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CHOW TAI FOOK JEWELLERY GROUP LIMITED

周大福珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1929

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

HIGHLIGHTS

- Revenue reached HK\$77,407.1 million, increased by 34.8% when compared with HK\$57,433.9 million recorded in FY2013.
- Overall Same Store Sales⁽¹⁾ increased by 18.6%, among which Mainland China and Hong Kong, Macau and Taiwan increased by 17.2% and 20.1% respectively.
- Gross profit increased by 29.9% to HK\$21,152.3 million from HK\$16,283.1 million in FY2013.
- Profit attributable to shareholders of the Company amounted to HK\$7,272.0 million, an increase of 32.1% compared to HK\$5,505.3 million in FY2013.
- Basic earnings per share were HK72.7 cents.
- Proposed final dividend is HK19.0 cents per share⁽²⁾.
- Retail network expanded to 2,077 POS as at 31 March 2014, with a net addition of 241 POS in FY2014.

(1) "Same Store Sales" for FY2014 is the revenue from the self-operated point of sales ("POS") (including stand-alone stores and concessionaire stores) existing as at 31 March 2014 and which have been opened prior to 1 April 2012. Revenue from wholesale channel (i.e. franchisee sales) and other direct sales (such as sales from promotional events) are excluded.

(2) The dividend payout ratio for FY2014, including proposed final dividend, is approximately 49.5% on a full year basis.

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

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 2014 (“FY2014”), together with comparative figures for the year ended 31 March 2013 (“FY2013”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	NOTES	2014 HK\$ million	2013 HK\$ million
Revenue	2	77,407.1	57,433.9
Cost of goods sold		(56,254.8)	(41,150.8)
Gross profit		21,152.3	16,283.1
Other income		351.7	296.2
Other gains and losses		130.2	27.4
Selling and distribution costs		(10,035.6)	(7,444.8)
Administrative expenses		(2,171.6)	(1,736.2)
Other expenses		(38.0)	(1.2)
Finance costs		(222.8)	(329.5)
Share of results of a joint venture		(3.2)	–
Profit before taxation	3	9,163.0	7,095.0
Taxation	4	(1,713.8)	(1,416.6)
Profit for the year		7,449.2	5,678.4
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
— remeasurement of defined benefit scheme		28.3	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— exchange differences arising on translation		262.3	59.1
— share of translation reserve of a joint venture		0.1	–
		262.4	59.1
Other comprehensive income for the year		290.7	59.1
Total comprehensive income for the year		7,739.9	5,737.5

	<i>NOTE</i>	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Profit for the year attributable to:			
Shareholders of the Company		7,272.0	5,505.3
Non-controlling interests		177.2	173.1
		7,449.2	5,678.4
Total comprehensive income attributable to:			
Shareholders of the Company		7,547.8	5,561.9
Non-controlling interests		192.1	175.6
		7,739.9	5,737.5
Earnings per share — Basic	5	HK72.7 cents	HK55.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	<i>NOTE</i>	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Non-current assets			
Property, plant and equipment		3,054.1	2,155.1
Prepaid lease payments		174.6	172.1
Deposits paid for acquisition of property, plant and equipment		283.6	464.0
Interest in a joint venture		10.9	14.0
Loan receivables		36.5	23.0
Deferred tax assets		703.1	613.4
		4,262.8	3,441.6
Current assets			
Inventories	7	42,543.7	27,314.8
Trade and other receivables		4,872.7	3,972.5
Loan receivables		144.5	134.9
Convertible bonds		21.5	24.3
Pledged bank deposits		5.3	25.7
Short-term bank deposits		500.0	–
Bank balances and cash		9,466.6	8,304.8
		57,554.3	39,777.0
Current liabilities			
Trade and other payables		4,128.3	1,753.8
Amounts due to non-controlling shareholders of subsidiaries		228.2	351.1
Taxation payable		1,064.0	472.2
Bank borrowings		6,299.6	1,000.0
Gold loans		10,786.8	4,835.7
		22,506.9	8,412.8
Net current assets		35,047.4	31,364.2
Total assets less current liabilities		39,310.2	34,805.8

	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Non-current liabilities		
Retirement benefit obligations	225.0	251.3
Deferred tax liabilities	632.8	693.8
	<u>857.8</u>	<u>945.1</u>
Net assets	<u><u>38,452.4</u></u>	<u><u>33,860.7</u></u>
Share capital	10,000.0	10,000.0
Reserves	27,173.3	22,925.5
Equity attributable to shareholders of the Company	37,173.3	32,925.5
Non-controlling interests	1,279.1	935.2
	<u><u>38,452.4</u></u>	<u><u>33,860.7</u></u>

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 (the “IASB”).

The Group has applied the following new and revised IFRSs issued by the IASB and IFRS Interpretation Committee (the “IFRIC”) of the IASB for the first time in the current year:

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle
Amendments to IFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 19 (as revised in 2011)	Employee benefits
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to IAS 1	Presentation of items of other comprehensive income

Except as described below, the application of the above new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 “Consolidated financial statements”, IFRS 11 “Joint arrangements”, IFRS 12 “Disclosure of interests in other entities”, IAS 27 (as revised in 2011) “Separate financial statements” and IAS 28 (as revised in 2011) “Investments in associates and joint ventures”, together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and SIC 12 “Consolidation — Special purpose entities”. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. The application of IFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 “Interests in joint ventures”, and the guidance contained in a related interpretation, SIC 13 “Jointly controlled entities — Non-monetary contributions by venturers”, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The application of IFRS 11 has no material impact on the amounts reported in the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Other than the additional disclosures required by IFRS 12, the application of IFRS 12 has no material impact on the amounts recognised in the consolidated financial statements.

IFRS 13 “Fair value measurement”

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the comparative period. Other than the additional disclosures, the application of IFRS 13 has no material impact on the amounts recognised in the consolidated financial statements.

IAS 19 “Employee benefits” (as revised in 2011)

In the current year, the Group has applied IAS 19 “Employee benefits” (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a ‘net interest’ amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011) and the Group has applied the relevant transitional provisions. The application of IAS 19 (as revised in 2011) has no material impact on the amounts recognised in profit or loss and other comprehensive income and disclosures in prior years, and hence the Group does not restate the comparative amounts.

Amendments to IAS 1 “Presentation of items of other comprehensive income”

The Group has applied the amendments to IAS 1 “Presentation of items of other comprehensive income”. Upon the adoption of the amendments to IAS 1, the Group’s ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities ¹
Amendments to IFRS 11	Accounting for acquisition of interests in joint operations ⁵
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to IAS 19	Defined benefit plans: Employee contributions ²
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures ³
Amendments to IAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting ¹
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle ⁴
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle ²
IFRS 9	Financial instruments ³
IFRS 15	Revenue from contracts with customers ⁶
IFRIC 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for annual periods beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company are in the process of assessing the impact on application of these new or revised standards and 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 of the Company, for the purposes of resource allocation and assessment of segment performance focuses on locations of the operations. In addition, revenue derived from each location of operations is further analysed into those from retail and wholesale markets when reviewed by CODM. This is also the basis upon which the Group is arranged and organised. During the current year, the segment “Mainland China”, is further separated into jewellery business and watch business for better resource allocation and performance assessment. Hence, the prior year segment information is restated accordingly. Therefore, the Group’s operating and reportable segments under IFRS 8 are jewellery business and watch business located in Mainland China, and operations located in Hong Kong, Macau and other Asian markets. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

For the year ended 31 March 2014

	Mainland China		Hong Kong, Macau and other Asian	Subtotal	Elimination	Total
	Jewellery business	Watch business	markets	HK\$ million	HK\$ million	HK\$ million
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue						
External sales						
— Retail	30,508.6	1,593.5	35,076.8	67,178.9	—	67,178.9
— Wholesale [#]	10,007.7	38.4	182.1	10,228.2	—	10,228.2
	<u>40,516.3</u>	<u>1,631.9</u>	<u>35,258.9</u>	<u>77,407.1</u>	<u>—</u>	<u>77,407.1</u>
Inter-segment sales [*]	853.9	—	3,685.6	4,539.5	(4,539.5)	—
	<u>41,370.2</u>	<u>1,631.9</u>	<u>38,944.5</u>	<u>81,946.6</u>	<u>(4,539.5)</u>	<u>77,407.1</u>
Segment profit	<u>4,107.6</u>	<u>82.2</u>	<u>5,267.4</u>	<u>9,457.2</u>	<u>(205.1)</u>	<u>9,252.1</u>
Interest income						133.7
Finance costs						(222.8)
Profit before taxation						<u>9,163.0</u>

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

Wholesale mainly represents sales to franchisees.

For the year ended 31 March 2013

	Mainland China		Hong Kong, Macau and other Asian	Subtotal	Elimination	Total
	Jewellery business	Watch business	markets	HK\$ million	HK\$ million	HK\$ million
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue						
External sales						
— Retail	23,117.9	1,144.8	26,041.7	50,304.4	—	50,304.4
— Wholesale [#]	5,980.6	65.1	1,083.8	7,129.5	—	7,129.5
	<u>29,098.5</u>	<u>1,209.9</u>	<u>27,125.5</u>	<u>57,433.9</u>	<u>—</u>	<u>57,433.9</u>
Inter-segment sales [*]	594.8	—	1,645.5	2,240.3	(2,240.3)	—
	<u>29,693.3</u>	<u>1,209.9</u>	<u>28,771.0</u>	<u>59,674.2</u>	<u>(2,240.3)</u>	<u>57,433.9</u>
Segment profit	<u>3,601.8</u>	<u>66.7</u>	<u>3,679.5</u>	<u>7,348.0</u>	<u>(31.3)</u>	<u>7,316.7</u>
Interest income						107.8
Finance costs						(329.5)
Profit before taxation						<u>7,095.0</u>

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

Wholesale mainly represents sales to franchisees.

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

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

	2014	2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Sales of		
— Gem-set jewellery	16,332.2	13,164.8
— Gold products	47,359.6	32,954.6
— Platinum/karat gold products	10,358.3	8,339.0
— Watches	3,357.0	2,975.5
	77,407.1	57,433.9

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

3. PROFIT BEFORE TAXATION

	2014	2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	62.7	57.3
Staff's retirement benefits scheme contributions	511.1	484.7
Staff costs	3,809.7	2,708.8
	4,383.5	3,250.8
Amortisation of prepaid lease payments	13.6	12.1
Auditors' remuneration		
— audit related services	9.8	9.3
— non-audit services	0.9	1.1
Concessionaire fees	2,558.5	2,109.7
Cost of inventories recognised as expenses	55,280.3	40,722.1
Depreciation	649.8	494.7
Donations (included in other expenses)	38.0	1.2
Fair value gain on bullion forward contracts (included in cost of goods sold)	—	4.1
Fair value gain on gold loans (included in cost of goods sold), including unrealised fair value loss of HK\$105.0 million (2013: gain of HK\$230.4 million)	467.9	272.3
Operating lease rentals in respect of rented premises	1,543.3	1,015.2

4. TAXATION

	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax (“EIT”) in Mainland China	972.1	749.5
Hong Kong Profits Tax	694.6	463.4
Macau complementary tax	116.7	85.3
	1,783.4	1,298.2
Under(over)provision in prior years:		
EIT in Mainland China	44.8	14.1
Hong Kong Profits Tax	(0.3)	4.6
	44.5	18.7
Deferred tax (credit) charge	(153.2)	79.4
Withholding tax*	39.1	20.3
	1,713.8	1,416.6

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

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

Under the Enterprise Income Tax Law (the “EIT Law”) of the People’s Republic of China (“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, Foshan Shunde Yuda Jewellery Manufacturing Company Limited was entitled to exemption from PRC income tax for two years commencing from the year ended 31 December 2008, its first profit-making year, followed by a 50% reduction from the year ended 31 December 2010 for three years.

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

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

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

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profits attributable to shareholders of the Company for the year and on the weighted average number of 10,000,000,000 (2013: 10,000,000,000) shares in issue during the year.

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

6. DIVIDENDS

	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Dividends recognised as distribution during the year:		
2014 Interim — HK17.0 cents (2013: 2013 Interim — HK6.0 cents) per share	1,700.0	600.0
2013 Final — HK16.0 cents (2013: 2012 Final — HK10.0 cents) per share	1,600.0	1,000.0
	3,300.0	1,600.0

Subsequent to the end of the reporting period, a final dividend of HK19.0 cents per share, totalling approximately HK\$1,900.0 million in respect of the year ended 31 March 2014 (2013: HK16.0 cents per share, totalling approximately HK\$1,600.0 million) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

7. INVENTORIES

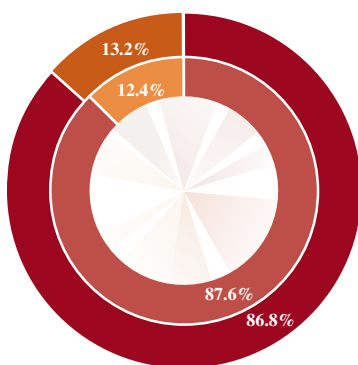
	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Raw materials for:		
Gem-set jewellery	7,431.4	4,861.6
Gold products	2,321.2	2,241.4
Platinum/karat gold products	333.1	216.8
	10,085.7	7,319.8
Finished goods:		
Gem-set jewellery	11,625.6	10,806.8
Gold products	13,215.9	4,685.6
Platinum/karat gold products	3,695.9	2,078.7
Watches	3,859.1	2,399.8
	32,396.5	19,970.9
Packing materials	61.5	24.1
	42,543.7	27,314.8

MANAGEMENT DISCUSSION AND ANALYSIS

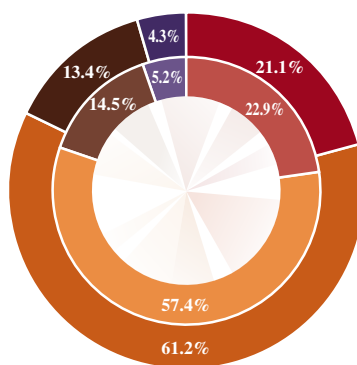
Financial Review

Revenue overview

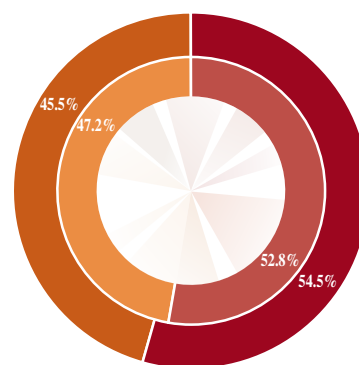
Revenue by operation model



Revenue by product



Revenue by geography



Note: The percentages calculated are subject to minor rounding differences

FY2014 was an exceptional year filled with excitement and endeavour to us. Our revenue reached HK\$77,407.1 million (FY2013: HK\$57,433.9 million), representing an encouraging increase of 34.8% over the same period last year. The increase was mainly caused by the strong retail sales and steady recovery of wholesale business in Mainland China.

Revenue by geography

The business in Mainland China recorded a revenue of HK\$42,148.2 million (FY2013: HK\$30,308.4 million), representing an increase of 39.1%. Such increase was mainly driven by the increase in sales of gold products and the improved wholesale as a result of the strong inventory replenishment demand from franchisees at existing stores and new stores. Mainland China market continued to represent our major source of revenue, accounting for 54.5% of our revenue.

Hong Kong, Macau and other Asian markets recorded a revenue of HK\$35,258.9 million (FY2013: HK\$27,125.5 million), representing an increase of 30.0%. Similar to that in Mainland China, the business in the market was benefited by the increase in sales of gold products.

Revenue by product

Sales of gem-set jewellery and gold products comprised about 21.1% (FY2013: 22.9%) and 61.2% (FY2013: 57.4%) of revenue respectively. Due to the gold buying spree triggered by the drop in gold price in the first quarter of FY2014, the sales contribution of gold products to our revenue increased when compared to that of same period last year. Yet our gold products' contribution to revenue started to normalise as the gold rush effect faded out gradually during the year. The gold product mix in the second half of FY2014 decreased to 57.4% when compared with 65.2% in the first half of FY2014.

Sales of gem-set jewellery increased by 24.1% to HK\$16,332.2 million (FY2013: HK\$13,164.8 million), while sales of gold products increased by 43.7% to HK\$47,359.6 million (FY2013: HK\$32,954.6 million).

Gross profit and unrealised hedging gain or loss

Our gross profit increased by 29.9% from HK\$16,283.1 million in FY2013 to HK\$21,152.3 million in FY2014, while the gross profit margin was 27.3% (FY2013: 28.4%). The effect of unrealised hedging loss on gold loans and bullion forward contracts was relatively immaterial to the gross profit margin as at 31 March 2014. If such effect was excluded, the adjusted gross profit margin for FY2014 would be 27.7% (FY2013: 28.1%).

As the gold product mix normalised, our adjusted gross profit margin in the second half of FY2014 improved when compared with that in the first half of FY2014, which was 29.1% and 26.8%, respectively.

Selling and distribution costs and administrative expenses

Our selling and distribution costs and administrative expenses increased to HK\$12,207.2 million (FY2013: HK\$9,181.0 million), representing an increase of 33.0%.

The table below sets forth the major items in the selling and distribution costs and administrative expenses, their respective percentages to revenue, and their changes when compared to the same period last year:

For the year ended 31 March	2013		2014		Increase
	HK\$ million	% of revenue ⁽⁶⁾	HK\$ million	% of revenue	
Staff costs ⁽¹⁾	3,250.8	5.7%	4,383.5	5.7%	34.8%
Concessionaire fees ⁽²⁾	2,109.7	3.7%	2,558.5	3.3%	21.3%
Rental expenses ⁽³⁾	1,015.2	1.8%	1,543.3	2.0%	52.0%
Advertising and promotion expenses ⁽⁴⁾	797.2	1.4%	1,035.8	1.3%	29.9%
Depreciation ⁽⁵⁾	474.8	0.8%	608.0	0.8%	28.1%
Others	1,533.3	2.7%	2,078.1	2.7%	35.5%
Total	9,181.0	16.0%	12,207.2	15.8%	33.0%

- (1) The increase was mainly due to the rise in wages level in Mainland China, and was generally in-line with the increase of revenue. 44.9% of our staff cost was performance based
- (2) The increase of concessionaire fees was lower than that of the revenue, which was mainly caused by a higher portion of gold products sales during the year. Concessionaire fee rates for gold products were generally lower than those of the other product categories, and generally lower concessionaire fee rates were applied to the new POS opened in the lower tier cities
- (3) The increase was mainly due to the openings of new POS in touristic area and the renewal of rental contracts in Hong Kong and Macau during FY2014
- (4) The increase was generally in-line with the increase of revenue
- (5) The increase was mainly due to the openings of new POS
- (6) The percentages calculated are subject to minor rounding differences

Net profit, profit attributable to shareholders of the Company, basic earnings per share and dividend

Our profit for the year increased by 31.2%, from HK\$5,678.4 million in FY2013 to HK\$7,449.2 million in FY2014, with net profit margin decreased from 9.9% in FY2013 to 9.6% in FY2014.

Profit attributable to shareholders of the Company amounted to HK\$7,272.0 million (FY2013: HK\$5,505.3 million), increased by 32.1% over the same period last year.

For FY2014, basic earnings per share were HK72.7 cents (FY2013: HK55.1 cents). The Board of Directors recommended the payment of the final dividend of HK19.0 cents per share (FY2013: HK16.0 cents). Combining with interim dividend of HK17.0 cents per share, the total annual dividend is HK36.0 cents per share, representing a dividend payout ratio of approximately 49.5% on a full year basis.

Inventories

Our inventories as at 31 March 2014 reached HK\$42,543.7 million, increased by 55.8% when compared with that as at 31 March 2013 (HK\$27,314.8 million). We have increased our inventories for gold products and platinum/karat gold products, for the strategic purpose of increasing product exposure and widening product offering spectrum in our retail network. The selectively added inventories were mainly fast-turning products in order to gauge the

demand for mass luxury jewellery. The table below sets forth the inventory balances by product as at 31 March 2014 and 2013, respectively:

As at 31 March	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	Increase
Gem-set jewellery	15,668.4	19,057.0	21.6%
Gold products	6,927.0	15,537.1	124.3%
Platinum/karat gold products	2,295.5	4,029.0	75.5%
Watches	2,399.8	3,859.1	60.8%
Packing materials	24.1	61.5	155.2%
Total	<u>27,314.8</u>	<u>42,543.7</u>	<u>55.8%</u>

Liquidity, financial resources and capital structure

The Group principally meets its working capital and other liquidity requirements through a combination of capital contributions, including cash flow from operations, bank borrowings and gold loans. Gold loans and bullion forward contracts are also used to hedge against the financial impact of the price fluctuations in the Group's gold inventories.

The Group's daily operation was mainly financed by operating cash flow, and relied on short-term borrowings to satisfy inventory financing needs during peak seasons, working capital for future expansion plans and unexpected needs. The Group has not experienced any difficulties in repaying its borrowings.

The Group's income and expenditure were mostly denominated in Hong Kong dollars and Renminbi, while its assets and liabilities were mostly denominated in Hong Kong dollars, Renminbi and United States dollars.

The table below sets forth the information regarding the bank balances and cash, and bank deposits, bank borrowings, gold loans, amount due to non-controlling shareholders of subsidiaries, working capital, total equity, net gearing ratio and operating cash flows before movements in working capital as at 31 March 2014 and 2013, respectively:

As at 31 March	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	Denominated currency⁽¹⁾	Interest rate structure⁽¹⁾	Maturity⁽¹⁾
Bank balances and cash, and bank deposits ⁽²⁾	8,330.5	9,971.9	Hong Kong dollars, Renminbi, and United States dollars	Variable interest rate	N/A ⁽²⁾
Total borrowings	6,186.8	17,314.6	N/A	N/A	N/A
Bank borrowings ⁽³⁾	1,000.0	6,299.6	Hong Kong dollars, Renminbi, and United States dollars	Variable interest rate	Within 12 months
Gold loans ⁽⁴⁾	4,835.7	10,786.8	Renminbi and United States dollars	Fixed interest rate	Within 12 months
Amount due to non-controlling shareholders of subsidiaries	351.1	228.2	Hong Kong dollars, Renminbi, and United States dollars	Non-interest bearing	On demand
Working capital ⁽⁵⁾	31,364.2	35,047.4	N/A	N/A	N/A
Total equity	33,860.7	38,452.4	N/A	N/A	N/A
Net gearing ratio ⁽⁶⁾	N/A ⁽⁷⁾	18.5%	N/A	N/A	N/A
For the year ended 31 March	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>			
Operating cash flows before movements in working capital	<u>7,662.6</u>	<u>9,464.9</u>			

(1) Information about denominated currency, interest rate structure and maturity related to the condition as at 31 March 2014

(2) Include pledged bank deposits, short-term bank deposits and bank balances and cash. As at 31 March 2014, the Group had HK\$500.0 million of short-term bank deposits with original maturity of 12 months, carrying fixed interest rate at 1.5% per annum. The Group will monitor the interest rates for bank deposits periodically and leverage the opportunity to enjoy a higher interest rate on idle funds

- (3) In light of favourable interest rate environment and projected working capital needs, we have increased bank borrowings to HK\$6,299.6 million as at 31 March 2014
- (4) The increase in gold loan was mainly due to the increase in gold products inventories
- (5) Being net current assets
- (6) Aggregate of bank borrowings, gold loans, net of pledged bank deposits, short-term bank deposits and bank balances and cash, divided by total equity
- (7) The Group had a net cash position as at 31 March 2013, and therefore net gearing ratio is not applicable

Business Review

Overview

In FY2014, through effective implementation of business strategies to capture the greatest growth potential under unprecedented market conditions, we achieved a strong revenue growth of 34.8% over the same period last year.

For the year ended 31 March	2013		2014		Increase of revenue
	<i>Revenue</i> <i>HK\$ million</i>	<i>% of total</i>	<i>Revenue</i> <i>HK\$ million</i>	<i>% of total</i>	
Mainland China — Jewellery business	29,098.5	50.7%	40,516.3	52.4%	39.2%
Mainland China — Watch business	1,209.9	2.1%	1,631.9	2.1%	34.9%
Hong Kong, Macau and other Asian markets	27,125.5	47.2%	35,258.9	45.5%	30.0%
Total	<u>57,433.9</u>	<u>100.0%</u>	<u>77,407.1</u>	<u>100.0%</u>	<u>34.8%</u>

Note: The percentages calculated are subject to minor rounding differences

In terms of Retail Sales Value, which measures the sales in self-operated and franchised POS at the time and prices sold to end customers, we accomplished an exciting growth of 33.9% over the same period last year. Retail Sales Value, an important indicator of our overall market share, captures the total sales of our products in all “Chow Tai Fook” branded POS, regardless of the operation model of the POS, and therefore enabling a holistic analysis on our sales performance.

For the year ended 31 March	2013		2014		Increase of Retail Sales Value
	<i>Retail Sales Value</i> HK\$ million	% of total	<i>Retail Sales Value</i> HK\$ million	% of total	
Mainland China — Jewellery business	37,969.4	58.2%	50,321.0	57.7%	32.5%
Mainland China — Watch business	1,339.4	2.1%	1,864.4	2.1%	39.2%
Hong Kong, Macau and other Asian markets	25,885.7	39.7%	35,096.2	40.2%	35.6%
Total	<u>65,194.5</u>	<u>100.0%</u>	<u>87,281.6</u>	<u>100.0%</u>	<u>33.9%</u>

Following the sharp decrease in international gold price from April to June 2013, we responded quickly and effectively to capitalise on the growth opportunities arising from the favourable market conditions. The remarkable growth in gold products, coupled with the growth in both gem-set jewellery and platinum/karat gold products, validated our business strategy to ride on the robust volume growth of mass luxury jewellery and the gradual improvement in consumer confidence. Both Same Store Sales and revenue from new POS recorded healthy growth during the year. Building on our competitive advantages developed over time, we strived to extend our leading position in Greater China’s jewellery markets.

Our 85 years long brand heritage and reputation for delivering high quality and authentic jewellery products are key factors of our continued success and widespread brand recognition. In the past years, we have gradually built a sophisticated vertically integrated business model which allows us to have 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. We offer a broad product portfolio, covering mass luxury jewellery, high-end jewellery and youth line products. The mass luxury jewellery segment is absolutely core to us and accounts for most of our Mainland China’s jewellery market, while the high-end luxury jewellery segment is created specifically for affluent and discerning customers. Our quality design and craftsmanship strive to cater to Chinese customers’ increasing demand for sophisticated products. In addition, we have also launched the youth line products for the younger generations to capture their growing consumption power and demand for jewellery products. The wide variety of jewellery products provided enables us to reach an extensive range of customers across different age groups.

Same Store Sales Growth (“SSSG”) is an important indicator to our sales performance, as SSSG shows the growth in sales neglecting the effect of the openings and closings of POS. Therefore SSSG is the base growth of our revenue growth, reflecting the fundamental business momentum and enable a better analysis and understanding of the growth drivers of our revenue.

The overall SSSG was 18.6% in FY2014 (FY2013: decrease of 3.3%), of which SSSG in Mainland China was 17.2% (FY2013: decrease of 3.0%) and SSSG in Hong Kong, Macau and Taiwan was 20.1% (FY2013: decrease of 3.7%). The table below sets forth the quarterly SSSG for FY2014 and FY2013:

	For the year ended 31 March 2013					For the year ended 31 March 2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
SSSG										
Mainland China	10.1%	(2.8)%	(11.3)%	(5.0)%	(3.0)%	30.5%	11.0%	13.3%	14.1%	17.2%
Hong Kong, Macau and Taiwan	(1.3)%	(10.9)%	(5.5)%	3.8%	(3.7)%	67.3%	26.3%	6.8%	(9.3)%	20.1%
Overall	4.2%	(7.0)%	(8.3)%	(0.9)%	(3.3)%	47.4%	18.1%	10.0%	3.5%	18.6%
Gem-set jewellery	(12.9)%	(7.1)%	(2.5)%	(15.8)%	(9.9)%	7.4%	3.4%	7.6%	14.0%	8.4%
Gold products	14.0%	(8.8)%	(11.2)%	7.9%	(0.2)%	77.1%	32.2%	14.4%	(1.9)%	27.6%

During the year, the sales from new stores in both Mainland China and Hong Kong, Macau and Taiwan made meaningful contributions to our revenue, as evidenced by the difference between the growth in total retail revenue of 33.5% and the SSSG of 18.6%. Ramp-up of new stores are in progress and in-line with our expectations.

The SSSG for gem-set jewellery and gold products, were 8.4 % and 27.6% respectively. The SSSG was mainly driven by volume, yet the average selling price decreased when compared to same period last year. The following table sets forth the relevant average selling price at FY2014 Same Store level:

For the year ended 31 March	2013 <i>HK\$</i>	2014 <i>HK\$</i>	Decrease
Average selling price at FY2014 Same Store level			
Mainland China ⁽¹⁾			
Gem-set jewellery ⁽¹⁾	7,155	6,743	(5.8)% ⁽²⁾
Gold products ⁽¹⁾	4,195	3,503	(16.5)% ⁽³⁾
Hong Kong, Macau and Taiwan			
Gem-set jewellery	15,355	14,062	(8.4)% ⁽²⁾
Gold products	6,451	5,417	(16.0)% ⁽³⁾

(1) Average selling price in Mainland China includes value-added tax (VAT)

(2) As we adjusted our marketing plans and product offerings in response to market changes, the decreases in the average selling price for gem-set jewellery were accompanied by the robust growth in sales volume at Same Store level, which was 12.9% and 20.8% in FY2014 for Mainland China and Hong Kong, Macau and Taiwan, respectively

(3) Average selling price for gold products decreased mainly due to drop in gold price in FY2014

POS network

As at 31 March	2013	During FY2014		2014
	Total	Openings	Closings	Total
Mainland China	1,731	348	(114)	1,965
Jewellery POS	1,640	284	(96)	1,828
Tier I cities	227	20	(13)	234
Tier II cities	786	122	(61)	847
Tier III and other cities	627	142	(22)	747
Watch POS	91	64	(18)	137
Hong Kong, Macau and other Asian markets	105	11	(4)	112
Hong Kong	80	9	(3)	86
Macau	15	1	–	16
Other Asian markets	10	1	(1)	10
Total	1,836	359	(118)	2,077

In FY2014, we achieved our target to expand our retail network in Mainland China to cover more inland and lower tier cities. As at 31 March 2014, we had a total of 2,077 POS (31 March 2013: 1,836). Among these, 1,938 were jewellery POS (31 March 2013: 1,743) and 139 were watch POS (31 March 2013: 93), with a net of 241 new POS opened in FY2014 (FY2013: 209).

Mainland China — Jewellery business

For the year ended 31 March	2013	2014	Increase
Revenue (in HK\$ million)	29,098.5	40,516.3	39.2%
Retail	23,117.9	30,508.6	32.0%
Wholesale	5,980.6	10,007.7	67.3%
Retail Sales Value (in HK\$ million)	37,969.4	50,321.0	32.5%
Sales volume (in unit)	9,793,000	14,438,000	47.4%

The increase in sales of gold products and the recovery in wholesale business contributed to the strong sales growth in Mainland China. While the sales of gold products stayed strong in the first half of FY2014, we saw gradual improvement in consumer confidence among our retail customers and franchisees throughout the year, as evidenced by the improving sales of gem-set jewellery in the second half of the year. The increase was mainly driven by SSSG, which was primarily driven by the notable volume growth of mass luxury jewellery.

We expect the proportion of revenue generated from Mainland China to increase in the long run, attributable to the nationwide continual urbanisation, the growing affluence of Mainland Chinese people in terms of increasing disposable income per capita and growing demand for luxury goods.

Retail Sales Value and POS

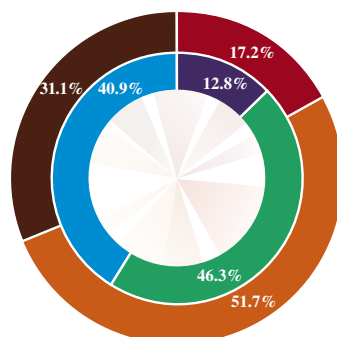
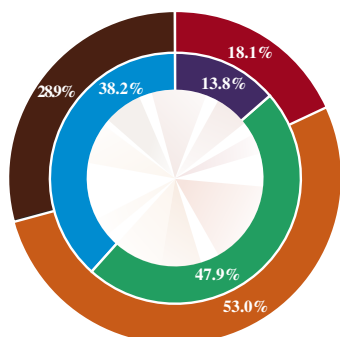
2013年

2014年

By tier of cities

(Total: 1,640 jewellery POS)

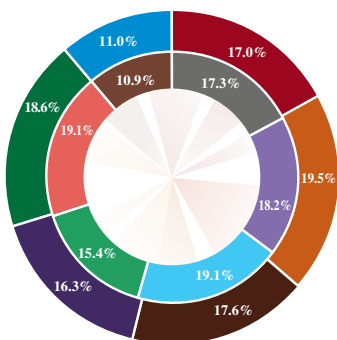
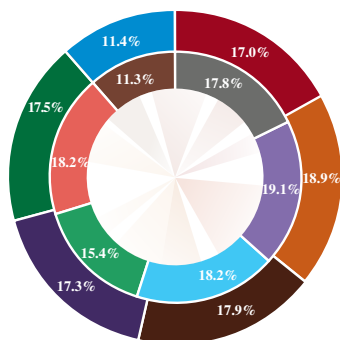
(Total: 1,828 jewellery POS)



By geography

(Total: 1,640 jewellery POS)

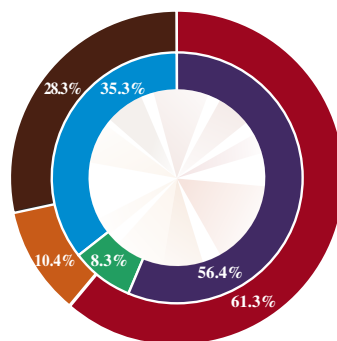
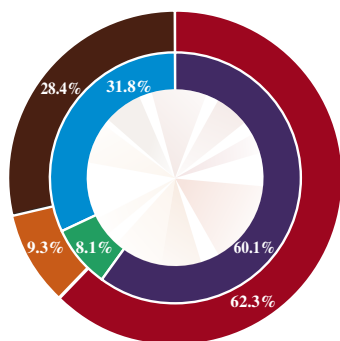
(Total: 1,828 jewellery POS)



By operation model

(Total: 1,640 jewellery POS)

(Total: 1,828 jewellery POS)



Note: The percentages calculated are subject to minor rounding differences

As at 31 March	2013	2014
Jewellery POS — net openings	192	188
Proportion (by tier of cities)		
— Tier I cities	10.4%	3.7%
— Tier II cities	31.3%	32.4%
— Tier III and other cities	58.3%	63.8%
	<hr/>	<hr/>
Total	100.0%	100.0%
	<hr/> <hr/>	<hr/> <hr/>

Note: The percentages calculated are subject to minor rounding differences

In recent years, we have been focusing on POS expansion in Tier III and lower tier cities in order to achieve a faster and broader coverage. These cities which experience higher economic growth are in general more resilient to global economic fluctuation and have seen rapid expansion in their jewellery markets. At the same time, we continued to upgrade the positioning and branding of our POS in Tier I and II cities to cater for the sophisticated consumers in these cities. The franchised operation model enables us to leverage the local knowledge and customer base of our franchisees, which is crucial to the POS expansion plan in Tier III and lower tier cities.

In FY2014, concessionaire stores within department stores or shopping malls in Mainland China, in which the host received the payments for us and took a commission of our sales in form of concessionaire fees, remained the vast majority of our self-operated POS in Mainland China. The remaining self-operated POS were standalone stores in which we received payments directly from our customers.

Often occupying prime locations with high pedestrian traffic and having operating infrastructure in place, department stores and shopping malls are crucial to the expansion of our retail network. POS openings within department stores or shopping malls offer us an added advantage to leverage broader marketing activities in acquiring new customers. As such, we will continue to partner strategically with leading retail enterprises that operate department stores while also respond actively to the shopping mall development trend to cope with the changing consumer preferences in Mainland China.

Our inventories as at 31 March 2014 reached HK\$19,575.3 million, increased by 86.3% when compared with that as at 31 March 2013 (HK\$10,505.1 million). The increase was mainly contributed by rising inventory levels in gold products and platinum/karat gold products, for the strategic purpose of increasing product exposure in our extensive retail network, bringing more contemporary and stunning designs to our customers. The selectively added inventories were mainly fast-turning products in order to gauge the demand for mass luxury.

Mainland China — Watch business

In FY2014, revenue from our watch business in Mainland China amounted to HK\$1,631.9 million (FY2013: HK\$1,209.9 million), representing an increase of 34.9%. The increase was mainly driven by the opening of new POS.

During the year, we had 46 net openings in Mainland China. As at 31 March 2014, our total number of watch POS in Mainland China increased to 137 (31 March 2013: 91). In light of the market dynamics in the watch segment, we may seek to consolidate our watch POS network to improve operational efficiency.

Hong Kong, Macau and other Asian markets

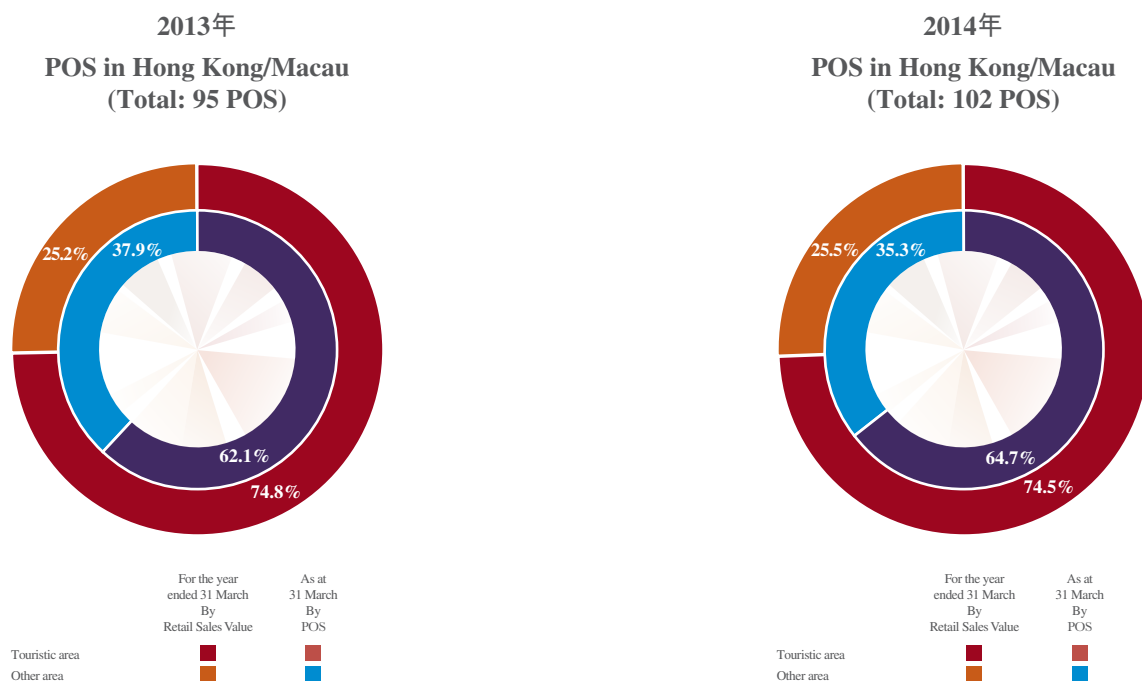
For the year ended 31 March	2013	2014	Increase
Revenue (in HK\$ million)	27,125.5	35,258.9	30.0%
Settled through China UnionPay or Renminbi	53.1%	60.1%	7.0%
<hr/>			
Retail Sales Value — Jewellery products (in HK\$ million)	24,099.2	33,358.5	38.4%
Sales volume (in unit)	<u>3,821,000</u>	<u>6,066,000</u>	<u>58.8%</u>

While the sharp decrease in gold price significantly boosted the sales of gold products in Hong Kong, Macau and other Asian markets, sales growth was also achieved across gem-set jewellery and platinum/karat gold products. While we have seen signs of recovery in consumer sentiment of both Hong Kong locals and Mainland Chinese visitors, consumers were more cautious in spending in view of the economic environment. Their purchases shifted from high-end luxury jewellery pieces to mass luxury jewellery products with an average selling price from HK\$2,000 to HK\$100,000. In FY2014, mass luxury gem-set jewellery and gold products maintained a sustainable growth in sales, mainly driven by the notable volume growth.

The revenue settlement currencies indicated that Mainland Chinese visitors continued to be the major source of revenue in Hong Kong and Macau. According to the Commerce and Economic Development Bureau of Hong Kong and the Macau Statistics and Census Service, in FY2014, the number of Mainland Chinese visitors to Hong Kong and Macau increased by 16.8% and 13.5% compared to the same period last year, to 42.7 million and 19.4 million respectively.

Nevertheless, recently we see signs of decrease in inbound Mainland tourist numbers in Hong Kong and Macau and the rise of alternative travel destinations for Mainland Chinese tourists. To cope with these challenges, we strive to enhance our customer services and improve our customers' shopping experience. While we expect that the unique shopping environment with a Chinese heritage, more diverse product offerings and a consumer tax-free environment would continue to make Hong Kong and Macau popular destinations for Mainland Chinese tourists, there are uncertainties about how the change in inbound tourism from mainlanders would affect our business. In light of the above, we take a flexible approach to our POS rollout strategy aiming to enhance store productivity in Hong Kong and Macau.

Retail Sales Value and POS



Touristic area includes Causeway Bay, Tsim Sha Tsui, Mong Kok, Yau Ma Tei, and Sheung Shui in Hong Kong, and Macau.

In FY2014, we opened 10 POS in Hong Kong and Macau, of which 8 POS were opened in touristic area. We continued to consolidate our POS network in Hong Kong, expand the gross floor area of selected POS with great growth potential, and relocate some POS to areas with higher customer traffic so as to capture more sales opportunities and enhance POS performance and efficiency.

Our inventories as at 31 March 2014 reached HK\$20,288.4 million, increased by 30.7% when compared with that as at 31 March 2013 (HK\$15,521.3 million). The increase in inventories was generally in-line with the corresponding sales growth during the year.

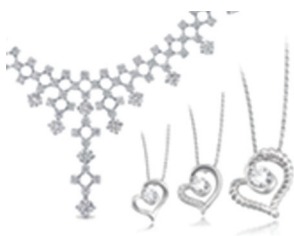
As at 31 March 2014, we had 2 watch POS (31 March 2013: 2) in Hong Kong and Macau. To create a one-stop shopping experience in Hong Kong and Macau, we had 38 POS that retailed both jewellery and watch products as at 31 March 2014 (31 March 2013: 33).

Product offerings

We offer a wide range of jewellery products, covering mass luxury jewellery to high-end jewellery and youth line products, to fulfill different market segments. 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 karat gold setting. Such a broad product range fits the needs of our customers at their different life cycles, including birthdays, weddings and anniversaries, etc. In particular, event-driven and self-rewarding purchases are the two important drivers of jewellery retail sales in Greater China.

Diversified product portfolio

Event-driven category



“The Perfect One”
Wedding Collection



“Charming Gold”
Collection

Self-rewarding category



“Imperial” Collection



“Ombre di Milano”
Collection



Other Collections



“Bao Bao Family”
Collection



“Disney Classic” &
“Disney Winnie the Pooh”
Collection

Marketing and branding

Our success depends significantly on our strong and multi-faceted brand perception across all regions, and our ability to adapt to customers’ changing demand for jewellery and consumption habits in Mainland China, Hong Kong and Macau. In recent years, we continue to see a growing demand for gem-set jewellery products and in particular, the demand for more stylish and contemporary designed jewellery pieces with exceptional craftsmanship is expected to experience further growth. In response to the gradual change in customer appetite, we have spearheaded the offering of a broader series of jewellery collections including gem-set jewellery and platinum/karat gold jewellery products. We also aim at strategically enhancing our brand awareness in Greater China by introducing one-of-a-kind high jewellery pieces through jewellery auctions for an exclusive group of customers to entrench our position as a leading world-class jeweller.

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

Mass luxury segment

Wedding Collections

We believe that the wedding market is booming. The sales of wedding-related jewellery, including diamond products, contributed a significant share to our total sales in FY2014 and we strive to seize this valuable business opportunity by strengthening our marketing efforts to promote “The Perfect One” Wedding Collection. This collection was extensively promoted

through a series of advertising channels including print and online media, TV commercial and outdoor billboard. These promotions were highly effective and received encouraging customer response.

For instance, we aimed to promote wedding proposal culture across the nation through a viral marketing campaign during FY2014. Video clips of marriage proposals by selected customers were uploaded on Chow Tai Fook's official channels of its strategic campaign partners, YouTube and Youku, and attracted over 30 million views.

To provide a one-stop experience to wedding couples, we introduced "The Perfect One E-stamp programme" under "The Perfect One Wedding Campaign 2014". With marriage being a lifelong journey, Chow Tai Fook offers a wide range of products to cater to different stages of bridal needs, from engagement ring, which represents a man's pledge to his fiancée; wedding band, which is a testament to a perfect union between lovers; and traditional gold jewellery, which conveys the blessing of elders. In May 2013, we launched the Chow Tai Fook Wedding Planning iPhone and Android applications, providing customers with convenient access to various wedding information and useful tips for successful wedding planning.

"Chow Tai Fook 520" Collection

In March 2014, we entered into an exclusive distributorship with Aaron Shum Jewelry for the Greater China region, whereby we launched the "Chow Tai Fook 520" Collection in Aaron Shum Jewelry's innovative patented Coronet Solitaire design in Mainland China, Hong Kong, Macau and Taiwan. With its worldwide patented design, each piece of Coronet Solitaire is made from 7 high calibre diamonds set with no prong holding the centre diamond, along with precision of cut, symmetry and polish, which attributes to the best fit proportion to conceive luminous solitaire diamond effect.

With this unique technique, every product of the "Chow Tai Fook 520" Collection stands out from any other similar products in the market, and convey the same sincere message for the special one — "I love you" (the pronunciation of "520" and "I love you" in Mandarin are similar).

Disney's Collections

Our product lines include designs based on the long-lasting Disney characters. In January 2014, we opened our first Disney Zone in our iSQUARE store in Tsim Sha Tsui, Hong Kong, and exhibited a 90-cm tall gold figurine of Mickey Mouse to celebrate the 90th anniversary of Disney.

During the year, roadshows were held in Mainland China for the "Disney Princess" Collection. In addition, a signature "Cinderella Glass Slipper" jewellery set was donated to the "BAZAAR Stars Charity Night 2013" in Beijing for charity auction and raised RMB1.5 million in October 2013.

Rio Tinto fashion jewellery — “Caprice” and “Blissful” Collections

To explore diamond fashion jewellery market in Mainland China, we worked closely with our strategic partner Rio Tinto and launched the “Caprice” and “Blissful” Collections during the year. The “Caprice” Collection, containing an amazing mechanism to inject different styles into one jewellery piece, is perfect for all kinds of occasion. The “Caprice” Collection is an affordable and playful collection for working ladies.

The “Blissful” Collection is characterised by the blue bird that symbolises happiness. It consists of a variety of 18K yellow and rose gold pendants and rings with hollowed out design. For every item, the flying blue bird invariably looks vivacious and is complemented with sparkling natural diamonds, echoing the feminine beauty and inner strength of modern women.

High-end luxury segment

“Reflections of Siem” High Jewellery 2014 Private Preview

In March 2014, we held the preview of our annual High Jewellery Collection, “Reflections of Siem”, in Hong Kong, showcasing the stunningly beautiful jewellery pieces to entranced Chow Tai Fook guests and members. This year’s collection, “Reflections of Siem”, was inspired by the storied and historical nation of Cambodia, whose natural beauty and culture have withstood triumphs and tribulations, and the test of time. Featuring twelve breathtaking sets with inspiring titles from The Chant to The Halcyon, the sumptuous collection represents the pinnacle of Chow Tai Fook’s creative vision and expert craftsmanship. Having made its debut in Hong Kong, it is being showcased in cities around Mainland China. The “Reflections of Siem” High Jewellery Collection will be placed on auction in October 2014.

Collaboration with Simon Ma — “Nature Chant” Collection

In December 2013, Chow Tai Fook and Mr. Simon Ma, a world-renowned Chinese designer and artist, held a press conference to celebrate the unveiling of their collaboration, “Nature Chant • Classic”. Inspired by their mutual respect for nature, Mr. Simon Ma and Chow Tai Fook created a collection of truly unique pieces. These works brought to life the concepts of sincerity and eternity, two elements of beauty that Chow Tai Fook treasures and values for years. Inspired by the nature and the interpretation of “Grand Love”, the “Nature Chant • Drops” Collection was also launched in the same event. These state-of-the-art pieces are exhibited in our Beijing Qianmen Flagship Store to showcase our artistry in high jewellery pieces.

“Imperial” Collection appreciation events

During the year, “Imperial” Collection appreciation events were held in Beijing, Qingdao, Shanghai and Guangzhou to explore potential customers and strengthen relationship with existing high-end customers. Combining the essence of our designs with superior craftsmanship, the “Imperial” Collection recreated royal treasures in ancient China to evoke Chow Tai Fook’s long history. Sophisticated designs inspired by Chinese imperial legends were showcased in this prestigious collection to promote and uplift our brand image.

Youth line

“Pleasant Goat and Big Big Wolf” Collection and “Bao Bao Family” Collection

Aiming to enrich our product offerings in the newborns and teenagers segments, we joined hands with “Pleasant Goat and Big Big Wolf”, one of the most popular and recognisable cartoons in Mainland China, to create a collection for the animated series in December 2013. This collection, featuring groups of joyful goats and wolves in gold, represent gifts of blessing and happiness for our young fans.

Making their first ever appearances in theatre, our popular in-house designed “Bao Bao Family” products were presented in the animated movie “Pleasant Goat and Big Big Wolf Meet The Pegasus” in January 2014, extending our warmest Chinese New Year blessings to the audience. In the upcoming Year of the Goat, the “Pleasant Goat and Big Big Wolf” Collection is set to shine.

“Hello Kitty” Collection

Ladies of all ages recognise Hello Kitty as a sweet, adorable and enchanting symbol. To bring this fictional character to life for its most loyal and long-lasting supporters, we partnered with Hello Kitty and developed a collection targeting young female customers in Mainland China. With a variety of products ranging from diamond jewellery to gold and silver ornaments, this collection is perfect for self-rewarding purpose and gifting occasions.

Chow Tai Fook Membership Programme

As at 31 March	2013	2014
Mainland China		
Number of members	1,081,000	1,231,000
% of Diamond, Platinum and Gold members (<i>Note</i>)	N/A	10.5%
% of Basic members (<i>Note</i>)	N/A	89.5%
Total	N/A	100.0%
Members’ repeat purchases as a % of Retail Sales Value	21.9%	23.4%
Number of Fans members (<i>Note</i>)	N/A	2,258,000
Hong Kong and Macau		
Number of members	98,000	161,000
% of Diamond, Platinum and Gold members	6.9%	9.9%
% of Pre members	93.1%	90.1%
Total	100.0%	100.0%
Members’ repeat purchases as a % of Retail Sales Value	15.5%	17.5%

Note: In April 2013, we revamped the membership programme in Mainland China and upgraded the tier requirements. As a result, comparative figures by members' tier are unavailable

Through continuous effort to strengthen our membership programme, we aim to enhance our ability to understand consumers' spending behaviour and preferences and gauge market trends. Our membership programme is crucial in maintaining our Same Store Sales by encouraging repeat purchases and attracting new customers. The steady repeat purchases ratio was primarily attributable to our effective strategies and efforts in interacting with existing members as well as in acquiring new members.

Customers are entitled to join different tiers of the membership programme upon making qualified spending. Members can enjoy benefits such as cash coupons and lifestyle events. Members in the highest-tier are invited to special events such as jewellery auctions and luxurious overseas trips. The related marketing and public relations campaign placed Chow Tai Fook in a whole new league within the high-end luxury jewellery market in Mainland China.

To nourish our younger customers' loyalty to our brand and to encourage repeat purchases in a larger population, we introduced a new and separate tier of "Fans members" in Mainland China in April 2013 when we revamped the membership programme. With no spending requirement, any potential customer could become our fans member through our online channels or our extensive retail network at his/her convenience. Fans members are encouraged to accumulate their spending for admission to the membership programme once their spending meets the formal membership requirements.

E-commerce

For the year ended 31 March	2013	2014
Annual growth in Retail Sales Value	177.7%	90.7%
Average daily traffic in unique visitor (Chow Tai Fook eShop, Tmall and JD.com)	81,000	122,000
As at 31 March	2013	2014
Number of followers (Official Sina Weibo, Tencent Weibo and WeChat accounts)	748,000	1,448,000

In FY2014, our e-commerce business maintained its strong momentum generated from past years. Chow Tai Fook was continuously ranked the "Best Selling Jewellery Brand" on Tmall and was constantly ranked among the top five in the Baidu search rankings for luxury products. Chow Tai Fook was also ranked first in digital competence in Mainland China among local and international watches and jewellery brands, according to L2's Digital IQ Index.

Over the past years, we have given a lot of weight to e-commerce, and will continue to unleash its power to make it more than just a transactional platform. We will deploy e-commerce and mobile adoption as powerful tools to extract online-to-offline ("O2O") synergy that would serve as a marketing, branding and customer relationship management

channel to our customers, especially the younger generations. For instance, starting from September 2013, our members in Mainland China can bundle their accounts to WeChat to access their account information, receive promotional details and purchase Chow Tai Fook products online via WeChat. Riding on this new feature, we strategically target to direct members to visit our eShop through a multitude of benefits and incentives, when they purchase in our physical stores.

We would leverage O2O with a view to achieving a win-win business between physical stores and online platforms. One successful story was the upsurge in the “Beads of Elements” Collection. With five gold charms representing the Sun, the Moon, the Star, the Fog and the Thunder, this collection symbolises different wishes that bring fortune, wealth, advancement, wisdom, and vigorousness. Early this year, there were widespread discussions on WeChat and Sina Weibo about this collection. The tremendous attention on social media translated into long queues outside some of our stores in Mainland China, and the stocks in store ran out within hours. Making use of our pre-ordering services via WeChat and our Tmall platform, we responded quickly and managed to meet customers’ needs through our online channels.

Another O2O application was the opening of our 2,000th POS in Wuhan in January 2014. This POS was our first ever experiential store to be equipped with interactive technologies, including virtual receptionists and showcases, a big touch screen allowing customers to select products, making purchase and payment online through QR codes and smartphones, and a storefront display to interact with pedestrians. As the leading jeweller with strong digital competence, we are capable of leveraging O2O synergy to offer exciting and innovative shopping experience to our customers.

Procurement and diamond cutting & polishing

For the year ended 31 March	2013	2014
Diamond cut and polished (in carat)	189,000	198,000
As at 31 March	2013	2014
Number of employees in diamond cutting and polishing sites	2,000	2,200

As at 31 March 2014, we had four diamond cutting and polishing sites. Two of such sites are located in South Africa, one of such is located in Shunde, Mainland China, and the fourth one was opened in Botswana during the year. We take a flexible approach in procuring diamonds, with reference to local market conditions.

Our well-established relationships with De Beers, Rio Tinto and ALROSA ensure a supply of quality products, and allow us to make selection ahead of other peers from the available stock from a number of suppliers.

During the year, we entered into a long-term exclusive supply and licensing agreement with Crossworks, a diamond supplier, for its patented hearts and arrows ideal cut square diamond. The “Magic Square” Collection was launched in November 2013 to introduce the premium hearts and arrows ideal square cut diamond to Greater China market.

R&D and production

In-house/outsourced production mix of products sold



As at 31 March

	2013	2014
Number of R&D team members	340	670
Number of employees in jewellery production sites	4,600	5,600

Our diverse product offerings are conceived by our strong R&D Department, comprising jewellery designers and goldsmiths who work closely with our production management and sales management departments to ensure that the product design direction is well aligned with market needs. As part of this strategic initiative, we expanded and restructured the R&D Department during the year, aiming to bring in more diverse talent and innovative thinking to the team.

Our production site in Hong Kong mainly produces gem-set jewellery products, while our site in Shenzhen mainly produces gem-set jewellery products, our site in Shunde mainly produces gem-set jewellery, gold and platinum/karat gold products, and our site in Wuhan first produces gold products.

In FY2014, the decrease of the proportion of overall in-house production was mainly due to the upsurge in sales of gold products, which were primarily produced by outsourced producers. We keep a well-balanced portfolio of in-house and outsourced production. Since gem-set products require a higher level of skills and techniques, they are primarily produced by our in-house craft masters.

To ensure that our jewellery products, either produced in or outside our production sites, meet all quality testing requirements, we implement strict quality controls, with testings undertaken in our precious metal testing laboratory in Shenzhen.

Human resources management

As at 31 March	2013	2014
Number of employees (excluding staff of franchisees)	31,700	36,100
By function:		
Sales (at POS)	20,800	23,100
R&D and Production	5,000	6,200
Procurement and Diamond Cutting & Polishing	2,000	2,400
Management, General and Administration	3,900	4,400

Human resources are our greatest assets and we regard the personal development and well-being of our employees as highly important. During the year, we launched a new electronic human resources system to improve our resources data analysis and manpower planning. We are committed to enhancing employee development and motivating our employees with clear career paths and opportunities for advancement.

For instance, senior executives are sponsored to study EMBA programmes in prestigious educational institutes; management personnel are invited to attend seminars to polish their management skills and emotional quotient; sales staff are required to attend training programmes on customer service and product knowledge; technicians and craftsmen are provided with ongoing technical training to ensure excellence in product quality; and selected fresh graduates are trained and nurtured in the dedicated Management Trainee programme.

During the year, we developed the “Wisdom Dynamic Programme” for selected front-line and back office staff members from operational to managerial grades. This initiative aimed to enhance participants’ communication and thinking skills through all-round training, with the aid of neuro-linguistic programming coaching. To encourage and promote lifelong learning among its employees, we also participated in the Qualifications Framework in Hong Kong, which is a seven-level hierarchy of qualifications covering academic, vocational and continuing education sectors.

In FY2014, we offered about 3,000 staff training courses and the aggregate training hours attended during the year exceeded 1,000,000 hours. As at 31 March 2014, we had nine specialised jewellery training centres across Mainland China, Hong Kong and Macau.

Development projects

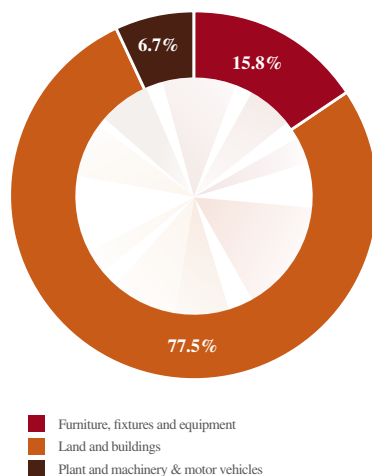
To meet the needs of the changing and growing jewellery retail market and to support our future business growth, we have embarked on the development of Chow Tai Fook Jewellery Park in Wuhan, Hubei, a new Mainland China headquarters in Yantian, Shenzhen and a South China automated distribution centre in Shunde.

Chow Tai Fook Jewellery Park

The Jewellery Park, situated in China's transportation hub of Wuhan, Hubei, is set to become our largest integrated production and logistics centre in the future. Development of gross floor area of approximately 436,000 square metres on a land parcel of approximately 221,000 square metres have already started. Upon completion, it will serve as a multi-functional, integrated platform combining jewellery production, logistics and distribution, sales exhibition and tourism, training, e-commerce and jewellery business support.

Investments in the Jewellery Park for which specific plans have been made amount to approximately HK\$2.6 billion, for which HK\$130.2 million have been spent up to FY2014. Construction of the Jewellery Park commenced in October 2013 and will be partially completed in August 2014. Jewellery production is expected to commence in September 2014 and we target the Jewellery Park to reach an annual production capacity of one million jewellery pieces by the end of FY2015.

Investment classification (with specific plans)



The Jewellery Park will further leverage our strategic strengths in vertical integration and enhance the capacity and efficiency of our supply chain and, thereby forging a solid foundation for sustainable business growth and development in the long term.

New Mainland China headquarters

Construction of the new Mainland China headquarters in Shenzhen, China was completed during FY2014, upon which operations have commenced progressively. Remaining internal fitting works are expected to be completed in FY2015.

South China automated distribution centre

The South China automated distribution centre in Shunde, China will manage all our products manufactured in South China region on a consolidated basis, and some of our distribution processes will be automated, to further enhance our capacity and efficiency. The South China automated distribution centre is scheduled to complete systems installation in FY2015, upon which test runs of the Centre would commence.

PROSPECTS AND STRATEGIES

Prospects

Going forward, the Group is optimistic about its prospect as well as the outlook of the markets in which we operate in the medium to long run. We have every confidence in the economic development of Mainland China, being one of the world's strongest economies and the second largest luxury market; and we are positive about Hong Kong for having the fundamentals and strengths to remain a vibrant global business platform and a favourite tourist and shopping destination.

As the market leader, we also build our confidence on the solid foundations and strong financials that we have long established, as well as the core competence and competitive strengths that we have held on to for years. The Group is not only able to capture opportunities and optimise returns during good times but also capable of meeting challenges and weathering adversities in the face of market volatility and economic headwinds.

We believe, in the medium to long run, the demand for traditional jewellery, both gold and gem-set alike, for special occasions and festive celebrations will stay strong and the popularity of fashion jewellery will increase among young and online customers who have rapidly emerged as a new consumption power. This holds true for both the Mainland China and Hong Kong and Macau markets.

Irrespective of a slowdown in the Mainland China economy in recent years, the country still remains a top performer beating many developed economies around the world. Over the last decade, jewellery consumption growth nearly doubled the GDP growth; and according to the National Bureau of Statistics of China, the retail sales from gold, silver and jewellery sector in 2013 posted a 25.8% year-on-year growth. Based on these official statistics, jewellery demand in Mainland China has been on a rise continuously and steadily for years. We believe this upward trend will continue and we are also confident that our business will continue to benefit from the colossal market potential in Mainland China, especially in the lower-tier inland cities where economic growth and resilience to macro-economic changes are both strong.

Hong Kong will continue to benefit from being a sophisticated jewellery hub not only in Asia, but also in the world as it is highly acclaimed for sophisticated jewellery design and craftsmanship at competitive prices under the duty-free policy. The jewellery market will continue to be supported by local consumers underpinned by the favourable job prospects and income conditions, and inbound tourists who will continue to appreciate Hong Kong as their destination, given that measures will be introduced to improve the existing infrastructures and increase tourist facilities.

Strategies

As our business expands and diversifies rapidly amid a market landscape that is faster changing than ever before with growing complexities and intensified competitions, we adopt a holistic approach to implementing our brand, product and network expansion strategies in tandem with enhancing customer shopping experience and CRM. Effective implementation of all these strategies and initiatives to strengthen existing businesses and capture new opportunities would enhance SSSG, expand customer base and increase market share and total revenue.

Retail Network Expansion and Consolidation

Nowadays, jewellery retailing is no longer confined to physical stores. In addition to our 2,000-strong POS network spanning more than 470 cities, we also boast a strong and fast growing presence on various e-tail platforms such as Tmall and JD.com in addition to our Chow Tai Fook eShop.

We will continue to open a net of 200 jewellery POS each year mainly in Tier III and lower tier cities in Mainland China leveraging franchisees' deep local knowledge and experience to expand customer base and drive business growth. With a flexible approach for Hong Kong and Macau, we are open to good opportunities that are available at prime shopping locations. On the other hand, our continual consolidation endeavours in relocating some POS to high traffic locations, closing underperformed POS and enlarging the retail area of selected POS will enable us to raise POS productivity and SSSG while expanding the retail network to grow market share and total retail revenue in both markets.

Our 2,000th POS opened in Wuhan in January 2014 has soon become a high sales POS in Mainland China. It is the first jewellery store that introduces an interactive experiential shopping model to the industry. Its resounding success underpins our confidence in replicating this model in other Mainland China cities as opportunities arise.

Online shopping continues to grow aggressively particularly in Mainland China. In order to tap the colossal market potential, we will step up our resources and efforts to grow our e-tail platforms that serve not only their primary transactional function but also the increasingly important marketing role in generating O2O synergy mutually beneficial to both online and offline sales.

Uplift of Branding and Product Portfolio Enhancement

While we continue to maintain our leadership position in the mass luxury segment, we have successfully developed different brand images capitalising on our successes in high-end jewellery, wedding collections and e-commerce. This brand strategy allows us to profile our various distinctive strengths under one umbrella — the uplifted Chow Tai Fook brand that is multi-talented and multi-faceted.

We are proud to introduce our auction collection every year to showcase the exquisitely designed and crafted jewellery set with highly valuable gemstones by Chow Tai Fook, and establish our image as world-class jeweller raising our brand profile, equity and value. In March 2014, we unveiled the fourth annual high jewellery collection “Reflections of Siem” inspired by the storied and historical nation of Cambodia to prestigious VIP guests and Chow Tai Fook members at an exclusive preview party. The collection’s 12 breath-taking jewellery sets will be placed on auction in October 2014.

Our initiative of promoting wedding jewellery in recent years is another big success, including the flagship wedding collection “The Perfect One” as well as other wedding-related jewellery. The new image as the wedding expert of the jewellery industry is proved effective in growing our revenue derived from this largest single market segment. In e-commerce, our resounding success and tremendous efforts that focus mainly on youth line products have quickly earned us a reputation for digital competence and e-marketing.

We implement our market-driven product strategy through product diversification and differentiation. We continue to diversify our products to offer more choices with a wider price range to cover customers of different age groups and varied pocket sizes. In particular, we have increased our fashion jewellery and youth line products in response to the growing demand from young customers who purchase jewellery not so much for special occasions but as fashion accessory for daily wear. The “Caprice” and “Blissful” Collections in collaboration with Rio Tinto are two successful attempts to introduce fashion diamond jewellery to the Mainland China market, while our own “Charming Gold” Collection is also very well received by our customers.

In product differentiation, we continue to collaborate with renowned international brands such as FOREVERMARK, Rio Tinto, Disney, Sanrio, Swarovski, etc. to offer more licensed and patented products that are unique and exclusive, as well as to crossover with artists and designers to create one-of-a-kind art pieces on the one hand and to explore innovative product ideas with market potential on the other.

As we enhance our product portfolio and increase our product offerings, more products are displayed in the POS to provide customers with more selections enabling them to enjoy the convenience and pleasure of one-stop shopping.

E-Commerce and O2O Integration

For e-commerce development, we continue to grow our e-tail platforms and to differentiate them from physical POS. To appeal to young online shoppers, products on offer are mainly youth line products at affordable prices while some are exclusive online items. Various online games, e-promotions and exclusive offers are made available from time to time to attract online shoppers for boosting sales and growing customer base.

The importance of our e-tail platforms is apparently a lot more than just being our transactional channels. They are also powerful vehicles for e-marketing, O2O interaction and CRM leveraging our digital competence and optimising the use of social media platforms such as WeChat, Weibo, YouTube, Youku and Facebook, etc. to promote products and services, and raise brand awareness.

We have a growing e-marketing team with staff members working in different regional offices. This enables us to communicate closely and interact timely with the locals crucial to engaging, retaining and growing online customers, fans and followers.

To enhance customer experience and satisfaction, we have introduced the 360 degree shopping experience embracing O2O interaction, interactive shopping environment at POS level, exclusive jewellery events and CRM. As customers are becoming more sophisticated and increasingly look for unique and privileged service and experience, we will continuously organise exclusive jewellery events, such as high-end jewellery private previews, auction dinners and a multitude of exclusive activities for Chow Tai Fook members.

Investment in the Future

We recognise the importance of investment in the future which is crucial to facilitating business growth and sustainable development. We are committed to investing in infrastructure and staff development for enhancing efficiency, productivity and overall performance.

Our new Mainland China headquarters in Yantian, Shenzhen which will become operational in FY2015 will further enhance our administrative and operational functions to cope with our expansion in the Mainland China market. The construction of Chow Tai Fook Jewellery Park in Wuhan, Hubei on a land parcel of 221,000 square metres already secured will be partially completed in August 2014 and it is targeted that production will begin by phases in September 2014. The Jewellery Park, which will comprise six functions, namely jewellery production, logistics and distribution, sales exhibition and tourism, training, e-commerce and jewellery business support upon completion, is our long term investment to further strengthen our vertically integrated business model and support our sustainable development for decades.

With the aid of the new electronic human resources system, we have enhanced our human resources data analysis and manpower planning. We are also committed to injecting resources to enhance employee development with tailored training programmes to equip staff members with advanced job knowledge, practical techniques and soft skills, and to enhance senior executives' management and leadership skills.

To cope with the Group's continuous development and to meet the subsequent needs for more operational space, we will seek good opportunities to acquire commercial premises, such as production sites, offices and shops that are currently leased by the Group. Such act would not only save us some rental expenses, but also benefit us more in our future expansion with effective and long-term planning.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors recommended the payment of a final dividend of HK19.0 cents per share (FY2013: HK16.0 cents per share), amounting to approximately HK\$1,900.0 million (FY2013: HK\$1,600.0 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 Wednesday, 20 August 2014 and are payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 28 August 2014. It is expected that the proposed final dividend will be paid on or about 8 September 2014. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code during FY2014.

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 FY2014.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and voting at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 18 August 2014 to Wednesday, 20 August 2014, both days inclusive, during which period no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Friday, 15 August 2014.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 27 August 2014 to Thursday, 28 August 2014, both days inclusive, during which period no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Tuesday, 26 August 2014.

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

Hong Kong, 17 June 2014

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 Mr. Cheng Kam-Biu, Wilson and Mr. Koo Tong-Fat and the independent non-executive directors are Mr. Cheng Ming-Fun, Paul, Dr. Fung Kwok-King, Victor, Mr. Kwong Che-Keung, Gordon, Mr. Lam Kin-Fung, Jeffrey and Mr. Or Ching-Fai, Raymond.