CHOW TAI FOOK JEWELLERY GROUP LIMITED
周大福珠寶集團有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1929

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

FY2012 HIGHLIGHTS

Same Store Sales[1] Growth[2] of 40.3%.

Revenue improved by 61.4% to HK$56,571.1 million from HK$35,042.5 million of FY2011.

Gross profit increased by 65.7% to HK$16,447.9 million from HK$9,927.6 million of FY2011.

Profit for the year attributable to owners of the Company increased by 79.2% to HK$6,340.6 million from HK$3,537.6 million of FY2011.

Earnings per share was HK68.5 cents.

Proposed final dividend is HK10.0 cents per share[3].

(1) *"Same Store Sales" for FY2011 and FY2012 is the revenue from the self-operated points of sale ("POS") (including stand-alone stores, concessionaire counters and joint-venture POS) existing as at the end of the relevant fiscal year and which have been opened for at least 24 consecutive months immediately prior to the end of that fiscal year. Revenue from wholesale channel (i.e. franchisee sales) and other direct sales (such as sales from promotional events) are excluded.*

(2) *"Same Store Sales Growth" is 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.*

(3) *The proposed final dividend payout ratio in FY2012 is 27.4% which is derived from the profit in the second half of FY2012.*

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the "Board" or "Directors") of Chow Tai Fook Jewellery Group Limited (the "Company", "we" or "Chow Tai Fook") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2012 ("FY2012"), together with comparative figures for the year ended 31 March 2011 ("FY2011") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	NOTES	**2012** *HK$ million*	2011 *HK$ million*
Revenue	*2*	**56,571.1**	35,042.5
Cost of goods sold		**(40,123.2)**	(25,114.9)
Gross profit		**16,447.9**	9,927.6
Other income		**227.2**	194.6
Other gains and losses		**17.4**	39.9
Selling and distribution costs		**(6,319.9)**	(4,401.9)
Administrative expenses		**(1,714.6)**	(911.4)
Other expenses		**(129.0)**	(122.1)
Finance costs		**(363.1)**	(102.2)
Share of results of an associate		**—**	(4.7)
Profit before taxation	*3*	**8,165.9**	4,619.8
Taxation	*4*	**(1,595.0)**	(947.3)
Profit for the year		**6,570.9**	3,672.5
Other comprehensive income			
— exchange differences arising on translation		**352.7**	360.0
— share of translation reserve of an associate		**1.5**	2.1
		354.2	362.1
Total comprehensive income for the year		**6,925.1**	4,034.6
Profit for the year attributable to:			
Owners of the Company		**6,340.6**	3,537.6
Non-controlling interests		**230.3**	134.9
		6,570.9	3,672.5
Total comprehensive income attributable to:			
Owners of the Company		**6,678.4**	3,886.5
Non-controlling interests		**246.7**	148.1
		6,925.1	4,034.6
Earnings per share — Basic	*5*	**HK68.5 cents**	HK39.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2012

	NOTE	**2012** **HK$ million**	2011 HK$ million
Non-current assets			
Property, plant and equipment		**1,687.5**	1,165.3
Prepaid lease payments		**95.7**	87.3
Deposits paid for acquisition of property, plant and equipment		**349.7**	231.7
Interest in an associate		**10.1**	45.2
Loan receivables		**13.0**	16.0
		2,156.0	1,545.5
Current assets			
Inventories	7	**29,694.2**	17,100.8
Trade and other receivables		**5,323.4**	3,227.7
Amounts due from related companies		**—**	1,278.3
Loan receivables		**163.8**	135.3
Convertible bonds		**24.8**	—
Derivative financial instruments		**47.3**	—
Pledged bank deposits		**17.0**	156.3
Bank balances and cash		**9,987.8**	5,604.8
		45,258.3	27,503.2
Current liabilities			
Trade and other payables		**1,838.4**	2,049.6
Amounts due to related companies		**—**	7,833.3
Amounts due to non-controlling shareholders of subsidiaries		**400.3**	164.7
Taxation payable		**598.5**	353.0
Bank borrowings — due within one year		**5,574.2**	2,881.0
Gold loans		**5,806.6**	3,931.6
		14,218.0	17,213.2
Net current assets		**31,040.3**	10,290.0
Total assets less current liabilities		**33,196.3**	11,835.5

	2012	2011
	HK$ million	*HK$ million*
Non-current liabilities		
Retirement benefit obligations	**196.9**	162.6
Bank borrowings — due after one year	**3,426.4**	—
	3,623.3	162.6
Net assets	**29,573.0**	11,672.9
Share capital/paid-in capital	**10,000.0**	700.1
Reserves	**18,978.3**	10,606.8
Equity attributable to owners of the Company	**28,978.3**	11,306.9
Non-controlling interests	**594.7**	366.0
	29,573.0	11,672.9

NOTES

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board.

Through a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Group Reorganisation"), the Company has become the holding company of the Group on 30 September 2011.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated statement of comprehensive income and the consolidated statement of cash flows which includes the results and cash flows of the companies now comprising the Group including its Macau jewellery business (which was held by a fellow subsidiary that conducted jewellery business for the Group in Macau and other business in Macau which did not form part of, nor relevant to, the Group's jewellery business, and transferred to a subsidiary of the Company) have been prepared by applying the principles of merger accounting as if the current group structure had been in existence throughout each of the two years ended 31 March 2012 or since their respective dates of incorporation/establishment/acquisition where this is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2011 has 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 that date.

The Group has applied all the standards, amendments and interpretations issued by the International Accounting Standards Board, which are effective for the Group's financial year beginning on 1 April 2011.

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

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle[2]
Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters[1]
Amendments to IFRS 1	Government loans[2]
Amendments to IFRS 7	Disclosures — Transfers of financial assets[1]
Amendments to IFRS 7	Disclosures — Offsetting financial assets and financial liabilities[2]
Amendments to IFRS 7 and IFRS 9	Mandatory effective date of IFRS 9 and transition disclosures[3]
IFRS 9	Financial instruments[3]
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]
Amendments to IAS 1	Presentation of items of other comprehensive income[4]
IAS 12	Deferred tax — Recovery of underlying assets[6]
IAS 19 (as revised in 2011)	Employee benefits[2]
IAS 27 (as revised in 2011)	Separate financial statements[2]
IAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[5]
IFRIC–INT 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 2015
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2012

The directors of the Company are in the process of assessing the impact on application of these new or revised standards, amendments.

2. Revenue and segment information

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

Information reported to the chief operating decision maker (the "CODM") which comprises executive directors, 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 Mainland China, and Hong Kong, Macau and other Asian markets. The revenue generated by each of the operating segments is mainly derived from sales of jewellery products and watches.

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

For the year ended 31 March 2012

	Mainland China	**Hong Kong, Macau and other Asian Markets**	**Subtotal**	**Elimination**	**Total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Revenue					
External sales					
— Retail	**23,266.3**	**23,976.3**	**47,242.6**	**—**	**47,242.6**
— Wholesale#	**8,750.1**	**578.4**	**9,328.5**	**—**	**9,328.5**
	32,016.4	**24,554.7**	**56,571.1**	**—**	**56,571.1**
Inter-segment sales*	**240.1**	**4,398.3**	**4,638.4**	**(4,638.4)**	**—**
	32,256.5	**28,953.0**	**61,209.5**	**(4,638.4)**	**56,571.1**
Segment profit	**4,605.0**	**3,851.8**	**8,456.8**	**(16.7)**	**8,440.1**
Interest income					**88.9**
Finance costs					**(363.1)**
Profit before taxation					**8,165.9**

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

Wholesale mainly represents sales to franchisees.

For the year ended 31 March 2011

	Mainland China *HK$ million*	Hong Kong, Macau and other Asian Markets *HK$ million*	Subtotal *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
Revenue					
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
Segment profit	2,301.6	2,375.5	4,677.1	(20.7)	4,656.4
Interest income					70.3
Finance costs					(102.2)
Share of results of an associate					(4.7)
Profit before taxation					4,619.8

* Inter-segment sales are charged at prevailing market rates.
# Wholesale mainly represents sales to franchisees.

Segment profit represents the profit generated from each segment without allocation of interest income, finance costs 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) An analysis of the Group's revenue by products is as follows:

	2012 ***HK$ million***	2011 *HK$ million*
Sales of		
— Gem-set jewellery	**15,378.1**	8,962.9
— Gold products	**29,742.1**	18,724.7
— Platinum/karat gold products	**7,813.4**	4,869.4
— Watches	**3,637.5**	2,485.5
	56,571.1	35,042.5

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

3. Profit before taxation

	2012	2011
	HK$ million	*HK$ million*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**90.2**	25.6
Other staff's retirement benefits scheme contributions	**311.7**	138.4
Other staff costs	**2,728.9**	1,657.0
	3,130.8	1,821.0
Amortisation of prepaid lease payments	**11.0**	7.9
Auditors' remuneration	**5.1**	7.6
Concessionaire fees (included in selling and distribution costs)	**2,193.9**	1,493.8
Cost of inventories recognised as expenses	**39,080.3**	24,043.1
Depreciation	**390.5**	246.8
Donations (included in other expenses)	**17.6**	122.1
Fair value changes of gold loans (included in cost of goods sold)	**345.8**	725.7
Net loss on bullion forward contracts designated as at fair value through profit or loss (included in cost of goods sold)	**174.8**	224.6
Operating lease rentals in respect of rented premises	**672.8**	502.4
Professional expenses attributable to issue of shares (included in other expenses)	**111.4**	—

4. Taxation

	2012 *HK$ million*	2011 *HK$ million*
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax ("EIT") in Mainland China	**976.2**	519.1
Hong Kong Profits Tax	**563.0**	366.5
Macau complementary tax	**111.7**	55.9
	1,650.9	941.5
(Over) under-provision in prior years:		
EIT in Mainland China	**10.7**	5.8
Hong Kong Profits Tax	**(87.3)**	—
Macau complementary tax	**(0.7)**	—
	(77.3)	5.8
Withholding tax on license income from Mainland China	**21.4**	—
	1,595.0	947.3

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

Under the Enterprise Income Tax Law (the "EIT Law") of the People's Republic of China ("PRC") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% from 1 January 2008 onwards, while Chow Tai Fook Jewellery (Shenzhen) Company Limited is under progressive tax rates from 18% to 25% over 5 years from 1 January 2008.

Pursuant to relevant laws and regulations in Mainland China, Lida Noble Metal Technology and Development (Shenzhen) Limited and Foshan Shunde Yuda Jewellery Manufacturing Limited 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.

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

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

5. Earnings per share

The calculation of the basic earnings per share for the year is based on the consolidated profits attributable to owners of the Company for the year and on the weighted average number of 9,259,836,066 (2011: 8,950,000,000) shares in issue during the year on the assumption that the Group Reorganisation and the capitalisation issue of 8,949,999,220 shares on 15 November 2011 have been in effective on 1 April 2010.

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

6. **Dividends**

During FY2012, the Group distributed interim dividends totalling of HK$4,550.3 million, of which HK$7.1 million was included in amounts due to non-controlling shareholders of subsidiaries (2011: HK$759.3 million, of which HK$750.0 million was settled by a related company and hence included in amounts due to related companies as at 31 March 2011), to their 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 year.

A final dividend of HK10.0 cents per share for the year ended 31 March 2012 has been proposed by the directors of the Company and is subject to approval by shareholders in annual general meeting of the Company.

7. **Inventories**

	2012	2011
	HK$ million	*HK$ million*
Raw materials for:		
Gem-set jewellery	**7,387.5**	2,972.6
Gold products	**896.9**	1,874.0
Platinum/karat gold products	**589.6**	103.3
	8,874.0	4,949.9
Finished goods:		
Gem-set jewellery	**8,537.5**	6,327.0
Gold products	**7,909.8**	3,336.9
Platinum/karat gold products	**2,289.6**	1,251.4
Watches	**2,055.0**	1,223.6
	20,791.9	12,138.9
Packing materials	**28.3**	12.0
	29,694.2	17,100.8

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

We are pleased to deliver our first set of annual results following our listing in December 2011 and to report that our performance was in line with our profit forecast in our prospectus dated 5 December 2011 in relation to our initial public offering. During the year under review, we expanded the geographic reach of our jewellery business in the Greater China region and achieved excellent results. In FY2012, the Group recorded revenue of HK$56,571.1 million (FY2011: HK$35,042.5 million), representing a surge of 61.4% over the same period last year. The profit attributable to shareholders of the Company amounted to HK$6,340.6 million (FY2011: HK$3,537.6 million), increased by HK$2,803.0 million or 79.2% over that of the previous year. Our growth this year was mainly fuelled by the expansion of our POS network and by strong Same Store Sales Growth. These growth drivers were in turn fuelled by our successful business strategies, continued strong expansion of Mainland China’s overall economy and increasing demand for jewellery especially for event-driven and festive celebrations.

The Mainland China portion of our business recorded revenues of HK$32,016.4 million (FY2011: HK$19,471.8 million), grew 64.4% from FY2011, while Hong Kong, Macau and other Asian markets recorded revenue of HK$24,554.7 million (FY2011: HK$15,570.7 million), increased by 57.7% from last year. The Mainland China market continued to represent our major source of revenue, accounting for 56.6% (FY2011: 55.6%) of our total revenue. Given the increasing number of Mainland tourists in Hong Kong and Macau and the concurrent steady rise in their per capita disposable income, Mainland tourists constituted the largest single customer group for our products, as evidenced by the fact that 48.3% (FY2011: 43.2%) of our total revenue in Hong Kong and Macau were settled through China UnionPay or in RMB (cash). As such, we believe 77.6% (FY2011: 74.8%) of our total revenue was originated from Mainland Chinese. We achieved overall Same Store Sales Growth of 40.3% in FY2012 (FY2011: 33.8%), of which Same Store Sales Growth in Mainland China was 32.0% (FY2011: 35.2%) and Same Store Sales Growth in Hong Kong, Macau and Taiwan segment was 48.4% (FY2011: 32.4%).

Sales of our principal products, gem-set jewellery and gold products, comprised about 27.2% (FY2011: 25.6%) and 52.6% (FY2011: 53.4%) of the total revenue respectively. Sales in gem-set jewellery rose by 71.6% to HK$15,378.1 million (FY2011: HK$8,962.9 million), while sales of gold products increased by 58.8% to HK$29,742.1 million (FY2011: HK$18,724.7 million). We are gradually increasing the proportion of revenues from gem-set jewellery, sales of which are inherently higher-margin than sales of gold jewellery.

Our gross profit increased by 65.7%, from HK$9,927.6 million for FY2011 to HK$16,447.9 million for FY2012, while the gross profit margin slightly increased to 29.1% (FY2011: 28.3%). We believe that we owe these margin improvements and overall margin stability to a combination of factors including our extensive geographical presence across Mainland China, our balanced product portfolio with a growing focus on higher-margin gem-set jewellery, and our almost fully hedged position on gold.

In line with our revenue growth, the Group's selling and distribution costs, which include advertising and promotional expenses of HK$448.3 million (FY2011: HK$400.5 million), increased to HK$6,319.9 million (FY2011: HK$4,401.9 million) in FY2012. Nevertheless, our profit for the year increased by 78.9%, from HK$3,672.5 million in FY2011 to HK$6,570.9 million in FY2012. Our net profit margin improved from 10.5% in FY2011 to 11.6% in FY2012. This improvement is mainly attributable to the efficiencies gained from economies of scale, which resulted in lower selling and distribution costs and administrative expenses as a percentage of revenue. In particular, while rental expenses increased to HK$672.8 million in FY2012 (FY2011: HK$502.4 million) due to an increased number of self-operated POS, our rental as a percentage of total revenue has decreased from 1.4% in FY2011 to 1.2% in FY2012.

For FY2012, basic earnings per share were HK68.5 cents (FY2011: HK39.5 cents). The Board recommended the payment of a final dividend of HK10.0 cents per share (FY2011: N/A).

Business Review

Overview

Our strong performance in FY2012 validated the effectiveness of our business strategies but was also due to favourable economic conditions in the retail jewellery market in the Greater China region. According to Frost & Sullivan's report prepared in June 2012, in terms of market share, we continued to maintain a leading position in Mainland China as well as in the Hong Kong and Macau jewellery markets. Our market share grew from 12.6% in 2010 to 14.4% in 2011 in Mainland China and from 20.1% to 21.4% in Hong Kong and Macau in that same period.

Our reputation for delivering high quality and authentic jewellery for over 80 years is a key factor to our continued success and widespread brand recognition. We offer a full range of products, ranging from mass luxury products that make up the bulk of our sales, to the high-end luxury jewellery, to our lines for youth. The mass luxury segment is absolutely core to the Group and accounts for most of Mainland China's jewellery market, while the high-end luxury segment is created specifically for affluent and discerning customers, and our designs strive not only to incorporate what is most appealing to Chinese buyers but also to rival global luxury jewellery brands in sophistication. In addition, we have also created products for the younger generation to capture their growing consumption power and demand for jewellery products. The variety of products available through these three product lines means we are able to reach a wide range of consumers across different age groups.

We expanded our retail network in the Greater China region to further penetrate more inland and lower tier cities. As of 31 March 2012, we had a total of 1,627 POS (31 March 2011: 1,358). Among these, 1,541 were jewellery POS and 86 were watch POS, with a net of 269 new POS opened in FY2012. Our Same Store Sales Growth reached 40.3% in FY2012 (FY2011: 33.8%). Our success is due to a combination of factors including our retail management information system, our deep understanding of Chinese jewellery-giving culture, and our unrivalled ability to procure, design, and make products to meet market needs in all segments and age groups. The speed at which we can adjust our product mix is a great competitive advantage.

POS network

	Number of POS as at 31 March								
	2008	**Net change**	**2009**	**Net change**	**2010**	**Net change**	**2011**	**Net change**	**2012**
Jewellery POS	821	144	965	150	1,115	172	1,287	254	1,541
Mainland China[(1)]	752	143	895	139	1,034	172	1,206	242	1,448
Tier I cities	146	20	166	8	174	14	188	19	207
Tier II cities	405	65	470	66	536	75	611	115	726
Tier III and other cities	201	58	259	65	324	83	407	108	515
Hong Kong, Macau and other Asian markets[(2) (3)]	69	1	70	11	81	—	81	12	93
Watch POS[(4)]	—	—	—	64	64	7	71	15	86
Total	821	144	965	214	1,179	179	1,358	269	1,627

Notes:

(1) Included 5, 7, 10, 14 and 15 POS that retailed both jewellery and watch products as at 31 March 2008, 2009, 2010, 2011 and 2012, 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 2012, respectively.

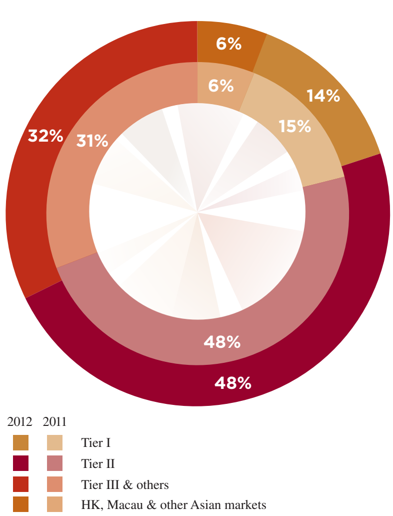
(3) Included a total of 7, 7, 10, 9 and 8 POS in Taiwan, Singapore and Malaysia as at 31 March 2008, 2009, 2010, 2011 and 2012, respectively.

(4) Included 60, 68 and 84 POS in Mainland China and 4, 3 and 2 in Hong Kong, Macau and other Asian markets as at 31 March 2010, 2011 and 2012, respectively.

As at 31 March

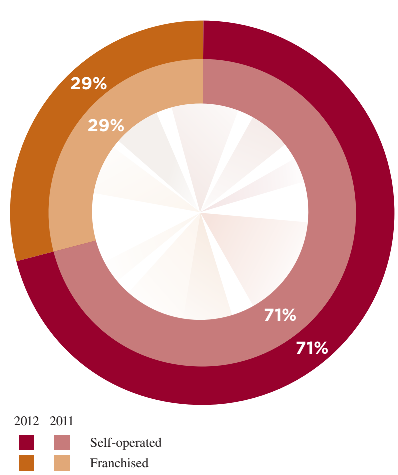
Retail Network
(2012 Total: 1,627 POS)

(2011 Total: 1,358 POS)

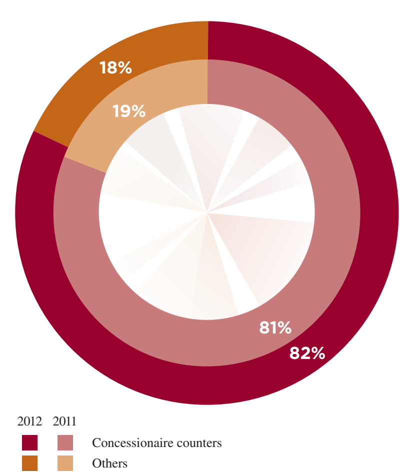


Operation Model
(2012 Total: 1,627 POS)

(2011 Total: 1,358 POS)



Sales Channel
(2012 among 1,159
self-operated POS only)
(2011 among 965
self-operated POS only)



Note: The percentages calculated could include minor rounding differences.

The Mainland China market

Since the opening of our first Mainland China store in Beijing in 1998, we have been a pioneer in our industry in growing an extensive nationwide footprint in Mainland China spanning Tier I to IV cities in Mainland China. We were market leaders prior to our initial public offering in December 2011 and since listing we have gained further market share in Mainland China through POS expansion and strong Same Store Sales Growth. The Mainland China geographical segment contributed 56.6% of the Group's total revenue (FY2011: 55.6%), amounting to HK$32,016.4 million in FY2012 (FY2011: HK$19,471.8 million). This proportion is expected to continue to increase due to a number of drivers, including rapid urbanisation, growing affluence of the Mainland Chinese, substantial growth in per capita disposable income and increasing demand for luxury goods. The potential of future tax-cuts or tax-free policies in Mainland China would also have a beneficial stimulating effect if implemented. In recent years, we focused on a new store roll-out plan in inland Tier II to IV cities to achieve a faster and broader coverage as these cities experienced higher economic growth and saw an expansion in their jewellery markets. At the same time, we upgraded the positioning and branding of our POS in Tier I and II cities. As of 31 March 2012, our total number of POS in Mainland China reached 1,532 (31 March 2011: 1,274), representing 94.2% of our total POS. In FY2012, we opened a net of 258 new POS and 57.0% of the new POS were located in Tier I and II cities, while the remaining 43.0% were in Tier III and other cities.

Our POS network comprises both retail and wholesale channels through which we distribute our products. As of 31 March 2012, we had 1,066 self-operated POS in Mainland China. We aim to maintain a well-balanced ratio of self-operated to franchised stores of around 70:30, but we also plan on expanding our self-operated retail network in more inland Tier II to IV cities. In FY2012, revenue from self-operated stores amounted to approximately HK$23,266.3 million (FY2011: HK$14,595.1 million). Their strong performance on a Same Store Sales basis has also been an important driver for our revenue growth. In FY2012, our Same Store Sales Growth in Mainland China was 32.0% (FY2011: 35.2%).

Our Mainland China concessionaire counters within department stores accounted for 81.5% of total self-operated POS. Most of these department store locations are in prime shopping districts with a lot of shopper and pedestrian traffic. Concessionaire counters within department stores offer the added advantage of allowing us to leverage on the department stores' broader marketing activities to acquire new customers.

Hong Kong, Macau and other Asian markets

Although only 5.8% of our POS are outside Mainland China, those stores in Hong Kong and Macau are some of our earliest established and most valuable retail locations and are important to our business from a revenue contribution and branding point of view. Given that our Company which originated in Hong Kong has established its brand name for several decades, we do value the strong relationships with our customers built over such long period of time, and we cherish our heritage and our leading position there, which has been hard-earned over decades. The remarkable revenue growth in FY2012 revenues reflected Chow Tai Fook's prominent position in the Hong Kong and Macau jewellery retail market where we were number one in terms of market share. In FY2012, revenue contribution from Hong Kong, Macau and other Asian markets accounted for 43.4% (FY2011: 44.4%) of our total revenue, amounting to HK$24,554.7 million (FY2011: HK$15,570.7 million), and enjoyed the synergy with our extensive presence in Mainland China. Accordingly, we will continue to improve the shopping experience in Hong Kong and Macau and to promote our brand image in creative ways including promotion of high-end luxury jewellery.

As of 31 March 2012, we had a well-established retail network of 95 POS (31 March 2011: 84) with a net of 11 POS opened in Hong Kong, Macau and other Asian Markets. Our business in Hong Kong and Macau has significantly benefited from the rising number of visitors in recent years, in particular tourists from Mainland China. According to the Commerce and Economic Development Bureau of Hong Kong and the Macau Statistics and Census Service, the number of visitors to Hong Kong and Macau increased by 16.4% and 12.2% to 41.9 million and 28.0 million in 2011 respectively.

Mainland China, one of the world's fastest growing major economies, contributes hugely to tourism-related revenues in Hong Kong and Macau. This growth is due to the rising number of high net worth individuals and a burgeoning middle class, as well as a relaxation in visa requirements for tourist entry from the Mainland China into Hong Kong and Macau. Although Mainland Chinese shoppers also have the option of shopping in our extensive retail network in Mainland China, they enjoy shopping in Hong Kong and Macau when they get the opportunity because stores in these cities may provide a more diverse and complete product selection compared to stores in their home cities, and prices are lower due to the absence of consumer taxes and because of recent appreciation of the Renminbi against the Hong Kong dollar.

As of 31 March 2012, we had a total of 8 POS (31 March 2011: 9) in Taiwan, Singapore and Malaysia. We take a flexible approach to our distribution strategy and may consider opening further POS in these territories depending on local market conditions.

Product offering

We offer a wide range of jewellery products, from mass luxury to high-end luxury, to fulfil different market niches. 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 fits the needs of our customers at all stages of their life cycle including birth, marriage and anniversary.

We orient our product lines around both occasions and by designer collection for important life events such as weddings. Our "The Perfect One Wedding Collection" is a top choice. Other collections are design-oriented and inspired, such as the high-end "Danseuse de Ballet Coloured Diamond Collection" exclusively for VIPs and the "Bao Bao Family Collection".

We also have youth collections targeting the younger generation to help us to expand our customer base and cultivate our relationship with tomorrow's most valuable customers.

Our diverse product offerings are conceived by our strong Research and Development ("R&D") Department with over 100 professionals in Hong Kong, Shenzhen and Shunde. The R&D Department comprises jewellery designers and goldsmiths who work closely with our production management and sales management departments to ensure that product design direction is well aligned with market needs. Our professional design team has won numerous awards over the years.

We also place importance on quality control to ensure that our jewellery products meet all quality testing requirements, which are carried out in our precious metal testing laboratory in Shenzhen. This Shenzhen laboratory is one of the first in the jewellery industry to be certified by China National Accreditation Service for Conformity Assessment (CNAS), and its quality control system has been accredited with ISO17025 certification. The precision of the equipment in this laboratory is nationally recognised, enabling the Group to test both the physical integrity and chemical composition of our jewellery products. The laboratory is staffed with professional inspectors who excel at using advanced machinery and specialise in testing precious metals, including gold and platinum.

Strong branding and marketing drives growth

At Chow Tai Fook, we understand the importance of branding and strategic marketing in catering to increasingly sophisticated sub-segments of customers. Our innovative marketing strategies are geared towards gem-set jewellery.

We offer a series of jewellery collections for customers of our three product categories: mass luxury, high-end luxury and youth line. For instance:

Mass luxury segment

"The Perfect One Wedding Collection"

According to the Frost & Sullivan report, 80% of soon-to-be-wed couples in Hong Kong and 65% of their counterparts in Mainland China favour diamond rings as a mark for their matrimonial vows.

We have recently launched "The Perfect One Wedding Collection", a new product line featuring a rich selection of wedding tiaras and jewellery setpieces in European style that is inspired by the fairy tale-like royal wedding, arguably the dream wedding for every woman. This new collection stands as a fine testament to the unique designs of our brand and is expected to drive the overall sales of our wedding-related products.

"The Perfect Mark Collection"

"The Perfect Mark Collection" represents Chow Tai Fook's flagship product line for diamond jewellery, made out of premium original diamonds with the benefit of "triple excellence," namely excellent craftsmanship in cuts, excellent polish and excellent symmetry. The uniqueness of each piece, set in platinum frames to give dazzling radiance, is highlighted by an exclusive imprint enabled by laser-engraving. "The Perfect Mark" embodies our passionate commitment to quality diamonds and our genuine pledge to our customers.

The "Achievement Collection"

We also offer the "Achievement Collection" in the mass luxury segment for female executives and high-net-worth individuals with strong purchasing power. This collection comprised gem-set jewellery that goes perfectly with both day-time work attire and evening gowns. We recently launched an advertising and public relations campaign to promote this collection.

High-end luxury segment

The "Danseuse de Ballet Coloured Diamond Collection"

The "Danseuse de Ballet Coloured Diamond Collection" was unveiled at a private jewellery appreciation party for our VIPs in Hong Kong in November 2011. Inspired by the elegant movements of ballet dancers and made primarily out of the rare pink diamond, each piece in the collection represents a unique artistic gem.

Youth line

Disney-licensed products

Our youth line includes designs based on licensed cartoon characters, including the most popular Disney-licensed products. Last year, we found our way into the Guinness World Records by making a 999 gold figurine of Winnie the Pooh to highlight the launch of our Winnie the Pooh collection. The roadshow exhibition of the 999 gold Winnie the Pooh in Greater China received extensive media coverage and provided a strong boost to our sales.

Ceremonial & festive jewellery products and the "Bao Bao Family Collection"

Event-driven purchases represent an important source of jewellery retail sales in Mainland China, Hong Kong and Macau due to the traditional Chinese practice of gifting jewellery. Often diamond jewellery and gold ornaments are given at ceremonial and festive events such as weddings, Chinese New Year, birthday celebrations and new born arrivals. To meet our customers' gifting needs, we have designed the "Bao Bao Family" cartoon figurine collection featuring a blend of angelic appearances with traditional Chinese well-wishing elements. Well-suited for personal adornment or gifting purposes, this collection has been well-received by Chinese customers. Over two million pieces have been sold since its launch 10 years ago.

We also conduct promotions at our outlets in association with our partner department stores on festive occasions such as Chinese New Year, Valentine's Day and Mother's Day, to encourage recurrent purchases and increase overall sales.

Customer loyalty programme

In order to nurture and build up customer loyalty and encourage repeat purchases, we launched a customer loyalty programme in 2002 in Mainland China and in 2010 in Hong Kong. The loyalty programme enhances our ability to understand consumers' spending behaviour and preferences and gauge market trends. As of 31 March 2012, our VIP members in Mainland China amounted to approximately 700,000 members, surging over 90% from around 355,200 members in 31 March 2011.

The customer loyalty programme is crucial in maintaining our Same Store Sales Growth by encouraging repeat purchases and attracting new customers. In FY2012, sales contribution from Mainland VIP members accounted for around 32% of the retail revenue in Mainland China.

To enhance membership benefits and upgrade our customer relationship management database to analyse customer preferences, we will launch a new customer loyalty programme in Hong Kong by the end of 2012 and we will extend the programme and tailor it to Mainland China in the near future. Customers are entitled to join the membership programme upon making any purchase qualifying in a particular tier of membership. VIPs can enjoy benefits such as cash coupons. Our highest-tier VIPs are invited to special events such as jewellery auctions. The related marketing and public relations campaign placed Chow Tai Fook in a whole new league within the high-end luxury jewellery market in China.

To ensure our VIPs have an unforgettable shopping and lifestyle experience, we offer them a personal shopper programme where a designated personal shopper will advise each VIP on jewellery selection. Our personal shoppers also support VIPs with concierge services such as arranging luxury excursions, fine dining recommendations and reservations. For instance, our personal shoppers took our highest-tier VIPs to Paris to attend an haute couture and jewellery appreciation event called "Lightness of Being", which was organised by Chow Tai Fook and K11 Art Mall in Paris in March this year.

E-commerce

Given the increasing use of the internet in Mainland China, we seek to extend our customer reach by diversifying our sales channels, from traditional physical stores to e-commerce channels.

We see e-commerce as a powerful tool to extend our customer reach, especially targeting the group of younger customers aged 18 to 25, who are much keener than older age groups to shop online. According to the 2011 report conducted by the China National Commercial Information Centre of All-China Federation of Industry & Commerce, transaction value of online purchase in Mainland China grew tremendously by 67.8% to nearly RMB800 billion in 2011, accounting for 4.3% of the total retail sales of social consumer goods.

In 2010, we launched our e-commerce operations on Tmall.com (formerly known as Taobao Mall), one of the largest business-to-consumer (B2C) platforms in Mainland China. We also enhanced our brand awareness among Internet users by expanding our online presence through popular social media sites such as Sina Weibo, a Chinese micro blogging website, aiming to leverage on the strong scalability of the social media platforms. Our e-commerce channels will also enable us to collect customer consumption data and feedback.

Vertically integrated business model

Over 80 years, we have gradually built a sophisticated vertically integrated business model that equipped the Group with an effective and tight control over the entire value chain, from raw material procurement, design, production and marketing to sales through our extensive retail network.

This model enables us to monitor and control the quality of our products effectively, and to respond quickly to our customers' needs and preferences. Our sophisticated vertically integrated business model sets us apart from our peers, and enables us further improve our profitability. The benefits we obtain from operational efficiencies as well as our distinguished branding strategy are often translated into more competitive pricing for products and higher customer satisfaction.

Procurement

Our procurement is handled by two major procurement departments, the Diamond Department and the Procurement (Gemstones) Department. We have experts with substantial industry and gemmology experience.

We buy rough diamonds directly from our preferred long-term business partners such as Diamond Trading Company ("DTC") and Rio Tinto Diamonds N.V. ("Rio Tinto").

We have been designated as a DTC sightholder since 1973. Recently, we have successfully renewed our contract as one of the limited DTC sightholders worldwide for a further three-year term from 2012 to 2015. We have also been designated as a Rio Tinto Select Diamantaire since 2009. Our well-established relationship with both DTC and Rio Tinto ensures us with a secure supply of quality products. It also allows us to make our selection from the stock available of a number of suppliers ahead of other peers. These advantages are significant competitive differentiators. In FY2012, approximately 46% of the polished diamonds were 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.

In addition, as a reputable jeweller in the industry, we are often invited to participate in auctions to bid for rare and unique diamonds from time to time. For example, we successfully bid for the 507 carat Cullinan Heritage rough diamond in 2010 for US$35.3 million, which was a record high price for a rough diamond. The Cullinan Heritage rough diamond has been divided into 24 polished stones, the largest of which is named Cullinan Heritage I. It is a Round Brilliant Cut and D colour polished diamond weighing over 100 carats, and it is set to be unveiled in the second half of 2012.

Production

As at 31 March 2012, we had a total of approximately 4,800 employees in our jewellery factories, which occupy a total area of over 42,000 sq.m.. Our factory in Hong Kong produces gem-set jewellery products, Shenzhen factories produce gem-set jewellery, gold and karat gold products, and Shunde factories produce gem-set jewellery, gold and platinum/karat gold products.

As we expand our business, in order to keep up with the rapid increase in demand for our products, we are partnering with the Hong Kong Productivity Council to develop an automated "weighting and packaging" robot which can efficiently shorten the "stock in" process of a jewellery piece to just 10 seconds. Overall, we have raised the accuracy and efficiency of "stock in" process and saved significantly our manpower by nearly half. Efficient use of our labour has allowed us to save costs as well. The automated robot has been rolled out in one of our production lines in a Shenzhen factory, coupling with the radio-frequency identification (RFID) technology which has been on trial. Once successful, we intend to expand the usage of robot and RFID technology to other jewellery products such as mass luxury jewellery products.

We also keep a well-balanced portfolio of in-house production and outsource production especially for mass luxury jewellery products. Since gem-set products require more professional skillset and technique, they are mainly produced by our in-house craft masters.

To better facilitate our future growth, we have identified a site for an integrated production and logistic centre in Wuhan located in Central China to facilitate order-to-POS delivery nationwide.

Human Resources Management

As at 31 March 2012, we had a total of approximately 29,600 employees (excluding staff of franchisees) (31 March 2011: approximately 22,900) in Mainland China, Hong Kong, Macau, Taiwan, and South Africa.

Human resources are our greatest asset and we highly regard people's personal development and well-being. As such, we aim to create a strong sense of community and a motivating environment for our employees, and to enhance staff development, employee loyalty and dedication. We strive to motivate our employees with a clear career path which provides them with opportunities for advancement and upgrading their skills.

Tailored training programmes are provided to our employees. For example, fresh graduates we recruit are offered management training, sales staff are required to attend training programmes on customer service and product knowledge; our technicians and craftsmen are provided with on-going 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. Currently we have eight specialised jewellery training centres in Beijing, Guangzhou, Shenzhen, Suzhou, Chongqing, Wuhan, Hong Kong and Macau.

Liquidity and Financial Resources

Our Group is a leading jeweller by market share in Mainland China as well as in the Hong Kong and Macau jewellery markets with over 80 years of heritage, and has been financially sound throughout FY2012. The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, cash flow from operations, bank borrowings and gold loans.

As at 31 March 2012, the Group had cash and cash equivalents of HK$10,004.8 million (31 March 2011: HK$5,761.1 million), denominated in Hong Kong dollars, Renminbi, and United States dollars. The Group had total borrowings of HK$15,207.5 million (31 March 2011: HK$14,810.6 million). Current portion of long-term borrowings, short-term borrowings, gold loans, amounts due to related companies and amounts due to non-controlling shareholders of subsidiaries amounted to HK$11,781.1 million (31 March 2011: HK$14,810.6 million).

During FY2012, the Group has fully settled the amounts due to related companies (31 March 2011: HK$7,833.3 million). As at 31 March 2012, the Group's amounts due to non-controlling shareholders of subsidiaries were HK$400.3 million (31 March 2011: HK$164.7 million). As at 31 March 2012, all amounts due to non-controlling shareholders of subsidiaries were interest free, while HK$9.1 million of the aforesaid amounts carried a fixed interest rate of 6.1% per annum as at 31 March 2011. The above amounts are all repayable on demand.

The Group's bank borrowings and gold loans amounted to HK$9,000.6 million (31 March 2011: HK$2,881.0 million) and HK$5,806.6 million (31 March 2011: HK$3,931.6 million), respectively. The bank borrowings carried variable interest rates ranging from 1.0% to 1.6% per annum over Hong Kong Interbank Offered Rate ("HIBOR") or 98% to 110% of the People's Bank of China Standard Loan Interest Rate ("PBOC Rate") per annum (31 March 2011: 0.3% to 1.3% over HIBOR per annum, or 90% to 110% of PBOC Rate per annum). As at 31 March 2012, interest rates on our bank borrowings ranged from 1.4% to 7.2% (31 March 2011: 0.8% to 5.6%) per annum, while the gold loans carried fixed interest rates of 1.3% to 5.5% (31 March 2011: 1.3% to 3.5%) per annum. The gold loans are also used to hedge against the financial impact of the price fluctuations in our gold inventory.

The Group's debts were primarily denominated in Hong Kong dollars, Renminbi, and United States dollars. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to its business in Mainland China. Apart from this, the Group does not have any material foreign exchange exposure. While we rely on short-term borrowings to finance our inventories and expand our POS and product selection, we have maintained good relationships with our banks that provide us with such financing and have not experienced any difficulties in repaying our borrowings.

The net gearing ratio, defined as the aggregate of bank borrowings, gold loans, net amounts due to related companies, net of pledged bank deposits and bank balances and cash, and then divided by total equity, was 16.2%, a significant decrease of 49.0% as compared with that of FY2011. The decrease was mainly due to the net proceeds of HK$15,387.3 million to the Company from the initial public offering.

As at 31 March 2012, total equity of the Group increased to HK$29,573.0 million, against HK$11,672.9 million as at 31 March 2011. The Group's working capital, being net current assets, was HK$31,040.3 million as at 31 March 2012 (31 March 2011: HK$10,290.0 million).

PROSPECTS AND STRATEGIES

Prospects

Looking ahead, we are confident that in the forthcoming fiscal year we can achieve sustainable growth for our business in Mainland China, Hong Kong and Macau where we have spent decades building up our reputation. During the past five years, Mainland China has seen amazing macroeconomic growth, and recently it has enjoyed a relatively more favourable macro-economic environment compared to the uncertain and complex macroeconomic conditions globally. Mainland China's twelfth five-year plan, unveiled in 2011, will continue to reinforce domestic consumption as a strategic focus. Expanding domestic demand is expected to be a pillar of economic growth for the next five years as it is playing an increasingly important role in economic growth in Mainland China. Rising income levels and improving living standards amidst rapid urbanisation of the middle class, as well as favourable policies including tax reforms, all contribute to stimulation of domestic consumption. Continuous growth in the retail revenue of jewellery in Mainland China is the realisation of a trend in which Mainland China may surpass other large jewellery consuming countries. However, its consumption per capita is less than that of the world average and less than one tenth of that in the United States, which implies huge potential. Against the current macro environment backdrop in Mainland China and a successful implementation of our strategies as outlined below, we aim to double our revenue in three years' time.

Strategies

As the leading jeweller by market share in Mainland China as well as in the Hong Kong and Macau, we are well-positioned to capture the potential growth in these markets through the following 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 have recently advanced our compensation structure to incentivise our employees to perform well by aligning a portion of their compensation to their individual performance as well as the overall business performance. As a commitment to continuously improve our staff's well-being, we also strengthened our staff benefits through more holidays, shortened working hours and enhanced medical benefits, which are being implemented in phases beginning in April 2012.

In light of our corporate values of "sincerity • eternity", we will continue to provide tailored training programmes to our employees, align their compensation and incentives with their performance, and offer them a clear career path with opportunities for additional responsibilities and promotions, aiming to strengthen their sense of belonging. We plan to add around 10 specialised jewellery training centres within the next five years.

Expand and upgrade retail network in high potential cities

As at 31 March 2012, we had 1,627 POS with the majority are located in Mainland China, in particular, in fast growing Tier II to IV cities (over 85% of our POS in Mainland China). These cities enjoy higher growth rate and are more resilient to economic downturns given Mainland China's policies to upgrade the lower income group to middle class, to stimulate domestic consumption through favourable tax reform and to promote urbanisation.

With our POS opening experience and track record, we have well exceeded our previous target and we currently expect to reach our target of 2,000 POS by the end of our fiscal year 2014, earlier than planned. We aim to open a net average of approximately 200 POS per year, by opening wholly-owned POS and collaborating with joint-venture partners and franchisees to leverage on their local knowledge with a well-balanced portfolio at a ratio of around 70:30 between self-operated stores and franchised stores but will expand self-operated retail network in more inland and lower tier cities.

In addition, we have identified and carefully selected certain POS to expand the gross floor area and provide more products for our customers' selection based on the analysis of Same Store Sales Growth, customer purchasing powers and buying behaviour. These stores are primarily located in Tier I and Tier II cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing, Chengdu and Wuhan. The selected stores will be reformed to equip with larger gross floor area, more gem-set jewellery products and staffed with our top sales personnel to enhance shopping experience and increase Same Store Sales Growth.

Drive innovative marketing concepts among loyal customers

We will continue to organise innovative customer relationship activities for members of our customer loyalty programme, such as well-organised visits to renowned overseas events, prestigious private tours and private viewing of new and distinguished collections. The exclusive designer jewellery auction dinner held in Hong Kong in April 2012 attracted 180 VIPs by showcasing and selling twelve one-of-a-kind collector pieces or sets and generating auction proceeds of over HK$20 million, and we will continue to organise similar events to promote our ultra-high-end collections and enhance brand awareness. To attract new members and further solidify the loyalty of existing members, we are refining our customer loyalty programme with a view to offering a more satisfying shopping experience for VIPs and a more attractive bonus point system to stimulate repeat purchases.

Leverage vertical integration to introduce new collections and more gem-set jewellery

The jewellery gift-giving tradition at ceremonial and festive events is deeply rooted in the Chinese culture, especially for the Year of the Dragon, a Chinese zodiac sign that symbolises fortune and power. We are introducing more designer collections that target wedding and birth celebrations. Designer collections enjoy pricing premium through marketing and promotion campaigns and targeted advertising catering to customers' sentimental preferences. In addition, we will promote cross-selling efforts to enhance sales of gem-set jewellery products.

Relying on the vertically integrated business model and infrastructure we have built over the years, we can closely monitor customer behaviour through our advanced management information system so we can adjust our product mix to capture changing market trends and replenish the top selling items in a timely manner.

Strengthen value chain and further improve profitability

We will continue to strengthen our status as a preferred business partner with key suppliers such as DTC and Rio Tinto, and explore additional opportunities in procuring high quality raw materials to stabilise the prices of jewellery components.

We will also continue to implement our gold hedging policy to significantly reduce commodity price fluctuation risk through gold loan arrangements and bullion forward contracts, so as to minimise the price risk and to stabilise our gross margin effectively.

In addition, as a joint effort with department stores to cope with the economic fluctuations and as appreciation of the Company's long-term cooperation and growing market share within department stores, several department stores will lower the concessionaire rates for our fiscal year 2013 for certain product categories including high-end luxury jewellery items. In Hong Kong, the management has negotiated longer term contracts (3–5 years) for certain POS in prime locations to smoothen out rental rate hikes in a particular year.

We have also launched a "Reform and Development Committee" in 2011 as a long-term objective to further improve profitability through greater efficiencies in manufacturing, selling, general and administrative expenses and IT infrastructure. The construction of our new Mainland headquarters office in Shenzhen commenced in early 2011 and is expected to be completed by the end of 2013. We have also identified a site in Wuhan, strategically located in Central China and expected to commence production in 2016, for an integrated production and logistics centre with extensive production, R&D and logistics facilities to shorten the production lead-time and support future growth and demand.

With an aim to achieve long-term sustainable growth and solidify our brand image of authenticity and the best products that money can buy, we will continue to pursue our existing strategies of actively expanding our POS network, introducing well-designed products, enhancing the shopping experience, strengthening customer relationships and further improving profitability, while balancing all of those efforts with careful risk management and sound corporate governance.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors recommended the payment of a final dividend of HK10.0 cents per share amounting to approximately HK$1,000.0 million. Such payment of dividends will be subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 7 August 2012 and are payable to shareholders whose names appear on the register of members of the Company at the close of business on 24 August 2012. It is expected that the proposed final dividend will be paid on or about 7 September 2012. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company had not redeemed any of its listed securities during the period from the listing date on 15 December 2011 to 31 March 2012. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the period from the listing date on 15 December 2011 to 31 March 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period from the listing date on 15 December 2011 to 31 March 2012, the Company has complied with all the applicable principles and code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules, except that the non-executive directors are not appointed for a specific term as is stipulated in code provision A.4.1 of the CG Code, but are subject to retirement by rotation in accordance with the articles of association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the period from the listing date on 15 December 2011 to 31 March 2012.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for FY2012.

The figures in respect of the preliminary announcement of the Group's results for FY2012 have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3 August 2012 to Tuesday, 7 August 2012, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to attend and voting at the forthcoming annual general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Thursday, 2 August 2012.

The register of members of the Company will be closed from Wednesday, 22 August 2012 to Friday, 24 August 2012, both days inclusive, during which period no transfer of share of the Company will be registered. In order to establish entitlements to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Tuesday, 21 August 2012.

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

Hong Kong, 26 June 2012

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