated on the relevant Application Form that you will collect your refund cheque(s) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on the relevant Application Form on Wednesday, 14 December 2011, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** and **PINK** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your

Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Wednesday, 14 December 2011, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, 14 December 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

(iii) If you are applying through a designated CCASS participant (other than a CCASS investor participant):

For Hong Kong Public Offering shares credited to the stock account of your designated CCASS participant (other than CCASS investor participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

(iv) If you are applying as a CCASS investor participant:

The Company will publish the results of CCASS investor participants' applications together with the results of the Hong Kong Public Offering in the newspapers on Wednesday, 14 December 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 December 2011 or any other date HKSCC or HKSCC Nominees Limited chooses. Immediately after the credit of the Hong Kong Public Offering shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(v) If you are applying through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the HK eIPO White Form Service Provider through the designated website **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 December 2011, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the HK eIPO White Form Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** on Wednesday, 14 December 2011 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application monies underpaid or applications rejected by the HK eIPO White Form Service Provider set forth in "— Applying through the HK eIPO White Form Service — Additional Information" in this section.

If you apply through the **HK eIPO White Form** service and pay the application monies from a single bank account, refund monies (if any) will be despatched to the application payment bank account in the form of e-Auto Refund payment instructions. If you apply through the **HK eIPO White Form** service and pay the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified in your **HK eIPO White Form** application instructed to the HK eIPO White Form Service Provider in the form of refund cheque(s), by ordinary post at your own risk.

Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account on Wednesday, 14 December 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the section head "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Publication of Results" on Wednesday, 14 December 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 December 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 14 December 2011. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 14 December 2011. No interest will be paid thereon.

16. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

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.

Deloitte.
德勤

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香港金鐘道88號
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35/F One Pacific Place
88 Queensway
Hong Kong

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: At 31 March 2009	2010	2011	At 30 September 2011	As at date of this report	Principal activities
Subsidiaries:								
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 At 31 March 2009	2010	2011	At 30 September 2011	As at date of this report	Principal activities
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 At 31 March 2009	2010	2011	At 30 September 2011	As at date of this report	Principal activities
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 At 31 March 2009	2010	2011	At 30 September 2011	As at date of this report	Principal activities
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	
			2009	2010	2011	2011	this report	
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%^	100%^	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%#	50%#	50%#	50%#	50%#	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%#	50%#	50%#	50%#	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 At 31 March 2009	2010	2011	At 30 September 2011	As at date of this report	Principal activities
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") (瀋陽悦祥福珠寶有限公司)	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 At 31 March 2009	2010	2011	At 30 September 2011	As at date of this report	Principal activities
Zhangjiagang Baoshui Fudonglin Jewellery Company Limited ("Zhangjiagang Fudonglin") (張家港保税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") (張家港保税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") (張家港保税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") (張家港保税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") (張家港保税區悦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") (張家港保税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.

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

Name of company	Financial year	Name of auditor
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有限責任公司
	Year ended 31 December 2009	湖北宏達會計師事務有限責任公司
	Year ended 31 December 2010	湖北宏達會計師事務有限責任公司
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

Name of company	Financial year	Name of auditor
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有限責任公司
	Year ended 31 December 2009	湖北宏達會計師事務有限責任公司
	Year ended 31 December 2010	湖北宏達會計師事務有限責任公司
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
Associate:		
Wuhan Xinfu	Year ended 31 December 2008	湖北宏達會計師事務有限責任公司
	Year ended 31 December 2009	湖北宏達會計師事務有限責任公司
	Year ended 31 December 2010	湖北宏達會計師事務有限責任公司

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 At 31 March 2009	THE GROUP At 31 March 2010	THE GROUP At 31 March 2011	THE GROUP At 30 September 2011	THE COMPANY At 30 September 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	—
		905.2	1,048.7	1,545.5	1,995.7	—
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	—
		13,504.3	15,961.6	27,503.2	36,186.8	—
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	—
		7,783.8	8,510.9	17,213.2	26,575.0	—
Net current assets		5,720.5	7,450.7	10,290.0	9,611.8	—
Total assets less current liabilities		6,625.7	8,499.4	11,835.5	11,607.5	—
Non-current liabilities						
Retirement benefit obligations	35	183.8	164.0	162.6	190.9	—
		183.8	164.0	162.6	190.9	—
Net assets		6,441.9	8,335.4	11,672.9	11,416.6	—
Paid-in/share capital	31	692.8	698.1	700.1	—	—
Reserves		5,650.0	7,458.7	10,606.8	10,926.6	—
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	—
		6,441.9	8,335.4	11,672.9	11,416.6	—

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	1,217.4	(716.1)	6,107.3	4,412.9	3,753.0
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	1,289.9	2,106.7	5,604.8	2,390.3	3,205.4

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

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% - 33⅓%
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
	2009	2010	2011	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
	4,779.3	5,640.8	9,084.0	5,991.6
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	2,060.8	2,189.2	3,931.6	4,960.8
	7,221.0	7,594.1	15,399.6	23,736.7

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
		7,225.2	—	7,225.2	7,221.0
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
		7,498.1	102.0	7,600.1	7,594.1
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
		13,172.7	2,278.7	15,451.4	15,399.6
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
		20,858.9	2,993.6	23,852.5	23,736.7

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.

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

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
	10,005.2	8,405.7	18,410.9	—	18,410.9
Inter-segment sales*	—	775.2	775.2	(775.2)	—
	10,005.2	9,180.9	19,186.1	(775.2)	18,410.9

* Inter-segment sales are charged at prevailing market rates.
# Wholesale represents sales to franchisees.

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
Segment profit	1,324.5	813.6	2,138.1	(4.5)	2,133.6
Interest income					88.6
Share of results of an associate					1.3
Profit before taxation					2,223.5

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
	12,629.0	10,304.6	22,933.6	—	22,933.6
Inter-segment sales*	—	1,207.1	1,207.1	(1,207.1)	—
	12,629.0	11,511.7	24,140.7	(1,207.1)	22,933.6

* Inter-segment sales are charged at prevailing market rates.
# Wholesale represents sales to franchisees.

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
Segment profit	1,539.9	1,103.8	2,643.7	(10.6)	2,633.1
Interest income					77.0
Share of results of an associate					8.5
Profit before taxation					2,718.6

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)	—
	19,471.8	17,916.2	37,388.0	(2,345.5)	35,042.5

* Inter-segment sales are charged at prevailing market rates.
\# Wholesale represents sales to franchisees.

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

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)	—
	7,520.8	6,961.7	14,482.5	(1,167.5)	13,315.0

* Inter-segment sales are charged at prevailing market rates.
\# Wholesale represents sales to franchisees.

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

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#	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*	—	1,714.2	1,714.2	(1,714.2)	—
	13,371.4	12,217.3	25,588.7	(1,714.2)	23,874.5

* Inter-segment sales are charged at prevailing market rates.
\# Wholesale represents sales to franchisees.

	PRC	Hong Kong, Macau and other Asian markets	Subtotal	Elimination	Total
Segment profit	1,825.3	1,770.4	3,595.7	(15.3)	3,580.4
Interest income					37.6
Profit before taxation					3,618.0

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	556.1	519.8	1,075.9

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	773.8	546.0	1,319.8

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	1,024.6	796.4	1,821.0

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	420.3	331.8	752.1

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	742.3	627.2	1,369.5

(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	2,510.6	5,583.6	8,094.2

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	3,888.1	5,386.7	9,274.8

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	7,603.2	9,497.6	17,100.8

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
	18,410.9	22,933.6	35,042.5	13,315.0	23,874.5

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
	2009	2010	2011	2011
	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
	800.8	885.7	1,484.3	1,931.4

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
	160.9	176.1	194.6	89.6	124.9

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)
	(0.4)	(1.1)	39.9	10.9	79.1

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
	157.1	62.0	102.2	29.6	116.7

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
	1,075.9	1,319.8	1,821.0	752.1	1,369.5
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
	23.4	25.1	25.6	11.6	16.0

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
Honorary chairman and non-executive director					
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	—	—
	6.2	6.1	3.2	1.5	1.9
Chairman and executive director					
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	—	—
	—	1.5	2.4	1.1	1.5
Managing director					
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
	3.2	3.2	4.2	2.0	2.6

	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
Executive directors					
Mr. Cheng Chi-Kong, Adrian					
— director's fee	—	—	—	—	—
— salaries and other benefits	—	—	—	—	—
— performance-based bonus	—	—	—	—	—
— retirement benefits scheme contributions	—	—	—	—	—
	—	—	—	—	—
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
	1.3	1.4	1.8	0.8	1.3
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
	2.0	2.1	2.7	1.2	1.7
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	—	—
	2.1	2.1	2.9	1.3	1.7
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
	1.5	1.5	1.9	0.8	1.2
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
	1.3	1.3	1.8	0.8	1.2

	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
Non-executive directors					
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	—	—	—	—	—
	3.7	3.8	1.8	0.8	1.2
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	—	—
	2.1	2.1	2.9	1.3	1.7
Total	23.4	25.1	25.6	11.6	16.0

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
Employees					
— 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	—	—
	23.8	27.1	11.6	5.8	10.6

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

	PRC	Hong Kong	Macau	Total
	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	166.1	125.0	18.0	309.1

Year ended 31 March 2010

	PRC	Hong Kong	Macau	Total
	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	330.7	155.9	25.2	511.8

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

Year ended 31 March 2011

	PRC	Hong Kong	Macau	Total
	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	524.9	366.5	55.9	947.3

Six months ended 30 September 2010 (unaudited)

	PRC	Hong Kong	Macau	Total
	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	162.7	155.0	21.1	338.8

Six months ended 30 September 2011

	PRC	Hong Kong	Macau	Total
	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	406.1	343.3	47.7	797.1

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:

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	2011
	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
	154.2	73.7	7.4	7.8

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
COST							
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
DEPRECIATION							
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
NET BOOK VALUES							
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
	2009	2010	2011	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
	507.5	551.5	731.2	809.1

17. Prepaid lease payments

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	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	—	—	97.9	112.9
Comprising land use rights held under medium-term leases situated in the PRC	—	—	97.9	112.9
Analysed for reporting purposes as:				
Current assets (included in trade and other receivables)	—	—	10.6	11.3
Non-current assets	—	—	87.3	101.6
	—	—	97.9	112.9

18. Deposits

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	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	—	—
	86.2	51.1	231.7	211.3

19. Interest in an associate

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	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
	39.3	47.8	45.2	48.8

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
	2009	2010	2011	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 (unaudited)	HK$million
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
	2009	2010	2011	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")(i)				
— interest bearing portion(ii)	1,466.0	1,095.0	945.0	—
— non-interest bearing portion(iii)	668.7	657.3	233.3	—
Entities in which a director of certain subsidiaries of the Company has control				
— interest bearing portion(iv)	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
	2009	2010	2011	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
	2,235.6	2,418.1	1,875.2	1,278.3

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
	2009	2010	2011	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
	4,726.8	4,639.8	7,833.3	8,458.6

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
	2009	2010	2011	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
	2,044.3	2,179.7	4,949.9	11,099.2
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
	6,048.1	7,085.8	12,138.9	17,766.2
Packing materials	1.8	9.3	12.0	12.4
	8,094.2	9,274.8	17,100.8	28,877.8

23. Trade and other receivables

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	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
	1,365.9	2,435.8	3,227.7	3,505.5

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
	2009	2010	2011	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
	540.2	1,053.9	1,632.4	1,956.4

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
	2009	2010	2011	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
	68.0	70.7	45.6	79.0

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
	815.7	1,306.7	2,049.6	3,138.4

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
	2009	2010	2011	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	—
	212.3	380.8	384.1	755.1

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
	2009	2010	2011	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	20.8	77.0	155.6	208.7
	27.9	84.1	164.7	238.6

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
	2009	2010	2011	2011
	HK$million	HK$million	HK$million	HK$million
Bank loans	113.6	160.3	2,881.0	9,021.7
Secured	—	—	700.0	1,950.0
Unsecured	113.6	160.3	2,181.0	7,071.7
	113.6	160.3	2,881.0	9,021.7

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:

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	2011
	HK$million	HK$million	HK$million	HK$million
US$	1,740.2	1,590.9	2,024.0	2,645.1

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	**American Overseas**	**Lun Jiao**	**Bojuehang**
	HK$million	**HK$million**	**HK$million**	**HK$million**
Consideration satisfied by cash	5.7	14.5	150.0	24.4

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 31 March 2011	Six months ended 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)	—	—	—
	45.8	14.2	149.3	24.4

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 31 March 2011	Six months ended 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)	—	—	—
	3.0	7.6	29.8	6.1

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 31 March 2011	Six months ended 30 September 2011		
	Beijing Dade Xinfu	American Overseas	Lun Jiao	Bojuehang
	HK$million	HK$million	HK$million	HK$million
Profit	14.6	—	—	—
Turnover	79.3	—	—	—

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
	2009	2010	2011	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
	534.6	863.8	847.2	1,134.7

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

	THE GROUP			
	At 31 March			At 30 September
	2009	2010	2011	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
	3.6	14.3	9.1	9.2

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	—	—
	28.5	65.6	30.0	71.8

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
	20.1	(12.9)	5.5	11.6	31.9

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
	2009	2010	2011	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
	2009	2010	2011	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	183.8	164.0	162.6	190.9

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
Continuing related party transactions:					
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
Discontinued related party transactions:					
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

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 March 2011 and six months ended 30 September 2011 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma data relating to our consolidated net tangible assets attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the owners of the Company as at 30 September 2011 as if the Global Offering had taken place on 30 September 2011.

This unaudited pro forma statement of consolidated net tangible assets attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2011 following the Global Offering or as of any subsequent dates.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2011(1)	Estimated net proceeds of the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share(3)
	HK$ million	HK$ million	HK$ million	HK$
Based on an Offer Price of HK$15.00 per Offer Share	10,926.6	15,282.6	26,209.2	2.62
Based on an Offer Price of HK$21.00 per Offer Share	10,926.6	21,440.9	32,367.5	3.24

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2011 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company of HK$10,926.6 million.

(2) The estimated net proceeds of the Global Offering are based on the indicative Offer Prices of HK$15.00 and HK$21.00 per Offer Share, respectively, after deduction of underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and other related expenses payable by the Company, and without taking into account of any Shares which may be issued pursuant to the issuing mandate, or the exercise of share options that may be granted under the Share Option Scheme or any Shares which may be repurchased pursuant to repurchase mandate.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is arrived at on the basis that 10,000,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 September 2011 and without taking into account any Shares which may be issued pursuant to the issuing mandate, or the exercise of share options that may be granted under the Share Option Scheme or any Shares which may be repurchased pursuant to repurchase mandate.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 1 April 2011. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of financial results of the Group for the year ending 31 March 2012 or any future periods.

Forecast consolidated profit attributable to the owners of the Company for the year ending 31 March 2012(1)	Not less than HK$6,300 million
Unaudited forecast earnings per Share on a pro forma basis(2)	Not less than HK$0.63

Notes:

(1) Our forecast consolidated profit attributable to the owners of the Company for the year ending 31 March 2012 is extracted from the section headed "Financial Information—Profit Forecast for the Year Ending 31 March 2012" in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to the owners of the Company for the year ending 31 March 2012 based on the audited consolidated results of the Group for the six months ended 30 September 2011, and a forecast of the consolidated results of the Group for the remaining six months ending 31 March 2012. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section E of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The unaudited forecast earnings per Share on a pro forma basis is calculated by dividing the forecast profit attributable to the owners of the Company for the year ending 31 March 2012 by 10,000,000,000 Shares assumed to be issued and outstanding throughout the year ending 31 March 2012 as if the Global Offering had been completed on 1 April 2011. The number of Shares used in this calculation includes the Shares in issue as at the date of this prospectus and the Shares to be issued pursuant to the Global Offering but excludes any Shares which may be issued pursuant to the issuing mandate or the exercise of share options that may be granted under the Share Option Scheme, or any Shares which may be repurchased pursuant to repurchase mandate.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHOW TAI FOOK JEWELLERY GROUP LIMITED

We report on the unaudited pro forma financial information of Chow Tai Fook Jewellery Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed Hong Kong public offering of the shares in, and the proposed listing of, the Company on the Main Board of The Stock Exchange of Hong Kong Limited might have affected the financial information of the Group presented, for inclusion in Appendix II to the prospectus of the Company dated 5 December 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in pages II-1 to II-2 of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 September 2011 or any future date.
- the earnings per share of the Group for the year ending 31 March 2012 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 December 2011

Our forecast consolidated profit attributable to the owners of our Company for the year ending 31 March 2012 is set out in the section headed "Financial Information — Profit Forecast for the Year Ending 31 March 2012".

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast consolidated profit attributable to the owners of our Company for the year ending 31 March 2012 (the "**Profit Forecast Period**") based on the audited consolidated results of the Group for 1HFY2012 and a forecast of the consolidated results of the Group for the remaining six months ending 31 March 2012.

The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as set out in Section E of the Accountants' Report on the financial information of the Group for the three years ended 31 March 2011 and 1HFY2012 set out in Appendix I to this prospectus and is based on the following principal assumptions:

1. There will be no material changes in the existing political, legal, fiscal, economic or market conditions in any of the countries in which members of the Group currently operate or are established, where the Group's customers reside and travel, or from which it imports a material portion of its inventories.

2. There will be no material changes in the rules, laws, regulations, or government policies (economic, political or legal) in any of the countries in which members of the Group currently operate or are established, where the Group's customers reside and travel, or from which it imports a material portion of its inventories. There will also be no material changes in global macroeconomic conditions such as employment rates, inflation and interest rates.

3. There will be no material changes in the rates of inflation, interest, or foreign currency exchange from those presently prevailing in the countries, regions, or industries applicable to the business activities of the Group.

4. There will be no material changes in the bases or rates of taxation or duties in any of the countries in which members of the Group operate or are established.

5. There will be no material changes to the Group's current gold hedging practice and this hedging practice will be effective throughout the Profit Forecast Period.

6. Consumers consider our products retail goods and thus their demand for these products is not closely correlated to commodity price fluctuations. Average Selling Price ("ASP") is therefore mainly driven by market demand, with jewellery demand as the utmost important factor. The forecast for the year ending 31 March 2012 was prepared based on the market prices of gold and platinum at the time of the preparation of the analysis.

7. The Group's operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in the section headed "Risk Factors" in this prospectus.

8. It is assumed that there will be no government action, or any other unforeseen circumstances beyond the control of the Group which will have a material adverse effect on the operations and results of the Group.

9. There will be no material changes in accounting standards or financial reporting requirements which will have significant impacts on the preparation of the forecast.

10. The Group's operations and business will not be materially affected or interrupted by any force majeure events, unforeseeable factors or any unforeseeable reasons that are beyond control of the Group, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

11. Except as disclosed elsewhere in this prospectus for capital expenditures, there will be no material changes to the Group's operations and no material acquisitions, disposals of assets or investment transactions.

12. No further capital will be raised during the Profit Forecast Period, except for the proceeds of the forthcoming Global Offering, which net proceeds will be received and utilised as planned, and except for the proceeds for financing needs arising from normal course of business (e.g. *inter alia*, gold loans).

13. The forecast has been prepared after taking into account the continued involvement of the Directors, key senior management and other personnel in the development of the Group's operations. It is assumed that the Group will be able to retain its key management and personnel during the Profit Forecast Period.

14. There will be no abnormal or extraordinary items during the Profit Forecast Period.

15. Current banking facilities would be valid throughout the Profit Forecast Period.

B. LETTERS

The following is the text of the letters prepared for the purpose of incorporation in this prospectus received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, and from the Joint Sponsors in connection with the forecast of the consolidated profit attributable to owners of our Company for the year ending 31 March 2012.

(1) LETTER FROM THE REPORTING ACCOUNTANTS

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

5 December 2011

The Directors
Chow Tai Fook Jewellery Group Limited
38/F, New World Tower
16-18 Queen's Road Central,
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road Central
Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Chow Tai Fook Jewellery Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 March 2012 attributable to owners of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 5 December 2011 issued by the Company (the "Prospectus"). The Forecast is prepared based on the audited results of the Group for the six months ended 30 September 2011, and a forecast of the results for the remaining 6 months of the financial year ending 31 March 2012 (the "Profit Forecast Period").

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended 31 March 2011 and the six months ended 30 September 2011 as set out in Appendix I to the Prospectus.

Without qualifying our opinion above, we draw your attention that the directors of the Company have disclosed in the section headed "Bases and Assumptions" of Appendix III to the Prospectus that the Forecast has been prepared based on the market prices of gold and platinum at the time of the preparation of such data. Fluctuations in the market prices of the raw materials which the Group uses in its production such as gold and platinum are beyond the Group's control. Should the actual market prices of gold and platinum in the Profit Forecast Period differ from the market prices of gold and platinum at the time of the preparation of such data, such difference may or may not have an effect on the consolidated profit attributable to owners of the Company for the financial year ending 31 March 2012.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(2) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter prepared by the Joint Sponsors, for the purpose of incorporation in this prospectus, in connection with the forecast of the consolidated profit attributable to owners of our Company for the year ending 31 March 2012.

Goldman Sachs HSBC J.P.Morgan

5 December 2011

The Directors
Chow Tai Fook Jewellery Group Limited
38/F, New World Tower
16-18 Queen's Road Central
Hong Kong

Dear Sirs,

We refer to the forecast (the "Forecast") of the consolidated profit attributable to owners of Chow Tai Fook Jewellery Group Limited (the "Company") for the year ending 31 March 2012 as set out in the subsection headed "Profit Forecast for the year ending 31 March 2012" in "Financial Information" in the prospectus issued by the Company dated 5 December 2011.

The Forecast, for which the directors of the Company are solely responsible, has been prepared by you based on the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2011 and a forecast of the consolidated results of the Group for the remaining six months ending 31 March 2012.

We have discussed with you the bases and assumptions made by the directors of the Company upon which the Forecast has been made. We have also considered, and relied upon, the letter dated 5 December 2011 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Goldman Sachs (Asia) L.L.C.

Sindy Wan
Managing Director

Yours faithfully,
For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited

William Tang
Managing Director

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited

Catherine Leung
Vice Chairman, Asia & Head of Hong Kong Investment Banking

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 July 2011 under the Cayman Companies Law. The Memorandum of Association (the "**Memorandum**") and the Articles of Association comprise the Company's constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles of Association were conditionally adopted on 17 November 2011 and will become effective upon the Listing. The following is a summary of certain provisions of the Articles of Association:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Cayman Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles of Association) and the Memorandum and Articles of Association, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Companies Law and the Articles of Association and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles of Association) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles of Association relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles of Association, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles of Association, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles of Association. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles of Association, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Cayman Companies Law and the Articles of Association, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing Director, joint managing Director, or deputy managing Director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles of Association in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Cayman Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles of Association may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles of Association state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Cayman Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution — majority required

Pursuant to the Articles of Association, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles of Association), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles of Association, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles of Association), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles of Association (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles of Association, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles of Association)) at such time and place as may be determined by the Board.

(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles of Association; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles of Association), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles of Association. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles of Association) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles of Association) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles of Association relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles of Association) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Cayman Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide that dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles of Association and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(p) Inspection of register of members

Pursuant to the Articles of Association the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles of Association the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles of Association relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles of Association, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles of Association) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles of Association), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles of Association) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles of Association provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate.

There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has applied for an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

Such undertakings are usually granted for a period of twenty years from the date of grant.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Articles of Association.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Cayman Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by either an order of the Court or voluntarily subject to the supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Appendix VI — Documents Delivered to the Registrar of Companies and for inspection". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE GROUP

1. Incorporation of Our Company

Our Company was incorporated in Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 20 July 2011. Our Company has established a principal place of business in Hong Kong at 38/F, New World Tower, 16-18 Queen's Road Central, Hong Kong and our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 21 November 2011. Dr. Tan Guet-Lan, Lauren and Mr. Cheng Ping-Hei, Hamilton have been appointed the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of Cayman Islands and its constitution, comprising its Memorandum and Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in the section headed "Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law".

2. Changes in the Share Capital of Our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of US$50,000.00 divided into 50,000 shares of US$1.00 each.

On 17 November 2011 and 29 November 2011, (1) 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; (2) the Company allotted and issued 780 Shares fully paid to CTF Holding, the current sole Shareholder of the Company; (3) the Company repurchased and cancelled the one issued share with a nominal value of US$1.00 in the capital of the Company in issue immediately prior to the issue of the New Shares; and (4) 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;

On 29 November 2011, the sole Shareholder resolved that, 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, the Directors 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 Shareholder whose name appeared in the register of members of the Company at close of business on 15 November 2011 (or as it may direct).

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Global Offering and the Capitalisation Issue.

		HK$
Authorised share capital:		
50,000,000,000	shares of HK$1.00 each	50,000,000,000
Issued and to be issued, fully paid or credited as fully paid:		
780	Shares in issue as at the date of this prospectus	780
8,949,999,220	Shares to be issued pursuant to the Capitalisation Issue	8,949,999,220
1,050,000,000	Shares to be issued pursuant to the Global Offering	1,050,000,000
10,000,000,000	**Total**	10,000,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

As at the Latest Practicable Date, our Company had an authorised share capital of HK$50,000,000,000, divided into 50,000,000,000 Shares, and an issued share capital of HK$780, divided into 780 Shares, all fully paid or credited as fully paid.

Immediately following the completion of the Global Offering and the Capitalisation Issue, the issued share capital of our Company will be HK$10,000,000,000, divided into 10,000,000,000 Shares, all fully paid or credited as fully paid and 40,000,000,000 Shares will remain unissued.

Save as disclosed above and in the section headed "— Resolutions in Writing of Our Shareholder Passed on 17 November 2011 and 29 November 2011" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in Writing of Our Shareholder Passed on 17 November 2011 and 29 November 2011

Pursuant to the written shareholder's resolutions passed by CTF Holding on 17 November 2011 and 29 November 2011 among others:

(a) our Company approved and adopted our Articles of Association conditional upon Listing;

(b) (1) 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; (2) the Company allotted and issued 780 Shares fully paid to CTF Holding, the then sole Shareholder of the Company; (3) the Company repurchased and cancelled the one issued share with a nominal value of US$1.00 in the capital of the Company in issue immediately prior to the issue of the New Shares; and (4) 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;

(c) our Company adopted the Memorandum with immediate effect reflecting the above amendment to the authorised share capital of the Company;

(d) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being fixed on the Price Determination Date, (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements and (4) CTF Holding agreeing to sell a portion of its Shares in the Global Offering:

    (i) the Global Offering was approved and the Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;

    (ii) the proposed Listing was approved and the Directors were authorised to implement the Listing;

(iii) 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, the Directors 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);

(iv) a general unconditional mandate was granted to the Directors to issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of any options which may be granted pursuant to the Share Option Scheme or (d) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (v) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and (C) the date on which the resolution is varied or revoked by an ordinary resolution of our Shareholders in general meeting (the "**Applicable Period**"); and

(v) a general unconditional mandate was granted to the Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering, such mandate to remain in effect during the Applicable Period.

4. OUR PRINCIPAL SUBSIDIARIES

Our principal subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

5. CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Chongqing Fuxi Jewellery Company Limited 重慶市福禧珠寶金行有限公司 ("Chongqing Fuxi")

As of the date of its incorporation on 25 December 2008, the registered share capital of Chongqing Fuxi was RMB1,000,000.00. On 12 August 2010, the registered share capital of Chongqing Fuxi was increased to RMB5,000,000.00.

Shanghai Fulong Chow Tai Fook Jewellery Limited** 上海福龍周大福珠寶有限公司 **("Shanghai Fulong")

As of the date of its incorporation on 5 January 2000, the registered share capital of Shanghai Fulong was HK$5,000,000.00. On 21 December 2009, the registered share capital of Shanghai Fulong was increased to RMB10,000,000.00.

Techni Development Investment Limited** 達利發展投資有限公司 **("Techni")

As of the date of its incorporation on 26 May 2005, the issued share capital of Techni was HK$10,000.00 divided into 10,000 ordinary shares with a nominal value of HK$1.00 each. As part of the Reorganisation, the issued share capital of Techni has been increased to HK$5,000,000.00 divided into 5,000,000 ordinary shares with a nominal value of HK$1.00 each.

Gold Kind Investments Limited** 金佳投資有限公司 **("Gold Kind")

As of the date of its incorporation on 7 May 2005, the issued share capital of Gold Kind was HK$1.00 divided into 1 ordinary share having nominal value of HK$1.00. As part of the Reorganisation, the issued share capital of Gold Kind has increased to HK$10,000.00 divided into 10,000 ordinary shares having a nominal value of HK$1.00.

East Concept Investments Limited** 耀恒投資有限公司 **("East Concept")

As of the date of its incorporation on 5 January 2006, the issued share capital of East Concept was HK$1.00 divided into 1 ordinary share having nominal value of HK$1.00. As part of the Reorganisation, the issued share capital of East Concept has increased to HK$10,000.00 divided into 10,000 ordinary shares having a nominal value of HK$1.00.

Texon Investments Limited** 德誠投資有限公司 **("Texon")

As of the date of its incorporation on 5 January 2006, the issued share capital of Texon was HK$1.00 divided into 1 ordinary share having nominal value of HK$1.00. As part of the Reorganisation, the issued share capital of Texon has increased to HK$10,000.00 divided into 10,000 ordinary shares having a nominal value of HK$1.00.

Save as disclosed above, there has been no other alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. REPURCHASES BY OUR COMPANY OF OUR OWN SECURITIES

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under the Cayman Companies Law any repurchases by our Company may be made out of our Company's funds which would otherwise be available for dividend or distribution, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Cayman Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 10,000,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue, could accordingly result in up to approximately 1,000,000,000 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in Hong Kong.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Hong Kong Underwriting Agreement; and

(b) the Convertible Note Agreement dated 10 June 2011 between Autore (as issuer) and Techni (as noteholder) relating to the issue of a convertible note to Techni, which has a principal amount of AUS$3,000,000 and bears interest at 8% per annum with a maturity date of 31 December 2014.

2. Intellectual Property Rights of the Group

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, members of our Group had registered the following trademarks which are material to our business:

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	周大福 CHOW TAI FOOK	14	Chow Tai Fook Jewellery Company Limited	Hong Kong	301625689	28/05/2020
2.	周大福 CHOW TAI FOOK	14	Chow Tai Fook Jewellery Company Limited	Macau	N/045327	25/01/2017
3.	周大福 CHOW TAI FOOK	14	Chow Tai Fook Jewellery Company Limited	PRC	7788122	27/12/2020

(b) Domain Names

As at the Latest Practicable Date, members of our Group had registered the following domain names which are material to our business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	周大福.com	Chow Tai Fook Jewellery Company (Shenzhen) Limited	08/07/2004	08/07/2018
2.	chowtaifook.com	Chow Tai Fook Jewellery Company Limited	28/07/1996	28/07/2021

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and the Chief Executive of Our Company

Immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, the interests or short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest	Relevant company (including associated corporations)	Number of shares in the relevant company	Approximate percentage of total issued shares in the relevant company immediately after completion of the Global Offering and the Capitalisation Issue and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised
Koo Tong-Fat	Personal beneficial interest	International Entertainment Corporation	350,000	0.03
Koo Tong-Fat	Family beneficial interest	International Entertainment Corporation	6,000	0.00
Suen Chi-Keung, Peter	Personal beneficial interest	International Entertainment Corporation	4,000	0.00
Suen Chi-Keung, Peter	Family beneficial interest	International Entertainment Corporation	4,000	0.00

(b) Interests of the Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Positions in the Shares and the Underlying Shares

		Immediately following the completion of the Global Offering and the Capitalisation Issue and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	
Name of Shareholder	**Nature of interest and capacity**	**Number of Shares held**	**Approximate % of interest**
CYT Family Holdings[(1)]	Interest in a controlled corporation	3,249,655,500	49.0
CYT Family Holdings II[(1)]	Interest in a controlled corporation	2,666,043,900	40.2
CTF Capital[(1)]	Interest in controlled corporation	6,631,950,000	74.1
CTF Holding[(1)]	Legal and beneficial owner	8,950,000,000	89.5

Note:

(1) CYT Family Holdings and CYT Family Holdings II each holds approximately 49.0% and 40.2% interest in CTF Capital, respectively, which in turn holds an approximate 74.1% interest in CTF Holding and is accordingly deemed to have an interest in the Shares and deemed to be interested by CTF Holding.

2. Directors' Service Contracts

None of our Directors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The remunerations (including fees, salaries, contribution to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors in aggregate for FY2009, FY2010, FY2011 and 1HFY2012 were approximately HK$23.4 million, HK$25.1 million, HK$25.6 million and HK$16.0 million, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of FY2009, FY2010, FY2011 and 1HFY2012 by any member of the Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration payable to, and benefits in kind receivable by, our Directors in respect of the year ending 31 March 2012 to be approximately HK$40.4 million.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of our Directors nor any of the persons listed in the section headed "—Other Information — Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of our Directors is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group;

(e) save in connection with Underwriting Agreements, none of the persons listed in the section headed "— Other Information — Qualification of Experts" below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) save for the Underwriting Agreements, none of the persons listed in the section headed "— Other Information — Qualification of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(g) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(h) so far as is known to our Directors, none of our Directors or their associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of the Group; and

(i) none of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the Shareholders on 17 November 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in our Company.

2. Participants of the Share Option Scheme and Basis for Determining the Eligibility of the Participants

Our Board may, at its discretion, grant options pursuant to the Share Option Scheme to the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of our subsidiaries and the employees of the Group and any other persons (including consultants or advisers) who the Board considers, in its absolute discretion, have contributed or will contribute to the Group (the "**Participants**").

3. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options to subscribe for Shares pursuant to the Share Option Scheme and (ii) the commencement of trading of the Shares on the Main Board of the Stock Exchange (the "**Conditions**").

(b) Term of the Share Option Scheme

Subject to the Conditions being satisfied, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its conditional adoption by our Company (the "**Term**"), after which period no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the Term.

4. Grant of Options

(a) Making an Offer

An offer of the grant of an option shall be made to a Participant by a notice of grant requiring the Participant to undertake to hold the option on the terms on which it is to be granted (which may include a minimum period for which the option must be held before it can be exercised and a performance target that must be reached before the option can be exercised in whole or in part) and to be bound by the terms of the Share Option Scheme.

(b) Acceptance of an Offer

An offer of the grant of an option is deemed to be accepted by the Participant (the "**Grantee**") when our Company receives from the Grantee the duplicate notice of grant duly signed by the

Grantee. An offer may be accepted or deemed to have been accepted in respect of less than the number of Shares in respect of which it is offered, provided that it is accepted in respect of a board lot or an integral multiple thereof. No amount is payable by the Grantee upon acceptance of an offer of an option.

The offer shall remain open for acceptance for such time to be determined by our Board, provided that no such offer shall be open for acceptance after the expiry of the Term or after the termination of the Share Option Scheme in accordance with its terms or after the Participant to whom the offer is made has ceased to be a Participant. To the extent that the offer is not accepted within the time period and in the manner specified in the offer, the offer will be deemed to have been irrevocably declined.

(c) Satisfaction by Cash Payment

The Board may, in its absolute discretion, determine whether all or any of the options granted or to be granted under the Share Option Scheme shall be satisfied upon exercise by the allotment and issue of Shares or by a Cash Payment (as defined below). Any such determination may be made on a case-by-case basis or generally at any time prior to the grant or vesting date of the option(s) in question, and the Board shall notify the relevant Grantees of such determination.

For the purpose of the Share Option Scheme:

(A) "**Cash Payment**" means an amount in cash to be determined by the Company in accordance with the formula set out below:

Cash Payment = A x (B – C)

where:

A = the number of Shares in respect of which the option has been exercised;

B = the Market Value (as defined below) of a Share on the date of exercise of the option;

C = the Exercise Price (as defined in paragraph 5 below),

and the Company's determination of the amount of the Cash Payment shall, in the absence of fraud or manifest error, be binding on the Company and the relevant Grantee; and

(B) "**Market Value**" means, in relation to a Share, (a) on a particular day in which the Shares are listed on the Stock Exchange, the volume weighted average closing price of the Shares as quoted on the Stock Exchange during the immediately preceding 30 business days; or (b) on any particular day in which the Shares are not listed on the Stock Exchange, the fair market value thereof as determined by the auditors, acting as experts.

(d) Restrictions on Time of Grant

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published by our Company in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no options may be granted; and where a grant of options is to a Director, no options may be granted on any day on which the financial results of our Company are published and during the period of:

(iii) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(e) Grant to Connected Persons

Any grant of options to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed Grantee of the options in question).

(f) Grant to Substantial Shareholders and Independent Non-Executive Directors

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares underlying all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person pursuant to the Share Option Scheme and any other share option schemes of our Company in the 12 month period up to and including the offer date:

(i) representing in aggregate over 0.1% of the Shares in issue on the offer date; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the offer date, in excess of HK$5 million,

such further grant of options shall be subject to prior approval by the Shareholders in general meeting by way of poll and all connected persons of our Company shall abstain from voting in favour of the resolution relating to the grant of such options at such general meeting.

Any change in the terms of an Option granted to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, shall also be subject to the prior approval by the Shareholders in general meeting by way of poll and all connected persons of our Company shall abstain from voting in favour of the resolution.

5. Exercise Price

The price per Share at which a Grantee may subscribe for Shares upon the exercise of an option (the "**Exercise Price**") shall be determined by our Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the offer date, which must be a business day;

(b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of the Shares,

provided that for the purpose of determining the Exercise Price where the Shares have been listed on the Stock Exchange for less than five business days, the Offer Price shall be used as the closing price of the Shares for any business day falling within the period before the Listing.

6. Maximum Number of Shares Available for Subscription

(a) Scheme Mandate Limit

At any time during the Term, the maximum aggregate number of Shares in respect of which options may be granted pursuant to the Share Option Scheme shall be calculated in accordance with the following formula:

X = A - B - C

where:

X = the maximum aggregate number of Shares in respect of which options may be granted pursuant to the Share Option Scheme;

A = the total number of Shares in respect of which options may be granted pursuant to the Share Option Scheme and any other share option schemes of the Company, being (i) 10% of the Shares in issue on the Listing Date being 1,000,000,000 Shares or (ii) 10% of the Shares in issue as at the New Approval Date (as defined below) (the "**Scheme Mandate Limit**");

B = the maximum aggregate number of Shares underlying the options already granted pursuant to the Share Option Scheme which in the event that there has been a New Approval Date (as defined in paragraph 6(b) below), shall only include those Shares underlying options that have been granted since that most recent New Approval Date; and

C = the maximum aggregate number of Shares underlying the options already granted pursuant to any other share option schemes of our Company.

Shares in respect of options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company will not be counted for the purpose of determining the maximum aggregate number of Shares in respect of which options may be granted pursuant to the Share Option Scheme.

(b) Renewal of Scheme Mandate Limit

The Scheme Mandate Limit may be renewed subject to prior Shareholders' approval, but in any event, the total number of Shares in respect of which options may be granted pursuant to the Share Option Scheme and any other share option schemes of our Company following the date of approval of the renewed limit (the "**New Approval Date**") under the limit as renewed must not exceed 10% of the Shares in issue as at the New Approval Date. Shares in respect of options granted pursuant to the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of our Company or exercised options) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares in respect of which options may be granted following the New Approval Date under the limit as renewed. For the avoidance of doubt, Shares issued prior to the New Approval Date pursuant to the exercise of options granted pursuant to the Share Option Scheme and any other share option schemes of our Company will be counted for the purpose of determining the number of Shares in issue as at the New Approval Date.

(c) Grant of Options Beyond the Scheme Mandate Limit

Notwithstanding the foregoing, our Company may grant options beyond the Scheme Mandate Limit to Participants if:

(i) separate Shareholders' approval has been obtained for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before such Shareholders' approval is sought; and

(ii) our Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules.

(d) Maximum Number of Shares Issued Pursuant to the Exercise of Options

At any time, the maximum number of Shares underlying all outstanding options which have been granted and have yet to be exercised pursuant to the Share Option Scheme and any other share option schemes of our Company shall not exceed 30% of the Shares in issue from time to time.

(e) Grantee's Maximum Holding

Subject to the paragraph below, the maximum number of Shares underlying the options granted to each Participant pursuant to the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any Shares underlying the options granted during such period pursuant to any other share option schemes of our Company other than those options granted pursuant to a specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being.

Where any further grant of options to a Participant would result in the Shares underlying all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant (when aggregated with any Shares pursuant to options granted during such period pursuant to any other share option schemes of our Company other than those options granted pursuant to a specific approval by the Shareholders in a general meeting) representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the options to be granted (and options previously granted to such Participant) and such other information required under the Listing Rules.

7. Rights Attached to the Options

The options do not carry any right to vote at general meetings of our Company, or any dividend, transfer or other rights (including those arising on the winding up of our Company).

No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an option pursuant to the Share Option Scheme, unless and until the Shares underlying the option are actually issued to the Grantee pursuant to the exercise of such option.

8. Rights Attached to the Shares

No dividends or distributions shall be payable in respect of any Shares underlying an option which has not been exercised.

Subject to the foregoing, the Shares which are allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of Association for the time being in force and shall rank pari passu in all respects with, and shall have the same voting, dividend, transfer and other rights (including those rights arising on a liquidation of our Company) as, the existing fully paid Shares in issue on the date on which those Shares are allotted and issued upon the exercise of the option and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or other distributions paid or made on or after the date on which the Shares are issued and allotted, other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date on which the Shares are issued and allotted.

9. Assignment of Options

An option shall be personal to the Grantee and shall not be assignable or transferable by the Grantee and the Grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

10. Exercise of Options

(a) General

The period during which an option may be exercised by a Grantee (the "**Option Period**") shall be the period to be determined and notified by the Board to the Grantee at the time of making an offer, which shall not expire later than 10 years from the offer date.

Subject to any restrictions applicable under the Listing Rules, an option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) by the Grantee at any time during the Option Period in accordance with the terms of the Share Option Scheme and the terms on which the option was granted. If the vesting of Shares underlying an option is subject to the satisfaction of performance or other conditions and such conditions are not satisfied, the option shall lapse automatically on the date on which such conditions are not satisfied in respect of the relevant Shares underlying the option.

An option shall, subject to the provisions of paragraph 13, be exercised by the Grantee by giving notice in writing to our Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by payment for the full amount of the Exercise Price multiplied by the number of Shares in respect of which the notice is given, save where the Board has determined pursuant to paragraph 4(c) that the option is to be satisfied by a Cash Payment or to the extent that other arrangements have been made for the payment of the Exercise Price which are satisfactory to the Board. Within 10 business days after receipt of the notice and the payment of the full amount of the relevant aggregate Exercise Price (if any) our Company shall accordingly either (i) allot and issue the relevant number of Shares to the Grantee credited as fully paid and issue to the Grantee (or his custodian agent) share certificates in respect of the Shares so allotted, or (ii) make a Cash Payment to the Grantee, as the case may be.

(b) Rights on a Takeover

In the event a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 10(c) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) by any person and such offer becomes or is declared unconditional prior to the expiry date of the Option Period of the relevant option, notwithstanding any other terms on which the option was granted, the Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or, if our Company shall give the relevant notification, to the extent notified by the Company, by the Grantee giving notice to our Company at any time thereafter and up to the close of such offer (or, as the case may be, revised offer). Subject to the foregoing, the option (to the extent not already exercised) will lapse automatically on the date on which such offer (or, as the case may be, revised offer) closes.

(c) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the expiry date of the Option Period of the relevant option, notwithstanding any other terms on which the option was granted, each Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, by the Grantee giving notice to our Company at any time thereafter and up to the record date for determining entitlements under such scheme of arrangement. Subject to the foregoing and to the scheme of arrangement becoming effective, the option (to the extent not already exercised) will lapse automatically on the record date for determining entitlements under such scheme of arrangement.

(d) Rights on a Compromise or Arrangement

If, pursuant to the Cayman Companies Law, a compromise or arrangement (other than a scheme of arrangement contemplated in paragraph 10(c) above) between our Company and the Shareholders and/or the creditors of our Company is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with any other company or companies prior to the expiry date of the Option Period of the relevant option, our Company shall give notice thereof to all the Grantees on the same day as our Company dispatches to the Shareholders and/or the creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement and, notwithstanding any other terms on which the option was granted, each Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, by the Grantee giving notice to our Company, such notice to be given not later than three business days prior to the date of the proposed meeting. Our Company shall as soon as possible and in any event no later than one business day immediately prior to the date of the proposed meeting, either (i) allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the option, credited as fully paid and shall issue to the Grantee (or his custodian agent) share certificates in respect of the Shares so allotted or (ii) make a Cash Payment, as the case may be. With effect from the date two business days before the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Our Board shall procure that the Shares issued upon the exercise of the options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If, for any reason, such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall, with effect from the date of the making of the order by the relevant court and to the extent they had not been exercised at the date such rights were suspended, be restored in full as if such compromise or arrangement had not been proposed by our Company and neither our Company nor our Directors shall be liable for any loss or damage suffered or sustained by any Grantee as a result of the aforesaid suspension of rights.

(e) Rights on a Voluntary Winding-up

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company prior to the expiry date of the Option Period of the relevant option, our Company shall give notice thereof to all the Grantees on the same day as our Company dispatches to the Shareholders the notice convening the meeting and, notwithstanding any other terms on which the option was granted, each Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, by the Grantee giving notice to our Company, such notice to be given not later than three business days prior to the date of the proposed meeting. Our Company shall as soon as possible and in any event no later than one business day immediately prior to the date of the proposed meeting, either (i) allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the option, credited as fully paid and shall issue to the Grantee (or his custodian agent) share certificates in respect of the Shares so allotted or (ii) make a Cash Payment, as the case may be. With effect from the date two business days prior to the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. If, for any reason, the resolution for the voluntary winding-up of our Company is not approved by the Shareholders, the rights of the Grantees to exercise their respective options shall be restored in full, to the extent that they had not been exercised at the date such rights were suspended, as if such resolution for the voluntary winding-up of our Company had not been proposed by our Company and neither our Company nor the Directors shall be liable for any loss or damage suffered or sustained by any Grantee as a result of the aforesaid suspension of rights.

Upon the occurrence of any of the events referred to in paragraphs 10(b) to (e), our Company may in its discretion and notwithstanding the terms of the relevant option also give notice to a Grantee that his option may be exercised at any time within such period as shall be notified by our Company (which period shall not expire after the expiry of the periods for exercising the options referred to in paragraphs 10(b) to (e)) and/or to the extent (not being more than the extent to which it could then be exercised in accordance with its terms) notified by our Company. If our Company gives such notice that any option may be exercised in part only, the balance of the option shall lapse.

11. Lapse of Options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);

(b) the date of termination of the Grantee's employment by or services to our Company or any of our subsidiaries for Cause (as defined below);

(c) the date on which the Grantee: (i) becomes an officer, director, employee, consultant, adviser, partner of, or a stockholder or other proprietor owning more than a 5% interest in, any Competitor (as defined below); or (ii) knowingly performs any act that may confer any competitive benefit or advantage upon any Competitor;

(d) the expiry of the period for exercising the option referred to in paragraph 10(b) or 10(c) above;

(e) the date on which the compromise or arrangement referred to in paragraph 10(d) above becomes effective;

(f) the date of the commencement of the winding-up of our Company;

(g) the date on which the Grantee (whether intentionally or otherwise) commits a breach of paragraph 9 above;

(h) the date on which the Grantee is declared bankrupt or enters into any arrangement or composition with his creditors generally; and

(i) (in respect of such Shares which are subject to vesting condition(s)) the date on which the condition(s) to vesting of the relevant Shares underlying the option are not satisfied.

The Board shall have the right to determine what constitutes Cause, whether the Grantee's employment or services have been terminated for Cause, the effective date of such termination for Cause and whether someone is a Competitor, and such determination by the Board shall be final and conclusive.

If the Grantee's employment by or services to our Company or any of our subsidiaries is terminated for any reason other than for Cause (including by reason of resignation, retirement, death, Disability or non-renewal of the employment, service or other agreement upon its expiration for any reason other than for Cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether the Grantee shall be entitled, following such termination of employment or services, to exercise the option (to the extent not already exercised) in respect of vested and unvested Shares as at the date the Grantee's employment or service is terminated and the period during which such option may be exercised. If the Board determines that such option may not be exercised following such termination of employment or services, such option shall automatically lapse with effect from the date on which the Grantee's employment or services are terminated.

For the purpose of the Share Option Scheme:

(A) "**Cause**" means, with respect to a Grantee, such event which will entitle our Company and/or any of our subsidiaries to terminate the employment or services of the Grantee with immediate notice without compensation under the relevant agreement or, if it is not otherwise provided for in the relevant agreement, (I) the commission of an act of theft, embezzlement, fraud, dishonesty, ethical breach or other similar acts or commission of a criminal offence, (II) a material breach of any agreement or understanding between the Grantee and our Company and/or any of our subsidiaries, including any applicable invention assignment, employment, non-competition, confidentiality or other agreement, (III) misrepresentation or omission of any material fact in connection with his employment or services, (IV) a material failure to perform the customary duties as an employee or director of our Company and/or any of our subsidiaries, to obey the reasonable directions of a supervisor or to abide by the policies or codes of conduct of the Group or (V) any conduct that is materially adverse to the name, reputation or interests of the Group;

(B) "**Competitor**" means any governmental unit, corporation, partnership, joint-venture, trust, individual proprietorship, firm or other enterprise (including any of their respective affiliates) that carries on activities for profit or is engaged in or is about to become engaged in any activity of any nature that competes (directly or indirectly) with a product, process, technique, procedure, device or service of our Company or any of our subsidiaries; and

(C) "**Disability**" means a disability, whether temporary or permanent, partial or total as determined by the Board in its absolute discretion.

12. Cancellation of Options

Our Board may at any time cancel options previously granted to but not yet exercised by a Grantee. Where our Company cancels options and offers new options to the same Grantee, the offer of such new options may only be made with available options to the extent not yet granted (excluding the cancelled options) within the limits prescribed by paragraph 6 above.

13. Reorganisation of Capital Structure

(a) Adjustments

In the event of an alteration in the capital structure of our Company by way of a capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares or reduction of the share capital of our Company in accordance with applicable laws and the Listing Rules (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company or any of our subsidiaries is a party or in connection with any share option, restricted share or other equity incentive schemes of our Company) whilst any option remains unvested or has vested but not yet been exercised and/or satisfied, such corresponding adjustments (if any) shall be made to:

(i) the Scheme Mandate Limit;

(ii) the number or nominal value of Shares underlying the option so far as unexercised or exercised but not yet satisfied; and/or

(iii) the Exercise Price,

or any combination thereof, provided that:

(iv) any such adjustments give a Grantee the same proportion of the share capital of our Company as that to which that Grantee was previously entitled; and

(v) notwithstanding paragraph 13(a)(iv), any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures,

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, our auditors or an independent financial adviser to our Company (as the case may be) must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable.

(b) Auditors or Independent Financial Adviser Certification

Our Company shall engage our auditors or an independent financial adviser to the Company to certify in writing, either generally or as regards any particular Grantee, that the adjustments made by our Company satisfy the requirements set out in paragraphs 13(a)(iv) and 13(a)(v) above.

14. Alteration of the Share Option Scheme

Save as provided in the Share Option Scheme, our Board may alter any of the terms of the Share Option Scheme at any time. Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants and changes to the authority of our Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any changes to the terms of the options granted must be approved by the Shareholders in general meeting, except where the alterations or changes take effect automatically under the existing terms of the Share Option Scheme. Our Board's determination as to whether any proposed alteration to the terms and conditions of the Share Option Scheme is material shall be conclusive. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

15. Termination of the Share Option Scheme

Our Board may at any time terminate the Share Option Scheme and in such event, no further options may be offered or granted but in all other respects the terms of the Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Share Option Scheme and which are not yet exercised immediately prior to the termination of the operation of the Share Option Scheme.

16. Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties.

17. General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

E. WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES ORDINANCE

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies Ordinance:

1. Waiver and exemption in relation to property valuation report

Given that excessive details (such as the location, floor space and purpose of each property of our Group) are required to prepare a valuation report of our Group's property interests and would not be material to investors' investment decision, our Company has applied to the Stock Exchange and the SFC for, and the Stock Exchange and the SFC have granted, respectively, a waiver from strict compliance with Rules 5.01 and 5.06(1) and (2) of, and paragraph 3(a) of Practice Note 16 to, the Listing Rules and an exemption from strict compliance with paragraph 34 of the Third Schedule of the Companies Ordinance in respect of the requirement to prepare and issue a property valuation report on the grounds that:

(i) our Company's core business is not in property investment or development and therefore additional information provided in the valuation report would be irrelevant to investors;

(ii) valuation of the Group's properties is immaterial as it only represent in aggregate 3.5% of the Group's total assets and therefore irrelevant to investors;

(iii) the information contained in this prospectus relating to properties will enable Shareholders and the public to make a properly informed assessment of our Company's securities; and

(iv) to require our Company to comply with the above requirements would involve the preparation of a property valuation report in respect of 722 properties, which would be unduly burdensome and irrelevant to investors as such disclosure will be up to 100-150 pages in length and the cost involved would be approximately HK$5,500,000 inclusive of expenses disbursements and it will take 2.5 to 3 months to complete the valuation.

The Stock Exchange and the SFC have, respectively, granted a waiver from strict compliance with Rules 5.01 and 5.06(1) and (2) of, and paragraph 3(a) of Practice Note 16 to, the Listing Rules and an exemption from strict compliance with paragraph 34 of the Third Schedule of the Companies Ordinance on the condition that this prospectus contains the following disclosures:

(i) an overview of the Group's property interests which will disclose geographical location, number of properties, size, use and whether the properties are owned or leased;

(ii) a statement:

(a) that none of the Group's property interests is individually material to the Group in terms of revenue contribution and rental expense; and

(b) of the percentage of the Group's property interests to its total assets as at 30 September 2011; and

(iii) particulars of this exemption.

For information on our Group's property interests, please refer to the section headed "Business—Property."

2. Waiver in relation to non-exempt continuing connected transactions

Members of the Group have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to certain non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. For further details of such continuing connected transactions and the waiver, please refer to the section headed "Connected Transactions".

3. Waiver in relation to public float requirements

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the issuer's total issued share capital must at all times be held by the public. Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise and the Stock Exchange has confirmed that it will exercise its discretion under the Listing Rules to accept a lower public float percentage of the Company subject to (i) the higher of (a) a minimum public float of at least 10% of the Shares; or (b) the percentage of the Shares held by the public immediately following the completion of the Global Offering and the Capitalisation Issue (as increased by the Shares to be sold upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option); (ii) the Company and the Joint Sponsors shall be able to demonstrate satisfactory compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules at the time of the Listing; (iii) the Company will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float; and (iv) the Company making appropriate disclosure of the lower prescribed percentage of public float in this prospectus and confirm sufficiency of the abovementioned public float in its successive annual reports after the listing.

4. Waiver in relation to clawback mechanism

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels with respect to the Hong Kong Public Offering are reached. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the clawback requirements set out in paragraph 4.2 of Practice Note 18 to the Listing Rules. For further details, please refer to the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation".

5. Waiver in relation to the Employee Preferential Offer

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.03 of the Listing Rules in relation to the participation by the Eligible Directors (and their associates who are Eligible Employees) in the Employee Preferential Offer on the basis that, amongst other things, the Hong Kong Offer Shares are being offered to the Eligible Directors and their associates who are Eligible Employees on a preferential basis in their capacity as Eligible Employees (rather than in their capacity as directors or associates of directors) and that no preferential treatment will be given to the Eligible Directors (and their associates who are Eligible Employees) in the allocation of the Hong Kong Offer Shares under the Employee Preferential Offer.

F. OTHER INFORMATION

1. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

2. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(vi) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(vii) our Company has no outstanding convertible debt securities.

(b) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Listed Share Registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Listed Share Registrar and may not be lodged in the Cayman Islands.

3. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Commerce & Finance Law Offices	PRC legal adviser to our Company
Conyers Dill & Pearman	Cayman Islands legal adviser to our Company
Deloitte Touche Tohmatsu	Certified Public Accountants
Goldman Sachs (Asia) L.L.C.	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities
The Hongkong and Shanghai Banking Corporation Limited	Registered institution under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities and also a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
J.P. Morgan Securities (Asia Pacific) Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (provided automated trading services) regulated activities
Knight Frank Petty Limited	Property valuer

4. Consents of experts

Each of Commerce & Finance Law Offices, Conyers Dill & Pearman, Deloitte Touche Tohmatsu, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan

Securities (Asia Pacific) Limited and Knight Frank Petty Limited has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Financial advisers

Rothschild (Hong Kong) Limited ("**Rothschild**") and VMS Securities Limited ("**VMS**") have been appointed by our Company as its financial advisers in respect of the Global Offering. The appointment of Rothschild and VMS was not made pursuant to the requirements of the Listing Rules, and is separate and distinct from the appointment of the Joint Sponsors (which is required to be made by our Company pursuant to the Listing Rules). The Joint Sponsors are responsible for fulfilling their duties as sponsors to our Company's application for listing on the Stock Exchange, and the Joint Sponsors have not relied on any of the work performed by Rothschild or VMS in fulfilling those duties. The role of Rothschild and VMS in the Global Offering is different from that of the Joint Sponsors, in that they:

- advise and assist our Company on the selection and hiring of working parties, including the Underwriters;
- advise our Company on procedural aspects of the listing process and assist in the coordination of the working parties;
- advise our Company on the structure, timing and marketing strategy of the Global Offering;
- perform analyses on the recommendations given by the Joint Sponsors and the Underwriters; and
- assist our Company in reviewing documents in relation to the Global Offering.

7. Preliminary expenses

The preliminary expenses incurred by our Company were HK$19,270.00 and were payable by our Company.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Selling Shareholder

An aggregate of up to 210,000,000 Shares are to be sold by the Selling Shareholder if the Offer Size Adjustment Option is exercised in full. If the Over-allotment Option is exercised in full, an aggregate of up to 157,000,000 Shares (assuming the Offer Size Adjustment Option is not exercised) or up to 189,000,000 Shares (assuming the Offer Size Adjustment Option is exercised in full) are to be sold by the Selling Shareholder. Particulars of the Selling Shareholder are as follows:

Name:	Chow Tai Fook (Holding) Limited
Address:	Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Nature of business:	Investment holding

As at the date of this prospectus, the Selling Shareholder holds 780 Shares, representing our Company's entire issued share capital. Upon completing of the Global Offering (assuming the Offer Size Adjustment Option and Over-allotment Option are not exercised), the Selling Shareholder will hold 8,950,000,000 Shares or approximately 89.5% of our Company's issued share capital.

11. Addresses of parties involved in the Global Offering

Joint Global Coordinators	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Sponsors	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Hong Kong

Joint Bookrunners

Hong Kong Public Offering:

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road
Central
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

International Offering:

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road
Central
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Financial Advisers

Rothschild (Hong Kong) Limited
16th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

VMS Securities Limited
Suites 4112-14, 41/F
Jardine House
1 Connaught Place
Central
Hong Kong

Legal Advisers to the Company

as to Hong Kong and US laws:

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

as to Cayman Islands laws:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

	as to PRC laws:
	Commerce & Finance Law Offices 6F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 People's Republic of China
Legal Advisers to the Joint Sponsors and the Underwriters	*as to Hong Kong and US laws:*
	Linklaters 10th Floor, Alexandra House 18 Chater Road Central Hong Kong
	as to PRC laws:
	Haiwen & Partners 21/F, Beijing Silver Tower No.2 Dong San Huan North Road Chaoyang District Beijing 100027 People's Republic of China
Legal Advisers to the Controlling Shareholders	*as to Hong Kong laws:*
	Iu, Lai & Li 20th Floor, Gloucester Tower The Landmark, 11 Pedder Street Central Hong Kong
Auditors and Reporting Accountants	Deloitte Touche Tohmatsu Certified Public Accountants 35/F One Pacific Place 88 Queensway Hong Kong
Receiving Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central, Hong Kong
	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW**, **GREEN** and **PINK** Application Forms;

(b) the written consents referred to in "Appendix V — Statutory and General Information —Other Information — Consents of Experts";

(c) a copy of each of the material contracts referred to in "Appendix V — Statutory and General Information — Further Information About Our Business — Summary of Material Contracts"; and

(d) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which are set out in Appendices I and II to this prospectus, respectively;

(c) the audited consolidated financial statements of the Company for FY2009, FY2010, FY2011 and 1HFY2012;

(d) the letters relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;

(e) the letter from Conyers Dill & Pearman, our Cayman Islands legal adviser, summarising the constitution of our Company and certain aspects of Cayman Companies Law referred to in the section headed "Appendix IV — Summary of the Constitution of the Company and Cayman Companies Law";

(f) the Cayman Companies Law;

(g) the PRC legal opinion prepared by Commerce & Finance Law Offices, our PRC legal adviser, in respect of certain aspects of the Group and the property interests of the Group in the PRC;

(h) the material contracts referred to in the section headed "Appendix V — Statutory and General Information — Further Information About Our Business — Summary of Material Contracts";

(i) the written consents referred to in the section headed "Appendix V — Statutory and General Information — Other Information — Consents of Experts";

(j) the statement of particulars of the Selling Shareholder; and

(k) the rules of the Share Option Scheme.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s), **GREEN** Application Form(s) and **PINK** Application Form(s) or, where the context so requires, any of them
"Articles of Association"	the Articles of Association of our Company (as amended from time to time), a summary of which is set out in the section headed "Appendix IV—Summary of the Constitution of the Company and Cayman Companies Law"
"Assured Employee Entitlement"	the entitlement of Eligible Employees to apply for the Employee Reserved Shares under the Employee Preferential Offer on the basis of an assured entitlement of 1,400 Employee Reserved Shares (being 7 board lots equating to a value, calculated on the basis of the maximum Offer Price, of HK$29,400.00, excluding brokerage, SFC transaction levy and Stock Exchange trading fee) for each Eligible Employee
"Board" or "Board of Directors" or "Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the capitalisation of an amount of HK$8,949,999,220.00 standing to the credit of the share premium amount 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 Shareholder as resolved by the sole Shareholder on 29 November 2011
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as a investor participant who may be individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant

"China UnionPay"	a bankcard organisation based in the PRC
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "our", "we" or "us"	Chow Tai Fook Jewellery Group Limited (周大福珠寶集團有限公司), a company incorporated in the Cayman Islands on 20 July 2011 as an exempted company with limited liability and, except where the context otherwise requires, all of its subsidiaries
"Concessionaire Counter"	Self-operated POS with concessionaire agreement
"Controlling Shareholder(s)"	CTF Holding, CTF Capital, CYT Family Holdings and/or CYT Family Holdings II
"CTFE"	Chow Tai Fook Enterprises Limited (周大福企業有限公司), a company incorporated in Hong Kong with limited liability
"CTFE Group"	CTFE and its subsidiaries
"CTF Capital"	Chow Tai Fook Capital Limited, a company incorporated in the British Virgin Islands with limited liability, and is one of our Controlling Shareholders
"CTF HK"	Chow Tai Fook Jewellery Company Limited (周大福珠寶金行有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"CTF HK Group"	CTF HK and its subsidiaries
"CTF Holding"	Chow Tai Fook (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability, formerly known as Centennial Success Limited, and is one of our Controlling Shareholders
"customer"	end-customers
"CYT Family Holdings"	Cheng Yu Tung Family (Holdings) Limited, a company incorporated in the British Virgin Islands with limited liability, and is one of our Controlling Shareholders
"CYT Family Holdings II"	Cheng Yu Tung Family (Holdings II) Limited, a company incorporated in the British Virgin Islands with limited liability, and is one of our Controlling Shareholders
"Dr. Henry Cheng Guarantee"	has the meaning given to it in the section headed "Relationship with our Controlling Shareholders—Independence from our Controlling Shareholders and their associates—Financial independence"
"DTC"	Diamond Trading Company, the rough diamond distribution arm of the De Beers family of companies

"DTC Sightholder"	a customer of the DTC, only to whom the DTC will supply rough diamonds
"Eligible Director"	a director of the Company or any of its subsidiaries or branches who falls within the definition of Eligible Employee
"Eligible Employee"	a full-time employee of the Company or any of its subsidiaries or branches (including a full-time secondee to the Company or any of its subsidiaries or branches) who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of the Company or any of its subsidiaries or branches (including a full-time secondee to the Company or any of its subsidiaries or branches), and is not on probation, as at 31 October 2011; (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before 1 December 2011; (e) either works in Hong Kong or has a Hong Kong address but seconded to work in the PRC, Taiwan, Malaysia, South Africa or other overseas countries; and (f) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of the subsidiaries or branches of the Company
"Employee Preferential Offer"	the preferential offer of the Employee Reserved Shares to the Eligible Employees for subscription at the Office Price on an assured and preferential basis, as further described in the section headed "Structure of the Global Offering—The Employee Preferential Offer" in this prospectus
"Employee Reserved Shares"	the 3,675,000 Offer Shares (representing approximately 0.35% of the total number of Shares initially being offered under the Global Offering) being offered pursuant to the Employee Preferential Offer and which are to be allocated out of the Hong Kong Offer Shares
"'一口價' (Fixed Price) Policy"	a policy that implements a suggested retail price for every product
"Frost & Sullivan Report"	an independent market research report commissioned by the Company on the Greater China region (excluding Taiwan) jewellery and watch markets prepared in November 2011
"FY2009"	the financial year ended 31 March 2009
"FY2010"	the financial year ended 31 March 2010
"FY2011"	the financial year ended 31 March 2011
"1HFY2011"	the six months ended 30 September 2010
"1HFY2012"	the six months ended 30 September 2011
"gemstones"	coloured stones, jadeite and pearls

"gem-set jewellery"	jewellery products made with diamonds and gemstones
"GIA"	Gemological Institute of America
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Greater China region"	includes the PRC, Hong Kong, Macau and Taiwan
"Group"	our Company and our subsidiaries
"high-end luxury jewellery"	our jewellery products with a retail price of above HK$100,000 per piece
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by our Company, as specified on the designated website of the HK eIPO White Form at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listed Share Registrar"	Tricor Investor Services Limited
"Hong Kong Offer Shares"	the 52,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option) initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Underwriters"	the underwriters listed in the section headed "Underwriting — Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 2 December 2011 relating to the Hong Kong Public Offering entered into among the Company, the Selling Shareholder and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement"

"HRD"	HRD Antwerp Institute of Gemology
"IFRS"	International Financial Reporting Standards
"International Offer Shares"	the 997,500,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) initially being offered by our Company for subscription pursuant to the International Offering
"International Offering"	the offer of the International Offer Shares (a) outside the United States in offshore transactions in reliance on Regulations S and (b) in the United States to QIBs in compliance with the exemption from registration provided by Rule 144A or another applicable exemption from registration under the US Securities Act, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering — The International Offering"
"International Underwriters"	the underwriters named in the International Underwriting Agreement
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into among the Company, the Selling Shareholder and the International Underwriters on or around the Price Determination Date, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — International Offering — International Underwriting Agreement"
"karat gold"	jewellery products made from gold alloy
"Latest Practicable Date"	28 November 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lifestyle International"	Lifestyle International Holdings Limited (利福國際集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1212)
"Lifestyle International Group"	Lifestyle International and its subsidiaries
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 15 December 2011, on which the Shares become listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange

"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"mass luxury jewellery"	our jewellery products with a retail price ranging from HK$2,000 to HK$100,000 per piece
"Memorandum and Articles of Association"	the Memorandum of Association and the Articles of Association
"Memorandum of Association"	the memorandum of association of our Company (as amended from time to time), a summary of which is set out in the section headed "Appendix IV—Summary of the Constitution of the Company and Cayman Companies Law"
"mid- to high-end watches"	watch products that are each no less than RMB3,000 in the PRC and no less than HK$10,000 in Hong Kong and Macau
"net repeat purchases"	net purchases made by our customer loyalty programme members after they had successfully applied for their membership (in other words, the initial purchase(s) that made the relevant customers qualified for the customer loyalty programme membership were not counted)
"NWCL"	New World China Land Limited (新世界中國地產有限公司), an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 917)
"NWCL Commissions"	an amount, being a percentage as agreed under the relevant NWCL Sales Contracts, to be offered by CTF HK Group to NWCL Group in respect of purchases made by customers (via NWCL Shopping Vouchers or by any other means acceptable to NWDS for such purchases) at the NWDS Stores' floor space where CTF HK Group operates its business
"NWCL Group"	NWCL and its subsidiaries
"NWCL Prepaid Shopping Cards"	the prepaid shopping cards issued by NWDS Group to NWCL Group
"NWCL Rebates"	an amount, being a percentage as agreed under the relevant NWCL Sales Contracts, to be offered by NWDS Group to CTF HK Group in respect of purchases made by customers (via NWCL Shopping Vouchers or any other means acceptable to NWDS Group for such purchases) at the NWDS Stores' floor space where CTF HK Group operates its business
"NWCL Sales Contracts"	the specific sales agreement(s) or other arrangements entered into or concluded, which are subsisting as at the date of the NWCL Master Sales Agreement, and those to be entered into or concluded between NWDS Group, NWCL Group and/or CTF HK Group from time to time in respect of the NWCL Transactions

"NWCL Shopping Vouchers"	the various cash equivalent gift coupons, gift cards and stored value shopping cards issued by NWCL Group
"NWCL Transactions"	the particular occasion(s) of the sale of goods in the NWDS Stores by NWDS Group by accepting NWCL Shopping Vouchers, NWCL Prepaid Shopping Cards or any other means acceptable to NWDS and the settlement of the relevant value represented by such NWCL Shopping Vouchers, NWCL Prepaid Shopping Cards or any other means acceptable to NWDS among NWCL Group, NWDS Group and/or CTF HK Group (as the case may be)
"NWD"	New World Development Company Limited (新世界發展有限公司), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 17)
"NWD Group"	NWD and its subsidiaries
"NWD Prepaid Shopping Cards"	the prepaid shopping cards issued by NWDS Group to NWD Group which may be presented at the NWDS Stores for the purchase of merchandise at the NWDS Stores
"NWD Rebates"	an amount, being a percentage as agreed under the relevant NWD Sales Contracts, to be offered by NWDS Group to CTF HK Group in respect of purchases made by customers (via NWD Shopping Vouchers or any other means acceptable to NWDS Group for such purchases) at the NWDS Stores' floor space where CTF HK Group operates its business
"NWD Sales Contracts"	the specific sales agreement(s) or other arrangements entered into or concluded, which are subsisting as at the date of the NWD Master Sales Agreement, and those to be entered into or concluded between NWDS Group, NWD Group and/or CTF HK Group from time to time in respect of the NWD Transactions
"NWD Shopping Vouchers"	the various cash equivalent gift coupons, gift cards and stored value shopping cards issued by NWD Group which may be presented at the NWDS Stores for the purchase of merchandise at the NWDS Stores
"NWD Shopping Vouchers Commissions"	an amount, being a percentage as agreed under the relevant NWD Sales Contracts, to be offered by CTF HK Group to NWD Group in respect of purchases to be made by customers (via NWD Shopping Vouchers or any other means acceptable to NWDS Group for such purchases) at the NWDS Stores' floor space where CTF HK Group operates its business
"NWD Transactions"	the particular occasion(s) of the sale of merchandise in the NWDS Stores by NWDS Group by accepting NWD Shopping Vouchers, NWD Prepaid Shopping Cards, NWD Joint Name Vouchers or by any other means acceptable to

	NWDS and the settlement of the relevant value represented by such NWD Shopping Vouchers, NWD Prepaid Shopping Cards, NWD Joint Name Vouchers or by any other means acceptable to NWDS among NWDS Group, NWD Group and/or CTF HK Group (as the case may be)
"NWDS"	New World Department Store China Limited (新世界百貨中國有限公司), an exempted company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 825)
"NWDS CTF Joint Name Vouchers"	the various joint name cards and/or joint name vouchers issued by CTF HK Group which may be presented at the NWDS Stores' floor space where CTF HK Group operates its business for the purchase of merchandise
"NWDS CTF Joint Name Vouchers Commissions"	an amount, being a percentage as agreed under the relevant NWD Sales Contracts, to be offered by CTF HK Group to NWDS Group in respect of purchases of the NWD Joint Name Vouchers or any other means acceptable to NWDS made or to be made by customers at the NWDS Stores as payment for the purchase of merchandise
"NWDS Group"	NWDS and its subsidiaries
"NWDS Stores"	the department stores owned and/or operated by NWDS Group
"NWS"	NWS Holdings Limited (新創建集團有限公司), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 659)
"NWS Group"	NWS and its subsidiaries
"NWT"	New World Telecommunications Limited (新世界電訊有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of NWD
"NWT Group"	NWT and its subsidiaries
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK$21.00 and expected to be not less than HK$15.00, such price to be determined by agreement among the Joint Bookrunners (on behalf of the Underwriters), our Company and the Selling Shareholder on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares (including, for the avoidance of doubt, the Employee Reserved Shares) and the International Offer Shares, together with, where relevant, any additional Shares to be sold by the Selling Shareholder pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option

"Offer Size Adjustment Option"	the option granted by the Selling Shareholder to the Hong Kong Underwriters under the Hong Kong Underwriting Agreement, exercisable by the Joint Global Coordinators, in consultation with the Company and the Selling Shareholder, on behalf of the Hong Kong Underwriters on or before the Price Determination Date, pursuant to which the Selling Shareholder may be required to sell up to an aggregate of 210,000,000 Shares, at the Offer Price, representing up to 20% of the total number of Offer Shares initially available under the Global Offering, to cover additional market demand, if any, as described in the section headed "Structure of the Global Offering"
"Over-allotment Option"	the option expected to be granted by the Selling Shareholder under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which the Selling Shareholder may be required to sell up to 15% of the total number of Offer Shares available under the Global Offering, including the Shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any, at the Offer Price, which will be equal to 189,000,000 Shares, assuming the full exercise of the Offer Size Adjustment Option, or 157,500,000 Shares, assuming the Offer Size Adjustment Option is not exercised, to, among other things, cover over-allocations in the International Offering, if any, as described in the section headed "Structure of the Global Offering"
"Overseas Employee"	an employee of the Company or any of its subsidiaries or branches who is not a Hong Kong resident
"POS"	points of sale
"PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan, unless otherwise specified
"Pre-IPO Bank Loan Facility"	a term loan of HK$3,300.0 million from the Joint Global Coordinators and their affiliated entities to fund the dividend of HK$3,300.0 million distributed to CTF Holding, one of our Controlling Shareholders. Such term loan facility is subject to an interest rate which is HIBOR (Hong Kong Interbank Offer Rate) plus 0.85% per annum for the first six months after signing and 1.4% per annum thereafter. Interest shall accrue upon utilisation of the facility
"Pre-IPO Dividend"	a dividend of HK$3,300.0 million distributed to CTF Holding, our Controlling Shareholder, which was fully financed by the Pre-IPO Bank Loan Facility
"Price Determination Date"	the date, expected to be on or about 9 December 2011, on which the Offer Price will be determined and, in any event, not later than 14 December 2011

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Related Party's Loans"	has the meaning given to it in the section headed "Relationship with our Controlling Shareholders—Independence from our Controlling Shareholders and their associates—Financial independence"
"Reorganisation	the reorganisation of the Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the section headed "History and Corporate Structure—Reorganisation"
"Rio Tinto"	Rio Tinto Diamonds N.V.
"Rio Tinto Select Diamantaire"	a company selected by Rio Tinto Diamonds N.V. as one of the exclusive providers of the diamonds from its mines
"Rule 144A"	Rule 144A under the US Securities Act
"Same Store Sales"	for FY2009, FY2010 and FY2011, the turnover from our self-operated POS (including our stand-alone stores, Concessionaire Counters and joint-venture POS) existing as at the end of the relevant financial year and which have been opened for at least 24 consecutive months immediately prior to the end of that financial year. Same Store Sales for 1HFY2012 represents the turnover from the abovementioned self-operated POS existing as at 30 September 2011 and which have been opened at least prior to 1 April 2010. Turnover from our wholesale channel (i.e. franchisee sales) and other direct sales (such as sales from promotional events) are excluded
"Same Store Sales Growth"	a comparison between Same Store Sales of a particular year/period and sales from comparable POS in the previous year/period, measured at constant exchange rates
"Selling Shareholder"	CTF Holding
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the then sole Shareholder on 17 November 2011, a summary of the principal terms of which is set out in the section headed "Appendix V — Statutory and General Information — Share Option Scheme"

"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of HK$1.00 each
"Shunde"	Shunde District, Foshan City, Guangdong Province, PRC
"Stabilising Manager"	J.P. Morgan Securities Ltd.
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Selling Shareholder and the Stabilising Manager on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tier I cities"	for the purposes of this prospectus only, means Beijing (北京), Shanghai (上海), Shenzhen (深圳) and Guangzhou (Zengcheng) (廣州 (增城))
"Tier II cities"	for the purposes of this prospectus only, means Dalian (大連), Hangzhou (Fuyang, Jiande) (杭州 (富陽, 建德)), Foshan (佛山), Ningbo (Yuyao, Fenghua, Cixi) (寧波 (余姚, 奉化, 慈溪)), Wuxi (Jiangyin, Yixing) (無錫 (江陰, 宜興)), Changchun (長春), Nanchang (南昌), Chengdu (Dujiangyan) (成都 (都江堰)), Changzhou (Jintan, Liyang) (常州 (金壇, 溧陽)), Chongqing (重慶), Changsha (長沙), Qingdao (青島), Harbin (Yichun) (哈爾濱 (伊春)), Wuhan (武漢), Guiyang (貴陽), Suzhou (Taicang, Kunshan, Zhangjiagang, Changshu, Wujiang) (蘇州 (太倉, 昆山, 張家港, 常熟, 吳江)), Jinhua (Yiwu, Dongyang, Lanxi, Yongkang) (金華 (義烏, 東陽, 蘭溪, 永康)), Zhengzhou (鄭州), Kunming (昆明), Tianjin (天津), Hefei (合肥), Shenyang (瀋陽), Nantong (Qidong, Haimen, Rugao) (南通 (啟東, 海門, 如皋)), Nanjing (南京), Zhuhai (珠海), Xi'an (西安), Zhaoqing (肇慶), Lanzhou (蘭州), Haikou (海口), Jinan (Zhangqiu) (濟南 (章丘)), Shijiazhuang (石家莊), Wenzhou (Yueqing, Ryan) (溫州 (樂清, 裡安)), Zhongshan (中山), Shantou (汕頭), Dongguan (東莞), Quanzhou (Jinjiang) (泉州 (晉江)), Qingyuan (清遠), Urumqi (烏魯木齊), Tangshan (唐山), Zhuzhou (Liling) (株洲 (醴陵)), Xiamen (廈門), Hohhot (呼和浩特), Taiyuan (太原), Xining (西寧), Baotou (包頭), Huizhou (惠州), Chaozhou (潮州), Taizhou (Wenling) (台州 (溫嶺市)), Datong (大同), Fuzhou (Fuqing) (福州 (福清)), Yinchuan (銀川), Jincheng (晉城), Shaoguan (韶關), Lhasa (拉薩), Ordos (鄂爾多斯), Karamay (克拉瑪依), Nyingchi (林芝), Xianning (咸寧) and Zhangye (張掖)
"Tier III cities"	for the purposes of this prospectus only, means Yichang (宜昌), Zhenjiang (Yangzhong, Danyang) (鎮江 (揚中, 丹陽)), Weihai (威海), Jiangmen (Heshan, Taishan, Kaiping) (江門 (鶴山, 臺山, 開平)), Nanning (南寧), Guilin (桂林), Wuhu (蕪湖), Liuzhou (柳州), Yangzhou (Jiangdu) (揚州 (江都)), Yanbian (Yanji) (延邊 (延吉)), Quzhou (衢州), Luan (六安), Lishui (麗水), Jiaxing (Tongxiang, Haining) (嘉興 (桐鄉, 海寧)), Bengbu (蚌埠), Shaoxing (Shengzhou, Zhuji) (紹興 (嵊州, 諸暨)), Handan (Muan) (邯鄲 (武安)), Weifang (Shouguang, Zhucheng) (濰坊 (壽光, 諸城)), Langfang (廊坊), Zhanjiang (Wuchuan) (湛江 (吳川)), Daqing (大慶), Huzhou (湖州), Xuzhou (徐州), Baoding (保定), Dongying (東營), Mianyang (綿陽), Hengyang (衡陽),

Zibo (淄博), Luoyang (洛陽), Yantai (Longkou, Zhaoyuan) (煙臺(龍口, 招遠)), Jining (Yanzhou, Zoucheng) (濟寧 (兗州, 鄒城)), Yueyang (岳陽), Xiangtan (湘潭), Sanya (三亞), Yancheng (Eastern Taiwan) (鹽城 (東台)), Dandong (丹東), Jilin (吉林), Chenzhou (郴州), Anshan (Haicheng) (鞍山 (海城)), Taizhou (Jiangyan) (泰州 (薑堰)), Maoming (Gaozhou) (茂名 (高州)), Changde (常德), Hulunbeier (呼倫貝爾), Zunyi (遵義), Cangzhou (Renqiu) (滄州 (任丘)), Xichang (西昌), Baoji (寶雞), Xingtai (邢臺), Deyang (Mianzhu) (德陽 (綿竹)), Meizhou (梅州), Anqing (安慶), Qinhuangdao (秦皇島), Huludao (葫蘆島), Heyuan (河源), Yangjiang (陽江), Longyan (龍巖), Liupanshui (六盤水), Yan'an (延安), Korla (庫爾勒), Chengde (承德), Changzhi (長治), Putian (莆田), Zhangjiakou (張家口), Zhoushan (舟山), Yunfu (雲浮), Zhangzhou (漳州), Ili (Yining) (伊犁 (伊寧)), Liuyang (瀏陽), Leshan (樂山), Songyuan (松原), Liaoyang (遼陽), Wuhai (烏海), Dazhou (達州), Yulin (榆林), Changji (昌吉), Xianyang (咸陽), Chifeng (赤峰), Lin'an (臨安), Jimo (即墨), Pingliang (平涼), Yuncheng (運城), Lijiang (麗江), Qujing (曲靖), Gejiu (個舊), Aksu (阿克蘇), Jinghong (景洪), Kashgar (喀什), Zigong (自貢), Jiaozhou (膠州), Kumul (哈密), Yangquan (陽泉) and Jiuquan (酒泉)

"Tier IV cities" for the purposes of this prospectus only, means Yulin (玉林), Huai'an (淮安), Nanchong (南充), Linyi (臨沂), Qitaihe (七台河), Mudanjiang (牡丹江), Tai'an (泰安), Puyang (濮陽), Fuxin (阜新), Beihai (北海), Shuangyashan (雙鴨山), Jixi (雞西), Pingdingshan (平頂山), Jiaozuo (焦作), Fushun (撫順), Jiamusi (佳木斯), Panjin (盤錦), Jinzhou (錦州), Fuyang (阜陽), Loudi (婁底), Xiangyang (Xiangfan) (襄陽 (襄樊)), Qiqihar (齊齊哈爾), Wuzhou (梧州), Jingmen (荊門), Rizhao (日照), Huaihua (懷化), Jiujiang (九江), Jingdezhen (景德鎮), Benxi (本溪), Binzhou (Zouping) (濱州 (鄒平)), Dezhou (德州), Yingkou (營口), Xiantao (仙桃), Jingzhou (Shishou, Songzi) (荊州 (石首, 松滋)), Heze (菏澤), Manzhouli (滿洲里), Xinxiang (新鄉), Hezhou (賀州), Nanyang (南陽), Ganzhou (贛州), Laiwu (萊蕪), Anyang (安陽), Guigang (貴港), Leiyang (耒陽), Lianyungang (連雲港), Tongling (銅陵), Zaozhuang (Tengzhou) (棗莊 (滕州)), Xinyang (信陽), Liaocheng (聊城), Pingxiang (萍鄉), Yichun (宜春), Xiaogan (孝感), Suizhou (隨州), Xuchang (許昌), Suining (遂寧), Yuxi (玉溪), Ezhou (鄂州), Tieling (鐵嶺), Tonghua (通化), Jian (吉安), Qinzhou (欽州), Jishou (吉首), Chuzhou (滁州), Panzhihua (攀枝花), Luzhou (瀘州), Huaibei (淮北), Huainan (淮南), Bozhou (亳州), Luohe (漯河), Kaifeng (開封), Shiyan (十堰), Chaohu (巢湖), Hengshui (衡水), Shaoyang (邵陽), Huanggang (黃岡), Yiyang (益陽), Xinyu (新餘), Huangshi (黃石), Yongzhou (永州), Jieyang (Puning) (揭陽 (普寧)), Bayannur (巴彥淖爾), Ma'anshan (馬鞍山), Hegang (鶴崗), Suzhou (宿州), Zhumadian (駐馬店), Shihezi (石河子), Qianjiang (潛江), Chibi (赤壁), Xuancheng (宣城), Suqian (宿遷), Jingjiang (靖江), Taixing (泰興), Zhijiang (枝江), Enshi (恩施), Shuozhou (朔州), Xinghua (興化), Zhangjiajie (張家界), Shangrao (上饒), Yingtan (鷹潭), Huangshan (黃山), Weinan (渭南), Ankang (安康), Linfen (臨汾), Baishan (白山) and Guangyuan (廣元)

"Track Record Period"	the financial years of our Company ended 31 March 2009, 2010 and 2011 and the six months ended 30 September 2011
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US" or "United States"	the United States of America, its territories and possessions and all areas subject to its jurisdiction
"US Exchange Act"	the United States Securities Exchange Act of 1934, as amended from time to time
"US Securities Act"	the United States Securities Act of 1933, as amended from time to time
"Zlotowski's"	Zlotowski's Diamond Cutting Works (Proprietary) Ltd., a company incorporated in South Africa with limited liability and a subsidiary of the Company

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise stated, amounts denominated in US dollars have been translated into HK dollars at an exchange rate of US$1.00 = HK$7.80 and certain amounts denominated in HK dollars have been translated into US dollars at an exchange rate of HK$1.00 = US$0.13, in each case for illustrative purposes only. Such conversions shall not be construed as representations that amounts in HK or US dollars were or could have been or could be converted into HK dollars or US dollars (as the case may be) at such rates or any other exchange rates on such date or any other date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

The English names of companies incorporated in the PRC and cities of the PRC are translations of their Chinese names and are included for identification purposes only.

Cullinan Heritage diamond family

Cullinan Heritage diamond rough before polishing (left) and Cullinan Heritage I diamond polished (right)
Actual size

Twenty four sister stones of the Cullinan Heritage diamond family

周大福

CHOW TAI FOOK