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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

HIGHLIGHTS

- Revenue decreased by 23.5% to HK$21,526 million when compared to HK$28,124 million in the same period last year.
- Same Store Sales[1] ("SSS") of jewellery business in Mainland China and Hong Kong and Macau recorded a decline of 20.9% and 25.7%, respectively.
- Gross profit decreased by 13.1% to HK$6,828 million from HK$7,857 million in 1HFY2016.
- Core operating profit[2] was down by 29.5% to HK$1,708 million in 1HFY2017 from HK$2,422 million in 1HFY2016.
- Basic earnings per share were HK12.2 cents, a decrease of 21.5% when compared to HK15.6 cents in 1HFY2016.
- Interim and special dividends declared are HK6.0 cents and HK15.0 cents per share, respectively.
- Retail network expanded to 2,326 POS as at 30 September 2016, with a net addition of 7 POS during the period.

(1) "Same Store Sales" for 1HFY2017 represents the revenue from the self-operated points of sale ("POS") existing as at 30 September 2016 and which have been opened prior to 1 April 2015, measured at constant exchange rates. Revenue from wholesale and other channels are excluded

(2) Core operating profit, a non-IFRS measure, being the aggregate of adjusted gross profit, which eliminates the effect of unrealised hedging loss/(gain) on gold loans, and other income, less selling and distribution costs and general and administrative expenses, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its core businesses

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2016 ("1HFY2017"), together with comparative figures for the six months ended 30 September 2015 ("1HFY2016") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2016

		Six months ended 30 September	
	Notes	**2016**	2015
		HK$ million	*HK$ million*
		(unaudited)	(unaudited)
Revenue	*2*	**21,526.1**	28,123.6
Cost of goods sold		**(14,698.1)**	(20,266.8)
Gross profit		**6,828.0**	7,856.8
Other income		**177.5**	165.9
Selling and distribution costs		**(3,823.0)**	(4,594.5)
General and administrative expenses		**(1,117.8)**	(1,187.6)
Other gains and losses		**(146.9)**	(160.5)
Other expenses		**(24.5)**	(24.7)
Share of results of an associate		**(4.5)**	—
Interest income		**89.1**	80.9
Finance costs		**(109.0)**	(111.9)
Profit before taxation	*3*	**1,868.9**	2,024.4
Taxation	*4*	**(601.2)**	(463.2)
Profit for the period		**1,267.7**	1,561.2
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(594.7)**	(731.3)
Share of translation reserve of an associate		**(2.1)**	—
Other comprehensive expense for the period		**(596.8)**	(731.3)
Total comprehensive income for the period		**670.9**	829.9

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the six months ended 30 September 2016

	Note	Six months ended 30 September 2016 HK$ million (unaudited)	2015 HK$ million (unaudited)
Profit for the period attributable to:			
Shareholders of the Company		**1,221.8**	1,557.4
Non-controlling interests		**45.9**	3.8
		1,267.7	1,561.2
Total comprehensive income (expense) for the period attributable to:			
Shareholders of the Company		**651.4**	862.3
Non-controlling interests		**19.5**	(32.4)
		670.9	829.9
Earnings per share — Basic	*5*	**HK12.2 cents**	HK15.6 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Note	At 30 September 2016 HK$ million (unaudited)	At 31 March 2016 HK$ million (audited)
Non-current assets			
Property, plant and equipment		**4,709.7**	4,749.7
Land use rights		**197.8**	211.6
Investment properties		**257.1**	272.9
Goodwill		**257.8**	257.8
Other intangible assets		**382.3**	407.5
Deposits paid for acquisition of property, plant and equipment		**67.0**	132.6
Interests in associates		**36.4**	39.7
Amount due from an associate		**80.1**	82.8
Interest in a joint venture		**—**	—
Loan receivables		**34.5**	37.6
Deferred tax assets		**338.9**	478.2
		6,361.6	6,670.4
Current assets			
Inventories	7	**32,820.0**	31,376.5
Trade and other receivables		**5,656.0**	4,605.2
Loan receivables		**4.4**	4.1
Convertible bonds		**17.8**	17.8
Bank balances and cash		**8,364.1**	13,001.4
		46,862.3	49,005.0
Current liabilities			
Trade and other payables		**5,058.1**	4,336.1
Amounts due to non-controlling shareholders of subsidiaries		**118.9**	161.2
Taxation payable		**408.0**	433.4
Bank borrowings		**5,400.0**	7,320.0
Gold loans		**7,904.1**	6,513.3
		18,889.1	18,764.0
Net current assets		**27,973.2**	30,241.0
Total assets less current liabilities		**34,334.8**	36,911.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 30 September 2016

	At 30 September 2016 *HK$ million* (unaudited)	At 31 March 2016 *HK$ million* (audited)
Non-current liabilities		
Bank borrowings	**600.0**	600.0
Retirement benefit obligations	**238.9**	243.4
Deferred tax liabilities	**253.1**	318.1
	1,092.0	1,161.5
Net assets	**33,242.8**	35,749.9
Share capital	**10,000.0**	10,000.0
Reserves	**22,535.9**	24,904.3
Equity attributable to shareholders of the Company	**32,535.9**	34,904.3
Non-controlling interests	**706.9**	845.6
	33,242.8	35,749.9

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except that certain financial instruments, which are measured at fair values, and in accordance with the International Financial Reporting Standards ("IFRSs").

Except as described below, the principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs that are mandatorily effective for the current interim period.

Amendments to IAS 1	Disclosure initiative
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants
Amendments to IAS 27	Equity method in separate financial statements
Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

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

For the purposes of resource allocation and performance assessment, information reported to the chief operating decision maker (the "CODM"), which comprises executive directors of the Company, mainly focuses on the location of management. Revenue derived from each location of management is further analysed into those from retail and wholesale markets when reviewed by CODM. The Group's reportable and operating segments for the six months ended 30 September 2015 included three segments, namely (i) jewellery business in the Mainland China, (ii) watch business in the Mainland China and (iii) business in Hong Kong, Macau and other markets. During the year ended 31 March 2016, for the purposes of better assessment of performance from each location and operation, the Group has further separated the business of Hearts On Fire Company, LLC ("Hearts On Fire"), where the operational decisions are made by the local management in the United States (the "US"), from business in Hong Kong, Macau and other markets.

2. REVENUE AND SEGMENT INFORMATION (Continued)

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

For the six months ended 30 September (unaudited)

	Mainland China				Hong Kong, Macau and other markets		Hearts On Fire *(note i)*		Total	
	Jewellery business		Watch business							
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Revenue										
External sales										
— Retail	**9,304.8**	12,055.3	**849.6**	895.0	**8,138.5**	11,010.0	**77.5**	69.4	**18,370.4**	24,029.7
— Wholesale *(note ii)*	**2,696.3**	3,709.1	**—**	—	**213.4**	98.2	**246.0**	286.6	**3,155.7**	4,093.9
Segment/group revenue	**12,001.1**	15,764.4	**849.6**	895.0	**8,351.9**	11,108.2	**323.5**	356.0	**21,526.1**	28,123.6
Inter-segment sales *(note iii)*	**165.8**	215.4	**—**	—	**1,289.1**	1,130.3	**1.0**	1.6	**1,455.9**	1,347.3
	12,166.9	15,979.8	**849.6**	895.0	**9,641.0**	12,238.5	**324.5**	357.6	**22,982.0**	29,470.9
Adjusted gross profit	**4,023.1**	4,639.1	**167.5**	152.0	**2,136.5**	3,132.7	**143.3**	162.5	**6,470.4**	8,086.3
Inter-segment eliminations	**38.7**	(23.8)	**—**	—	**(38.2)**	(24.7)	**—**	—	**0.5**	(48.5)
	4,061.8	4,615.3	**167.5**	152.0	**2,098.3**	3,108.0	**143.3**	162.5	**6,470.9**	8,037.8
Other income	**109.5**	134.0	**13.2**	6.9	**54.8**	25.0	**—**	—	**177.5**	165.9
Selling and distribution costs and general and administrative expenses	**(2,617.0)**	(3,090.8)	**(186.1)**	(235.4)	**(1,928.3)**	(2,238.9)	**(209.4)**	(217.0)	**(4,940.8)**	(5,782.1)
Core operating profit (loss)	**1,554.3**	1,658.5	**(5.4)**	(76.5)	**224.8**	894.1	**(66.1)**	(54.5)	**1,707.6**	2,421.6
Unrealised hedging gain (loss) on gold									**357.1**	(181.0)
Others *(note iv)*									**(175.9)**	(185.2)
Interest income									**89.1**	80.9
Finance costs									**(109.0)**	(111.9)
Profit before taxation									**1,868.9**	2,024.4
Other segment information included in measurement of segment profit or loss or segment assets:										
Concessionaire fees	**696.3**	897.2	**64.9**	78.3	**9.5**	10.8	**—**	—	**770.7**	986.3
Operating lease payments in respect of rented premises	**107.9**	108.3	**15.0**	20.9	**808.4**	896.9	**20.4**	18.5	**951.7**	1,044.6
Staff costs	**994.7**	1,127.5	**59.1**	68.5	**585.4**	668.1	**92.0**	87.0	**1,731.2**	1,951.1

Notes:

(i) Being operations managed by the management in the US.

(ii) Wholesale revenue represents revenue from jewellery trading, sales to franchisees and retailers and provision of services to franchisees.

(iii) Inter-segment sales are charged at a price mutually agreed by both parties.

(iv) Amount represents other gains and losses, other expenses and share of results of an associate.

2. **REVENUE AND SEGMENT INFORMATION (Continued)**

(a) **Analysis of the Group's revenue and results by reportable segment (Continued)**

Core operating profit represents the profit generated from each segment without allocation of unrealised hedging gain (loss) on gold, other gains and losses, other expenses, share of results of an associate, 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 is as follows:**

	Six months ended 30 September	
	2016	2015
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Sales of		
— Gem-set jewellery	**5,789.9**	7,447.8
— Gold products	**11,437.4**	15,591.4
— Platinum/Karat gold products	**2,739.0**	3,571.0
— Watches	**1,335.0**	1,412.9
	21,301.3	28,023.1
Jewellery trading	**196.0**	100.5
Service income from franchisees	**28.8**	—
	21,526.1	28,123.6

3. **PROFIT BEFORE TAXATION**

	Six months ended 30 September	
	2016	2015
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Staff costs	**1,731.2**	1,951.1
Concessionaire fees	**770.7**	986.3
Operating lease rentals in respect of rented premises	**951.7**	1,044.6
Depreciation of property, plant and equipment	**382.5**	422.3
Depreciation of investment properties	**7.3**	10.9
Amortisation of land use rights	**7.1**	7.6
Amortisation of other intangible assets	**25.2**	19.6
Impairment of inventories (included in cost of goods sold)	**23.2**	63.4
Allowance for doubtful debts	**3.1**	9.9
Fair value loss (gain) on gold loans (included in cost of goods sold)	**39.0**	(11.9)

4. TAXATION

	Six months ended 30 September	
	2016	2015
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax ("EIT") in Mainland China	**309.7**	81.8
Hong Kong Profits Tax	**49.3**	111.2
Macau complementary tax	**16.8**	27.1
Taxation in other jurisdictions	**0.2**	—
	376.0	220.1
Under(over) provision in prior years:		
EIT in Mainland China	**—**	1.0
Hong Kong Profits Tax	**—**	(0.2)
	—	0.8
Deferred tax charge	**213.3**	227.4
Withholding tax[1]	**11.9**	14.9
	601.2	463.2

(1) 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 periods.

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 25.0% for both periods.

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 15.0% for both periods.

Macau complementary tax is calculated at the maximum progressive rate of 12.0% on the estimated assessable profit for both periods.

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the consolidated profits attributable to shareholders of the Company for the period and on the number of 10,000,000,000 (six months ended 30 September 2015: 10,000,000,000) shares in issue during the period.

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

6. DIVIDENDS

	Six months ended 30 September	
	2016	2015
	HK$ million	*HK$ million*
	(unaudited)	(unaudited)
2016 Final — HK8.0 cents (2015: 2015 Final — HK15.0 cents) per share	**800.0**	1,500.0
2016 Special — HK22.0 cents (2015: nil) per share	**2,200.0**	—
	3,000.0	1,500.0

On 22 November 2016, the directors of the Company have determined to declare an interim dividend of HK6.0 cents per share and a special dividend of HK15.0 cents per share, totalling HK$2,100.0 million for the six months ended 30 September 2016.

7. INVENTORIES

	At 30 September 2016	At 31 March 2016
	HK$ million	*HK$ million*
	(unaudited)	(audited)
Raw materials for:		
Gem-set jewellery	**5,366.5**	4,757.6
Gold products	**1,199.9**	415.7
Platinum/Karat gold products	**94.2**	111.0
	6,660.6	5,284.3
Finished goods:		
Gem-set jewellery	**12,208.9**	13,000.2
Gold products	**9,103.6**	7,773.8
Platinum/Karat gold products	**2,332.9**	2,496.4
Watches *(Note)*	**2,413.0**	2,689.7
	26,058.4	25,960.1
Packing materials	**101.0**	132.1
	32,820.0	31,376.5

Note: The inventory balances of watches as at 30 September 2016 included an impairment of HK$71.4 million (31 March 2016: HK$49.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Executive summary

In response to the rapid market changes and volatile macro-economic environment across Greater China during 1HFY2017, we focused on optimising our existing retail network to enhance store productivity and efficiency.

As a jewellery specialist, we capitalised on our vertically integrated business model and unique technology to introduce "Chow Tai Fook T MARK" diamond brand in 1HFY2017, which revolutionised the current diamond industry practice and marked an important milestone in our heritage.

Effective brand management and strong customer loyalty lead to the successful long-term development of the Group. As such, we are dedicated to uplifting the brand image through store differentiation and leveraging on digital marketing to offer personalised and unique shopping experiences to cater to our customers' expectations.

Our vertically integrated business model gives us centralised and tight control over the processes from raw material procurement, design, production and marketing to retail sales through our extensive retail network. It allows us to monitor and control the quality of our products and to respond quickly to customers' needs and preferences.

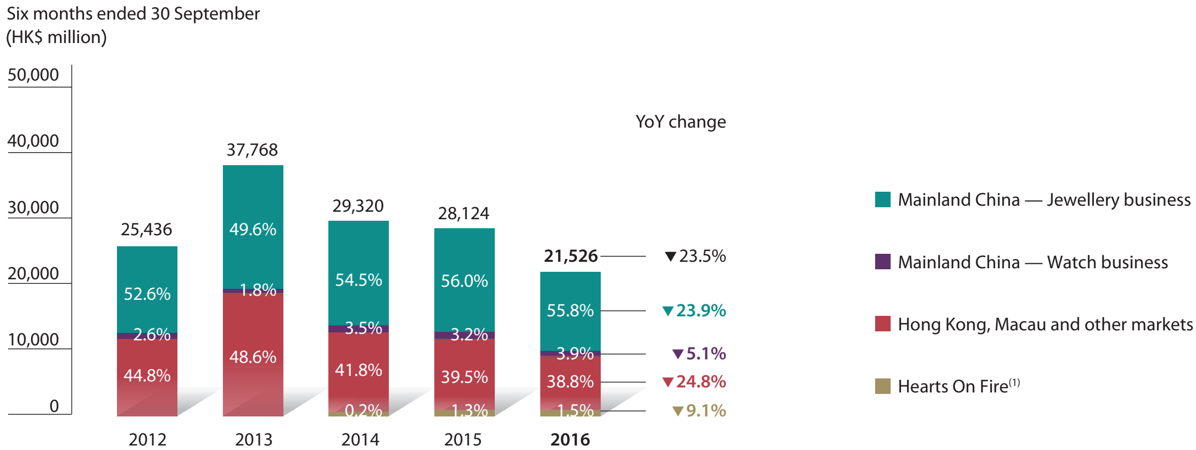
In 1HFY2017, our revenue declined amid market slowdown. Group's adjusted gross profit margin, however, exhibited improvement mainly due to an enhanced product mix and an uplift in gross profit margin of gem-set jewellery and gold products. Such improvement mitigated most of the impact from operating deleverage. As such, our profitability remained relatively stable. While our short-term profitability might continue to be subject to market volatility, we strive to maintain an optimal capital structure and capital efficiency in creating long-term value and return to our shareholders.

Business review

Group

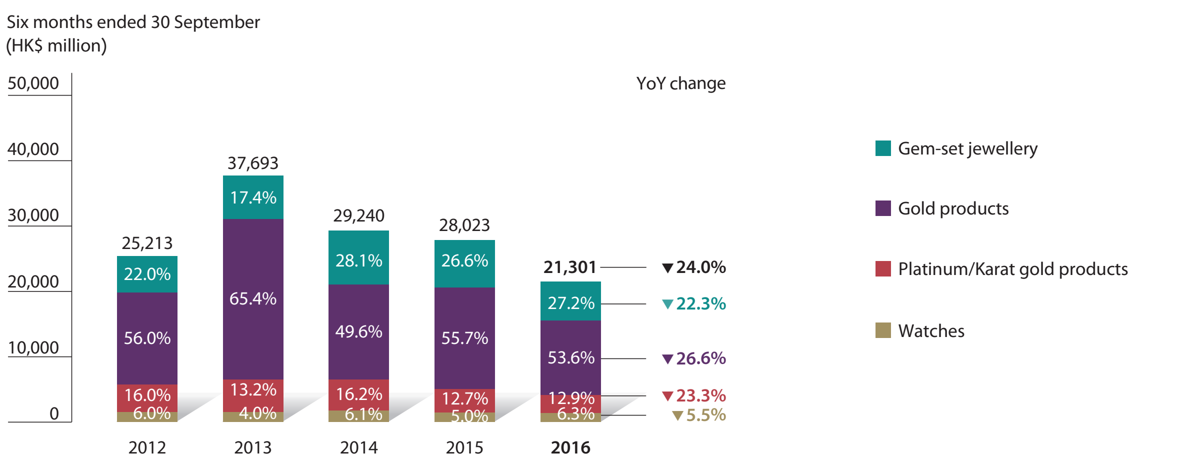
Revenue breakdown

Revenue by reportable segment



(1) Hearts On Fire was acquired on 31 August 2014

Revenue by product[2]

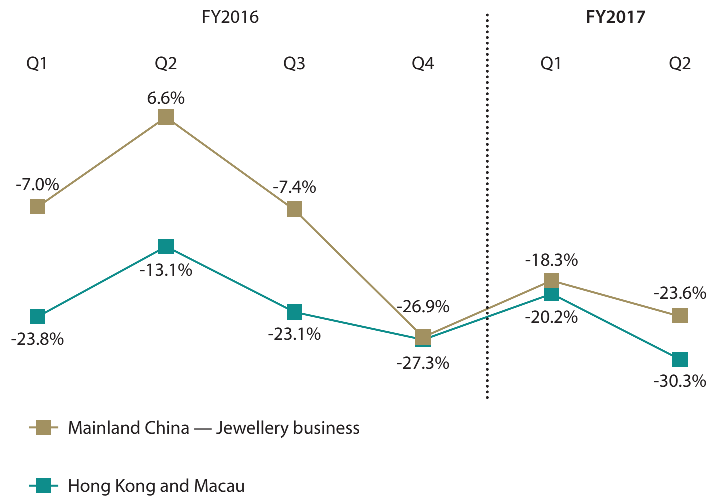


(2) Excluded revenue from jewellery trading and service income from franchisees

- Revenue contribution from Mainland China market has been increasing since 1HFY2014, and contributed 59.7% to the Group's revenue in 1HFY2017.

Same Store Sales Growth ("SSSG")

SSSG by major reportable segment



SSSG in 1HFY2017

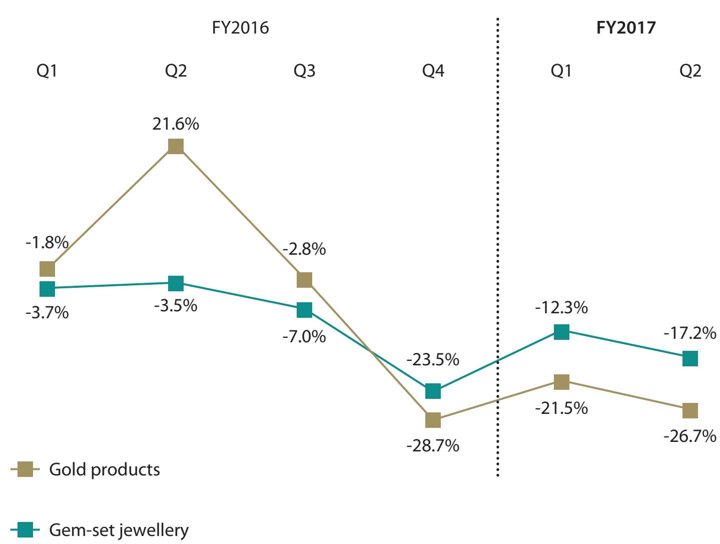
▼20.9% Mainland China — Jewellery business

▼25.7% Hong Kong and Macau

- The decline in SSS in 2QFY2017 was mainly due to the high base arising from the mini gold rush triggered by a drop in gold price in July and August last year.

SSSG by major product

Mainland China — Jewellery business



SSSG in 1HFY2017

▼14.7% Gem-set jewellery SSSG

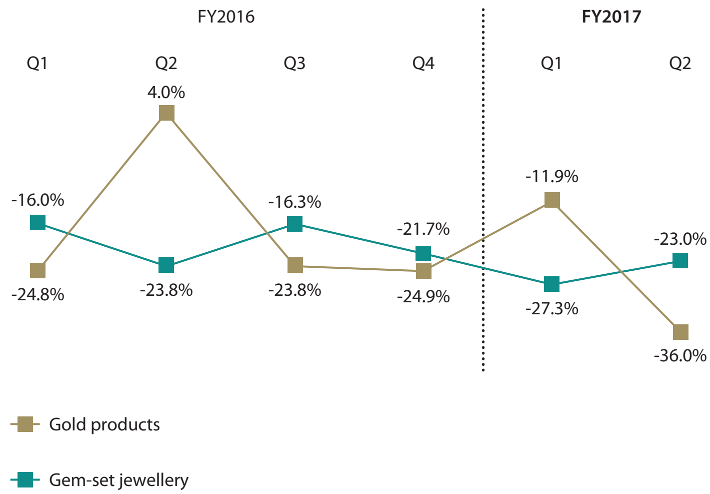
ASP
HK$6,200
(1HFY2016: HK$5,800)

▼24.2% Gold products SSSG

ASP
HK$3,300
(1HFY2016: HK$3,000)

- SSS decline of gold products in 2QFY2017 was mainly due to the high base resulted from a mini gold rush last year.
- SSS decline of gem-set jewellery was mainly driven by a drop in volume. Yet, ASP increased by 8.1% during the period.

Hong Kong and Macau



SSSG in 1HFY2017

▼25.3% Gem-set jewellery SSSG

ASP
HK$12,400
(1HFY2016: HK$11,600)

▼26.0% Gold products SSSG

ASP
HK$6,700
(1HFY2016: HK$5,600)

- SSS of gold products declined in 2QFY2017, yet ASP exhibited a strong increase of 21.2%.
- SSS decline of gem-set jewellery was mainly driven by the drop in SSS volume amid weak consumer sentiment, notwithstanding a growth in ASP.

POS network

	31.3.2015	31.3.2016	During 1HFY2017			30.9.2016
As at	**Total**	**Total**	**Addition**	**Reduction**	**Net**	**Total**
Mainland China — Jewellery POS[1]	1,992	2,057	107	(94)	13	2,070
Mainland China — Watch POS	132	122	5	(7)	(2)	120
Hong Kong and Macau	112	109	–	(6)	(6)	103
Other markets	11	17	2	–	2	19
Hearts On Fire[2]	10	14	–	–	–	14
Total[3]	2,257	2,319	114	(107)	7	2,326

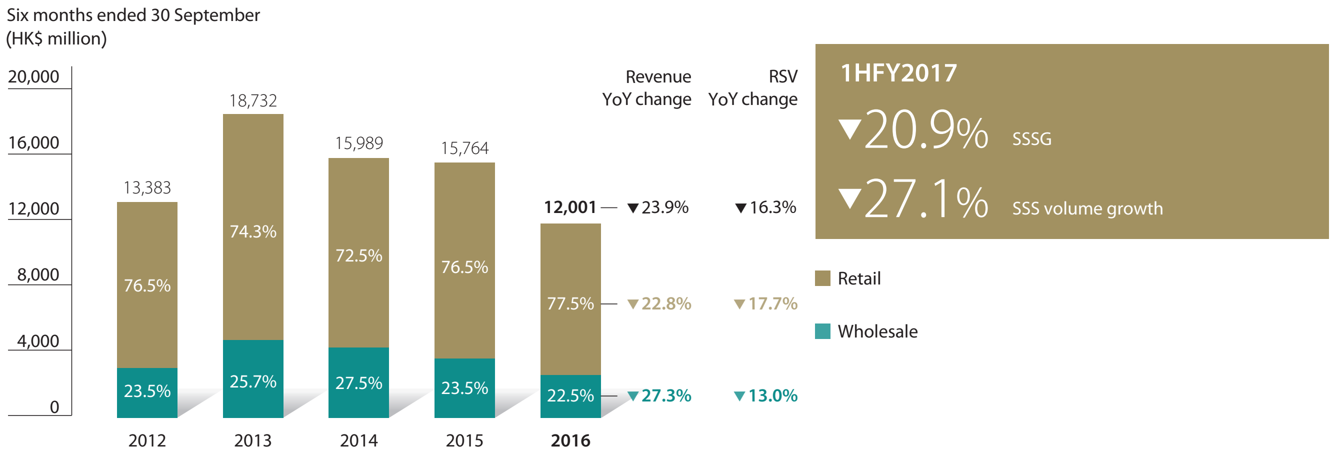
[1] Included Hearts On Fire POS in Mainland China
[2] Included Hearts On Fire POS in the United States and Taiwan
[3] Excluded Hearts On Fire shop-in-shop and counter-in-shop

- A relatively higher number of Jewellery POS closures in Mainland China was recorded during 1HFY2017 as a result of the consolidation and restructuring of traditional distribution channels such as department stores.
- A net of 2 Watch POS in Mainland China were closed in 1HFY2017 to enhance POS efficiency and productivity.

- 6 POS were closed in Hong Kong and Macau during 1HFY2017.
- A total of 2 POS in Malaysia and Korea were opened to tap business opportunities from Mainland tourists.

Mainland China — Jewellery business

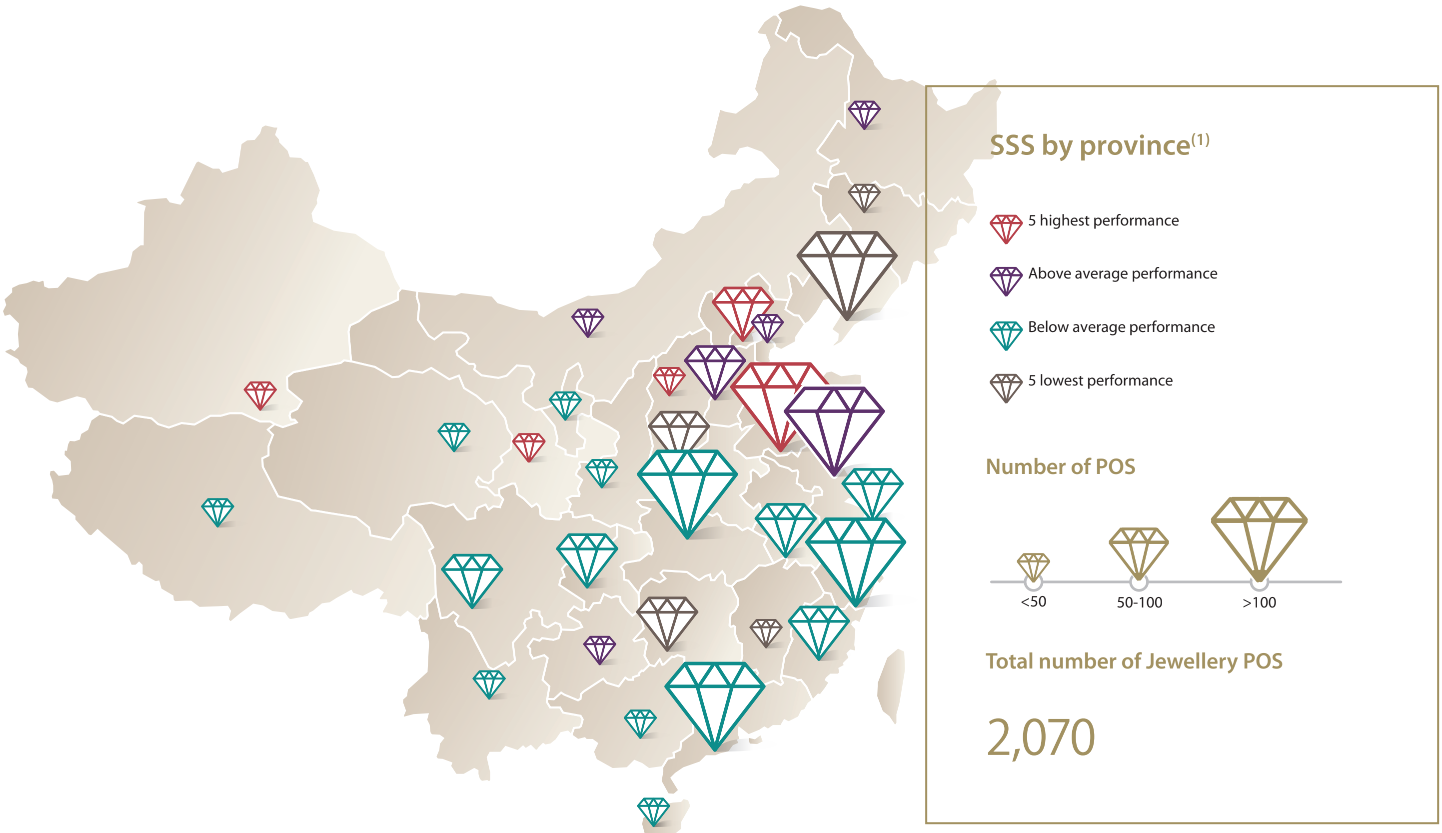
Revenue by operation model



- Our retail revenue represents sales from self-operated POS, e-commerce and other direct channels, while wholesale revenue represents sales and provision of services to franchisees.
- A decline in revenue and Retail Sales Value ("RSV")[(1)] in 1HFY2017 was attributable to market softness and the high base from mini gold rush last year.
- As our franchisees are gradually adopting the inventory ownership unification program, the trend of wholesale revenue and RSV could be different in the interim. However, upon the complete adoption of the program, such difference is expected to narrow considerably.

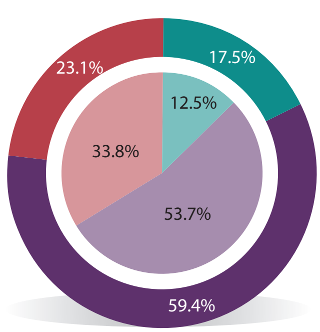
(1) the sales at the ending price (VAT inclusive, if any), in respective functional currencies, of products sold to customers in the POS network and other channels

POS network, RSV and SSSG



(1) To give a better understanding of the relationship between our sales performance and POS network, the above illustration included the performance of our franchised POS

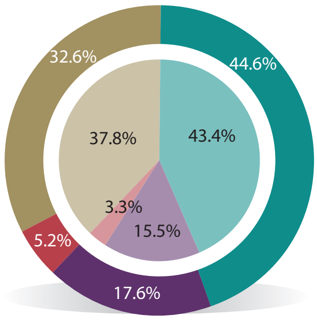
RSV and POS by tier of cities



% of RSV	% of POS		RSV YoY	Number of net openings
■	■	Tier I	▼14.8%	▲6
■	■	Tier II	▼17.6%	–
■	■	Tier III and others	▼18.0%	▲7

- RSV performance in Tier I cities was more resilient as supported by more stable fundamentals and consumer sentiment.

RSV and POS by operation model



% of RSV	% of POS		RSV YoY	Number of net openings
		Self-operated (Department store)	▼22.4%	▼19
		Self-operated (Shopping mall)	▼5.4%	▲26
		Self-operated (Standalone store)	▼28.8%	▼6
		Franchised	▼13.0%	▲12

- A net of 26 POS were opened in shopping malls while a net of 19 POS were closed in department stores during 1HFY2017 in response to the changing retail landscape in Mainland China.
- RSV performance of self-operated standalone stores was relatively weaker as a result of fewer promotional activities and reduced customer traffic compared to shopping malls and department stores.

Hearts On Fire in Mainland China

- We promoted the exclusive and internationally acclaimed premium diamond brand, Hearts On Fire, in Mainland China to cater to the design-oriented and more sophisticated customer segment.
- During 1HFY2017, we had a net opening of 2 POS and 30 shop-in-shop/counter-in-shop in Mainland China, bringing a total of 7 POS and 148 shop-in-shop/counter-in-shop as at 30 September 2016.

E-commerce

Unique daily visitors[(1)]

250,000

Number of followers[(2)]

2,650,000

RSV in 1HFY2017

▲22.5% YoY Change

2.8% As a % of respective RSV
(1HFY2016: 1.9%)

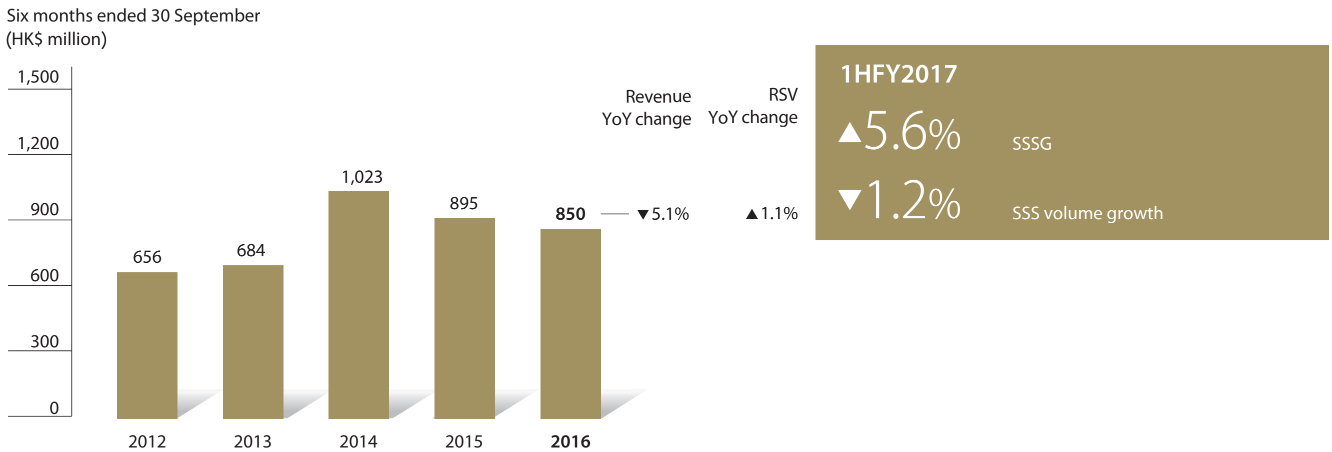
7.4% As a % of respective retail sales volume
(1HFY2016: 5.9%)

ASP
HK$1,300
(1HFY2016: HK$1,000)

(1) Source from Chow Tai Fook e-shop, Tmall and JD.com
(2) Source from official Sina Weibo, Tencent Weibo and WeChat accounts

Mainland China — Watch business

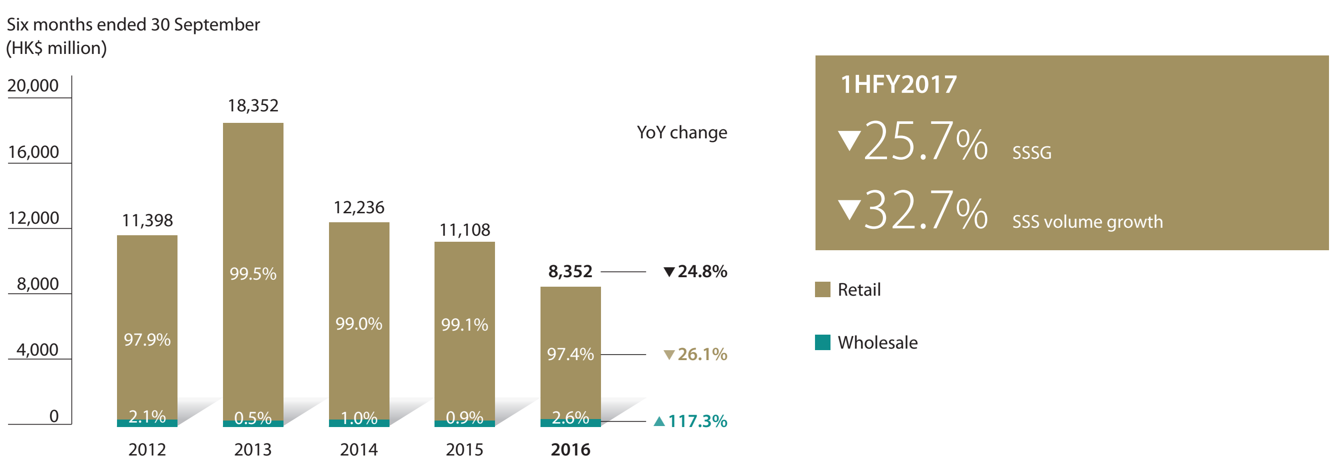
Revenue



- Revenue declined while RSV performance increased slightly due to exchange rate effect.
- SSSG was 5.6% with SSS volume dropped slightly by 1.2%.

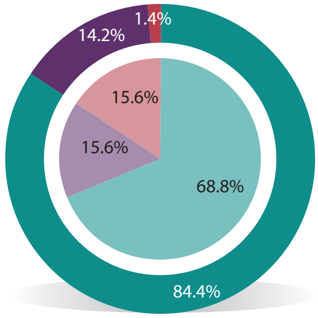
Hong Kong, Macau and other markets

Revenue by operation model



- Weak consumer sentiment and a change in purchase behaviour of Mainland tourists continued to affect the sales performance in the region during 1HFY2017.

RSV and POS by geography



% of RSV	% of POS		RSV YoY	Number of net openings
		Hong Kong	▼26.8%	▼5
		Macau	▼28.7%	▼1
		Other markets	▲66.0%	▲2

Hong Kong and Macau industry performance[1] in 1HFY2017

▼10.7% YoY change of retail sales of jewellery industry in Hong Kong

Number of Mainland visitors[2]

▼5.2% YoY change in Hong Kong

▼3.6% YoY change in Macau

Our Hong Kong and Macau performance in 1HFY2017

▼28.8% YoY change in customer traffic at POS

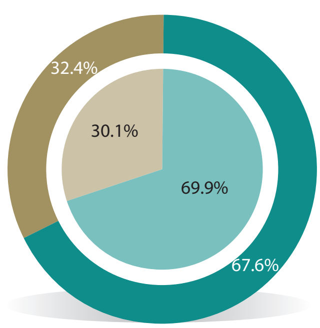
RSV settled by China UnionPay/RMB

44.9% Hong Kong and Macau (1HFY2016: 55.4%)

(1) Being the value of retail sales of jewellery, watches and clocks, and valuable gifts in Hong Kong, and was sourced from Census and Statistics Department of Hong Kong

(2) Source from Commerce and Economic Development Bureau of Hong Kong, and the Macau Statistics and Census Service

RSV and POS by touristic area in Hong Kong and Macau



% of RSV	% of POS		RSV YoY	Number of net openings
		Touristic area[3]	▼33.2%	▼6
		Other area	▼9.8%	–

(3) Touristic area includes Causeway Bay, Tsim Sha Tsui, Mong Kok, Yau Ma Tei, Shatin, Sheung Shui, Hong Kong International Airport and Macau

- RSV performance in non-touristic area was more resilient as supported by a relatively stable demand from local customers.

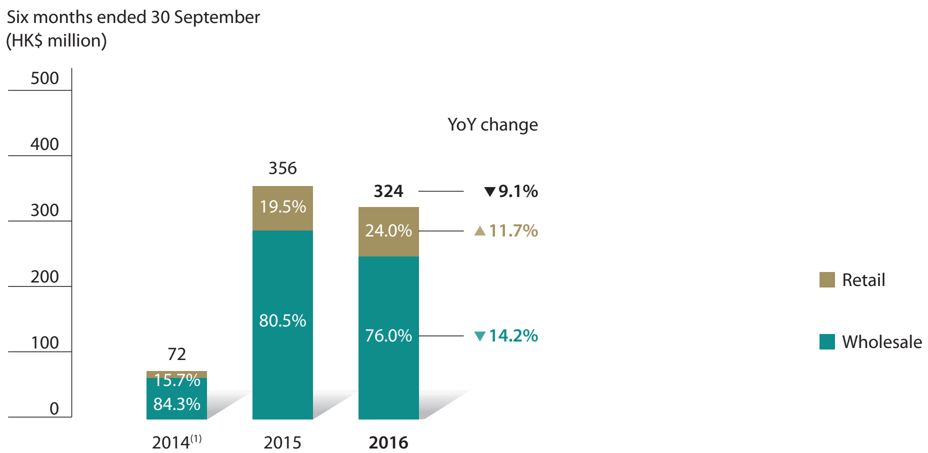
Hearts On Fire in Hong Kong and Macau

- During 1HFY2017, we introduced a net of 1 shop-in-shop/counter-in-shop in our existing retail network.

- As at 30 September 2016, we had a total of 19 shop-in-shop/counter-in-shop in Hong Kong and Macau.

Hearts On Fire

Revenue by operation model



(1) Hearts On Fire was acquired on 31 August 2014

POS network

As at	30.9.2016 Total
The United States	2
Taiwan	12
Total	14
Retailer locations	541

- Around 70% of the retailer locations are in North America and the rest are mainly located in the United Kingdom, Ireland, Caribbean and Asia Pacific region.

Collaboration with Stephen Webster

- During 1HFY2017, we collaborated with acclaimed London-based jewellery designer Stephen Webster and launched "Hearts On Fire by Stephen Webster — White Kites" Collection.

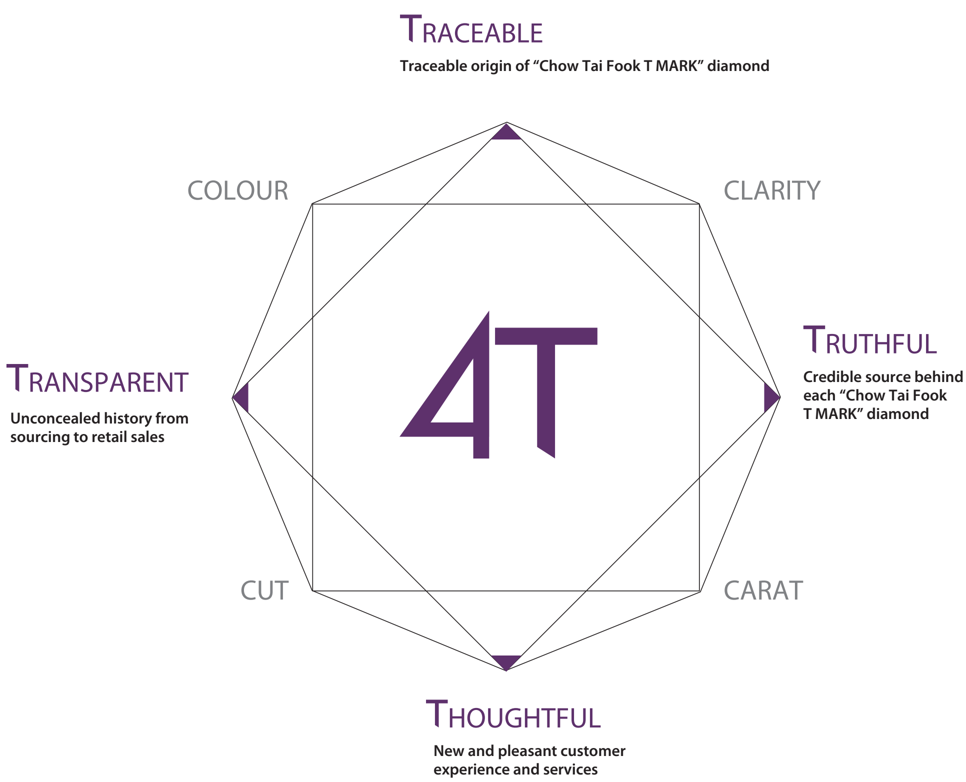
- This collection, marrying the iconic and innovative look of Webster's designs with Hearts On Fire's perfectly cut diamonds, further elevates our design offerings with greater variety in both high-end fashion and bridal jewellery.

Chow Tai Fook T MARK

CHOW TAI FOOK T MARK

- In an effort to differentiate our product offerings, we brought in a disruptive innovation "Chow Tai Fook T MARK" diamond brand in Mainland China, Hong Kong and Macau in August this year. It was a breakthrough in the current industry practice by introducing the "4Ts" concept.

- In order to provide a new and exclusive experience to our customers, we revolutionised the current industry practice by introducing the "4Ts" concept that enables us "To Tell the Truth" backed by our vertically integrated business model.



- Each "Chow Tai Fook T MARK" diamond is inscribed with a "T MARK" marking by our patented nano-inscription technology.

- The marking, essentially a set of unique serial numbers, serves as a resume of the diamond with records of procurement, cutting and polishing, marking, authentication, design and manufacturing along our vertically integrated business model.

Disney "Tsum Tsum" Collection

- Our lively Disney "Tsum Tsum" Collection, which brought together the popular characters of Disney Tsum Tsum and trend-setting jewellery design, was launched in August 2016.

Customer Services and Marketing

Marketing campaigns

"Le Labyrinthe Artistique" high jewellery auction

- In November this year, we held an auction dinner for our annual high jewellery collection "Le Labyrinthe Artistique" after a series of exclusive previews throughout the period.

- The collection was inspired by the great abstract artists with each unique piece being a celebration of iconic geometric oeuvres of the Modern Period.

- Around 440 selected high-tier members and guests were invited to join this annual highlight where 13 sets of jewellery masterpieces were auctioned.

Co-operation with celebrities and key opinion leaders ("KOL")

- Aiming to maximise our brand exposure and recognition, not only do we focus on traditional marketing such as print media and broadcast media, but we also move forward to digital marketing.

- Leveraging their influential power on the social media and vast follower base, we cooperated with a number of celebrities and KOL during the period to enhance targeted communications.

O2O synergies

Online order distribution

- Leveraging our extensive retail network, we collaborated with Tmall to promptly address customers' needs by routing our online orders to POS.

- Riding on the advantage of our inventory pooling, this does not only shorten the delivery time but also help us in establishing relationship between POS and online customers.

Customer experience

Refreshed store image

- To provide a more personalised shopping experience, we introduced brand new in-store display.

- The new display, apart from looking more refreshing, segments the merchandise display area by different themes of customer needs such as wedding, fashion, classic, etc.

- As at 30 September 2016, there were over 950 POS with refreshed store image in Mainland China.

POS differentiation

- In response to the evolving retail landscape, we have upgraded our POS to "high-end luxury" and "elegance" styles to meet the escalating customer expectations.

- The segmented POS, coupled with more personalised product offerings and services, shall bring about a privileged experience to customers who strive for exceptional excellence.

Opening of our POS at Shanghai Disneyland Resort

- During the period, we further strengthened our partnership with Disney by opening our POS at Shanghai Disneyland Resort.

- A golden maiden tree inspired by the notion of passing on blessings to guests was featured inside the store.

- Special edition of Disney products were available in-store to celebrate its opening.

Customer relationship management

- Our membership programme plays an important role in supporting our business growth. To stay connected with our members, we provide them with an exclusive experience that matches with their privileged status.

  Mainland China

Number of members:	984,000
Members' repeat purchase as a % of RSV:	27.6 % (1HFY2016 : 29.0%)
Number of Fans members:	9,044,000

  Hong Kong and Macau

Number of members:	463,000
Members' repeat purchase as a % of RSV:	34.6% (1HFY2016: 18.8%)

Financials

Gross Profit Margin

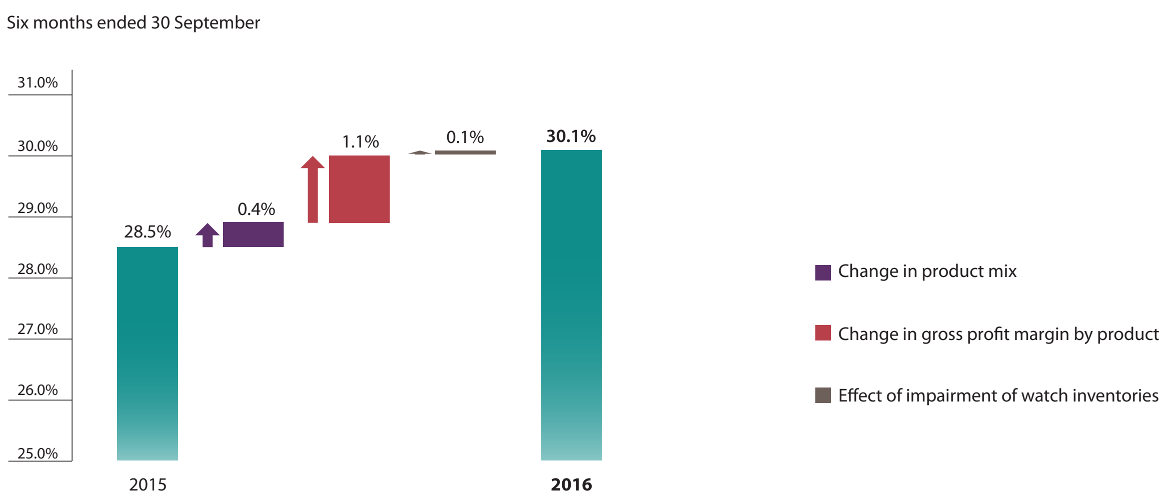
Unrealised hedging loss/(gain)

Six months ended 30 September	2014	2015	**2016**
Gross profit margin	31.8%	27.9%	**31.7%**
Unrealised hedging loss/(gain) on gold loans	(1.7)%	0.6%	**(1.6)%**
Adjusted gross profit margin	30.1%	28.5%	**30.1%**

- Unrealised hedging loss/(gain) for the period represents the net effect of (i) the reversal of the loss/(gain) recorded due to the timing difference in recognising the effect of long and short position in gold when we take a snapshot position at the end of the previous financial year; and (ii) the loss/(gain) arising from such timing difference at the end of the current financial period.

- We use gold loans (short position in gold) to hedge against the gold price fluctuations in our gold inventories (long position). While the long-term effect of long and short positions in gold is expected to net out each other through the sales of gold products, a loss/(gain) may arise due to a short-term timing difference between the time when a loss/(gain) on gold loans recorded in the cost of goods sold and the time when sales of hedged gold inventories are recognised, when we take a snapshot position at the end of the reporting period.

Changes in adjusted gross profit margin

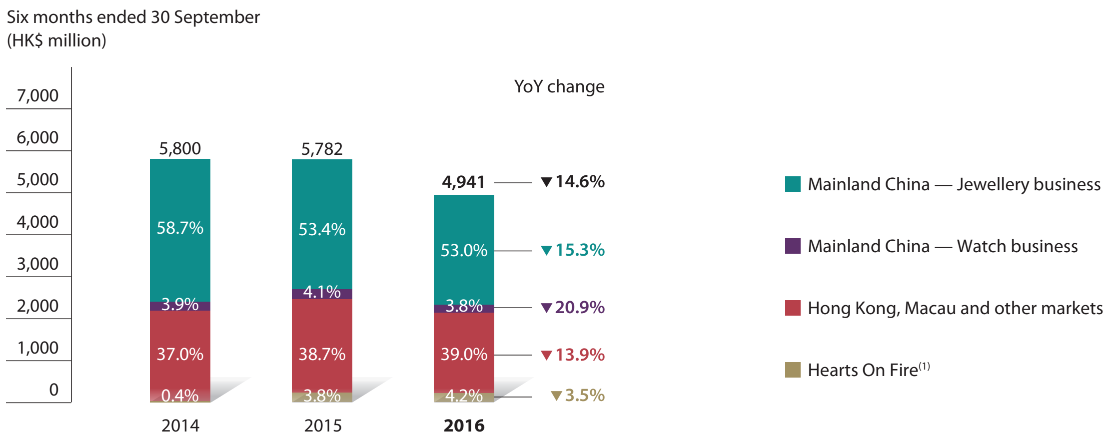


- Adjusted gross profit margin improved by 160 basis points to 30.1% during 1HFY2017. This is mainly due to an enhanced product mix, in which the gold products' sales mix reduced compared to 1HFY2016, as well as an improvement in gross profit margin by product, particularly in Mainland China.

- In 1HFY2016, after considering the conditions and latest market value of our watch inventories, we made an inventory provision for the first time of HK$63.4 million (1HFY2017: HK$23.2 million), thus uplifting the gross profit margin by 10 basis points in 1HFY2017.

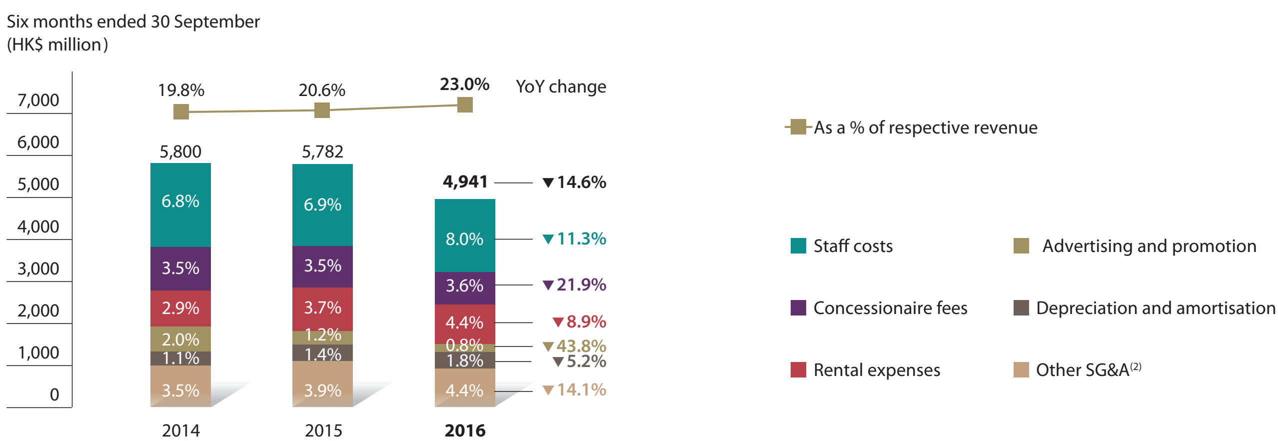
Selling and distribution costs and general and administrative expenses ("SG&A")

SG&A by reportable segment



(1) Hearts On Fire was acquired on 31 August 2014

SG&A to revenue ratio

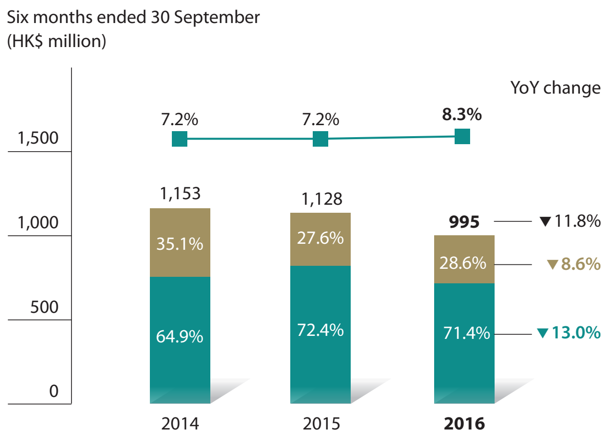


(2) Other SG&A mainly represented bank charges incurred for sales transaction settlement, royalty fees for the sales of licensed products, certificate expenses, packing materials, utilities and staff welfare

- Our Mainland China — Jewellery business contributed over 50% of SG&A over the past three financial periods.
- All our reportable segments recorded a decline in SG&A. Group SG&A dropped by 14.6% in 1HFY2017, particularly in the variable components such as concessionaire fees and advertising and promotion expenses.
- Yet, SG&A ratio was up by 240 basis points to 23.0% due to operating deleverage arising from the fixed portion of our operating expenses.

SG&A — Mainland China — Jewellery business

Staff costs[1]



1HFY2017

25,740 Average number of employees

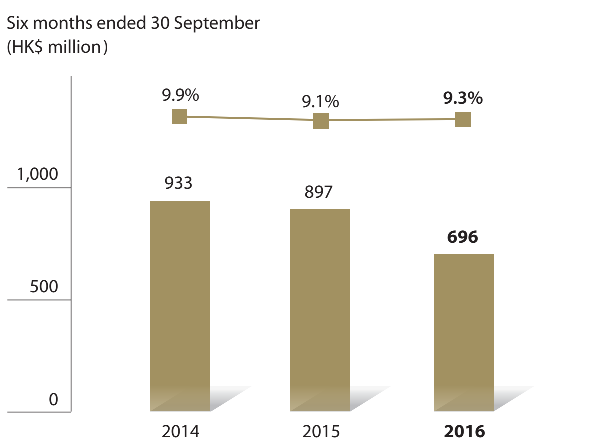
▼11.0% YoY change

Variable proportion

Fixed proportion

As a % of respective revenue

Concessionaire fees[1]



Concessionaire fees

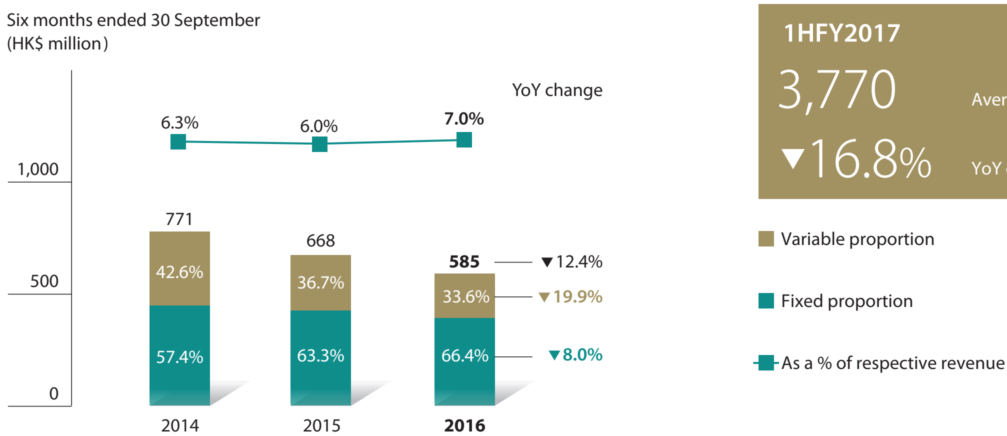
As a % of respective revenue

(1) Analysis on staff costs and concessionaire fees did not include those incurred in Mainland China — Watch business and Hearts On Fire

- We strive for staff costs optimisation by enhancing productivity of our employees. The average number of frontline staff per self-operated POS decreased by approximately 10.0% as compared to the same period last year.
- Concessionaire fees ratio increased mainly due to the shift of sales mix towards gem-set jewellery products which are generally subject to higher rates.

SG&A — Hong Kong, Macau and other markets

Staff costs[1]

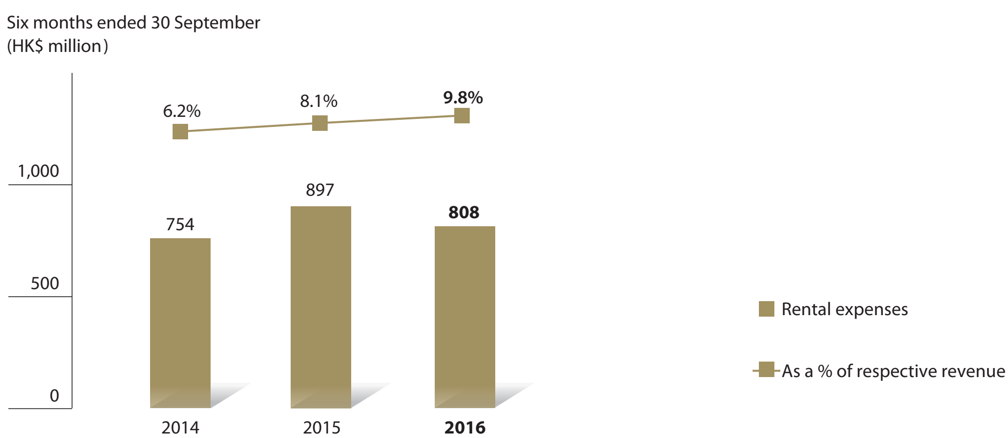


1HFY2017

3,770 Average number of employees

▼16.8% YoY change

Rental expenses[1]



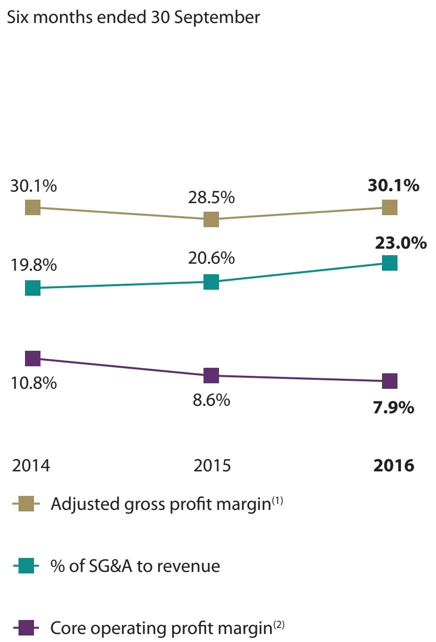
(1) Analysis on staff costs and rental expenses did not include those incurred in Mainland China — Watch business and Hearts On Fire

- Staff costs decreased mainly due to the drop in the average number of employees, primarily through attrition, as well as decrease in variable component of staff costs along with the decline in sales. The average number of frontline staff per self-operated POS decreased by approximately 16.0%.

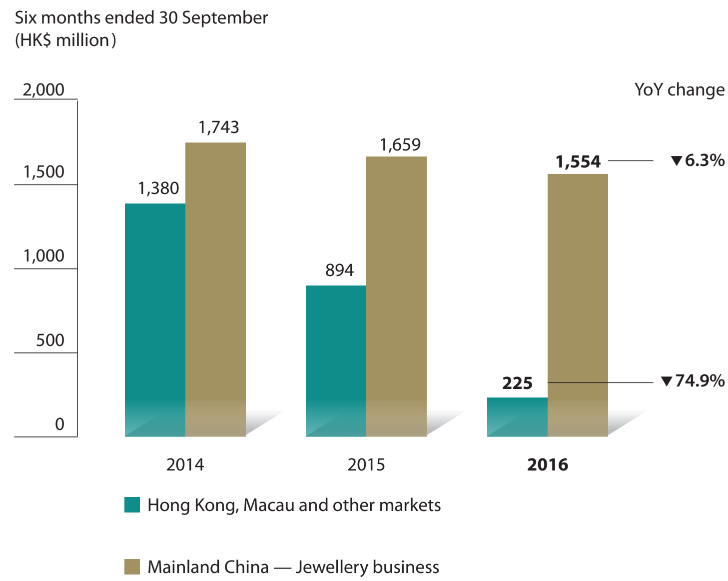
- Rental expenses dropped by 9.9% in 1HFY2017. POS consolidation and negotiation with landlords for rental reduction have been effective during the period.

Profitability, basic earnings per share and dividend per share

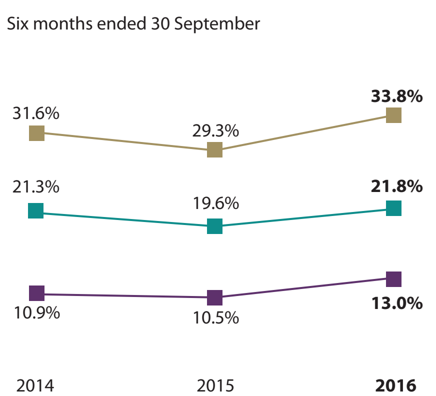
Overall



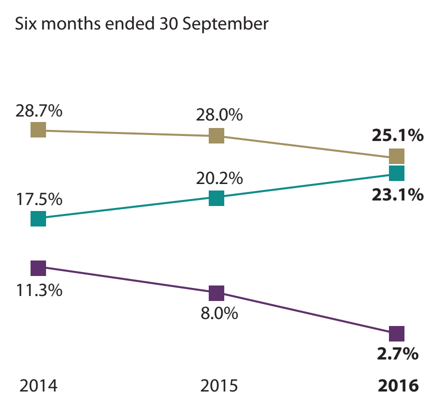
Core operating profit(2) of major reportable segments



Mainland China — Jewellery business



Hong Kong, Macau and other markets



(1) Adjusted gross profit margin, a non-IFRS measure, eliminates the effect of unrealised hedging loss/(gain) on gold loans, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its businesses

(2) Core operating profit and the corresponding margin, a non-IFRS measure, being the aggregate of adjusted gross profit and other income, less SG&A, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its core businesses

Six months ended 30 September	2014 *HK$ million*	2015 *HK$ million*	**2016** ***HK$ million***	2016 vs 2015 YoY change
Core operating profit	3,156	2,422	**1,708**	–29.5%
Net profit	2,736	1,561	**1,268**	–18.8%
Profit attributable to shareholders of the Company	2,693	1,557	**1,222**	–21.5%
Basic earnings per share (HK cent)	26.9	15.6	**12.2**	–21.5%
Dividend per share (HK cent)	13.0	50.0	**21.0**	–58.0%
Interim (HK cent)	13.0	8.0	**6.0**	–25.0%
Special (HK cent)	–	42.0	**15.0**	–64.3%

- Our adjusted gross profit margin showed an improvement compared to 1HFY2016, yet our core operating profit margin was dragged by 70 basis points in 1HFY2017 due to operating deleverage.

- The adjusted gross profit margin of the jewellery business in Mainland China rebounded from 29.3% in 1HFY2016 to 33.8% in 1HFY2017 as the gross profit margin of gem-set jewellery and gold products improved during the period. Core operating profit margin increased to 13.0% accordingly. Profit contribution of this reportable segment also increased over the past three financial periods.

- In Hong Kong, Macau and other markets, wholesale revenue, mainly from jewellery trading, increased in 1HFY2017, resulting in a reduction of adjusted gross profit margin by 290 basis points to 25.1%. Coupled with a relatively higher fixed cost structure, core operating profit margin dropped to 2.7% in 1HFY2017.

- Profitability of watch business in Mainland China improved compared to 1HFY2016, with core operating loss narrowed to HK$5 million in 1HFY2017. A core operating loss of HK$77 million was recorded in 1HFY2016 as a result of the watch impairment provision made.

- For Hearts On Fire, although the segment achieved a decline in SG&A of 3.5%, revenue shrank 9.1% as a result of a challenging retail market condition and the competitive landscape in the US market, thus core operating loss expanded to HK$66 million (1HFY2016: HK$55 million).

Other income, other gains and losses and other expenses

Six months ended 30 September	2014 *HK$ million*	2015 *HK$ million*	**2016** ***HK$ million***	2016 vs 2015 YoY change
Other income	125	166	**178**	7.0%
Other gains and losses	(17)	(161)	**(147)**	–8.5%
Other expenses	(91)	(25)	**(25)**	–0.8%

- Other income mainly arose from the government grants received by the subsidiaries in Mainland China.

- Other gains and losses mainly represented a net foreign exchange loss of HK$150 million (1HFY2016: HK$155 million) due to the devaluation of RMB.

- Other expenses mainly represented the amortisation of other intangible assets arising from the acquisition of Hearts On Fire.

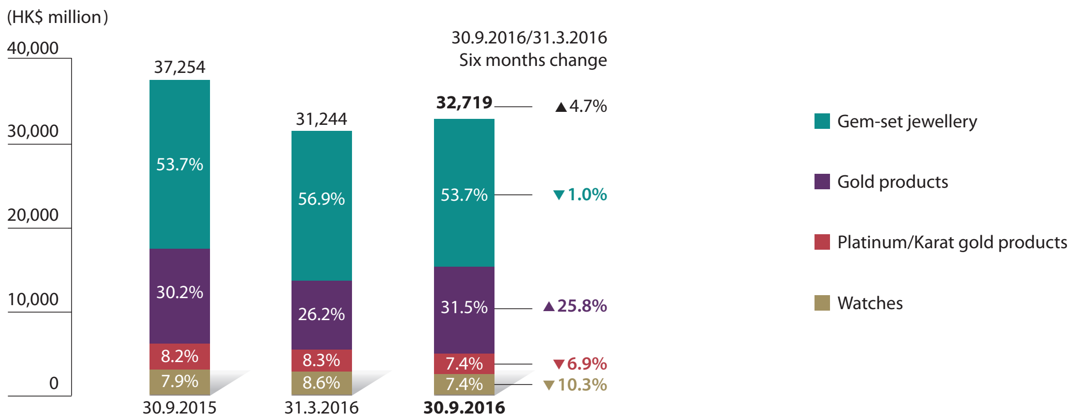
Interest income, finance costs and taxation

Six months ended 30 September	2014 *HK$ million*	2015 *HK$ million*	**2016** ***HK$ million***	2016 vs 2015 YoY change
Interest income from banks	70	54	**81**	49.8%
Other interest income	13	27	**8**	–68.6%
Finance costs on bank borrowings	(65)	(21)	**(36)**	70.4%
Finance costs on gold loans	(119)	(91)	**(73)**	–19.8%
Taxation	(704)	(463)	**(601)**	29.8%

- Effective tax rate increased from 22.9% in 1HFY2016 to 32.2% in 1HFY2017 as the contribution of jewellery business in Mainland China to the Group increased, where higher tax rate applied, and more tax expenses recorded for the dividends to be distributed from the subsidiaries in Mainland China in order to support the special dividend paid by the Group during the period.

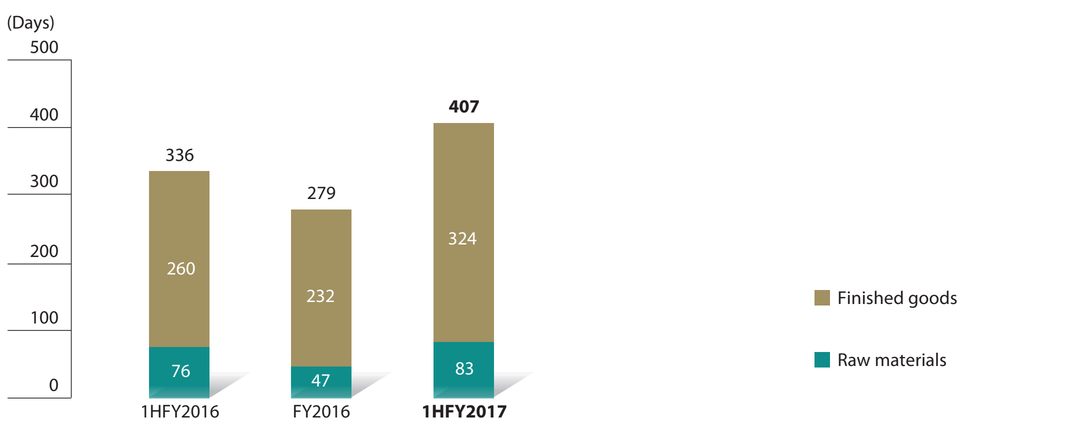
Inventory balances and turnover period

Inventory balances by product[1]



(1) Excluded packing materials

Inventory turnover period by category[2]



(2) Being inventory balances, excluding packing materials, at the end of the reporting period divided by cost of goods sold for the period, multiplied by 366 (for FY)/183 (for 1HFY)

- Inventory balances, excluding packing materials, increased by 4.7% to HK$32,719 million compared to 31 March 2016, yet reduced by 12.2% when compared to 30 September 2015.
- Inventory turnover period lengthened by 71 days compared to that of 1HFY2016 as sales declined during 1HFY2017.

Capital structure

As at	31.3.2016 *HK$ million*	% to total equity	**30.9.2016** ***HK$ million***	**% to total equity**	Increase/ (decrease) *HK$ million*	Denominated currency[1]	Interest rate structure[1]
Non-current assets	6,670	18.7%	**6,362**	**19.1%**	(308)	N/A	N/A
Inventories	31,377	87.8%	**32,820**	**98.7%**	1,443	N/A	N/A
Bank deposits and cash equivalents[2]	13,001	36.4%	**8,364**	**25.2%**	(4,637)	Mainly HKD, RMB and USD	Mainly variable interest rate
Total borrowings[3]	14,433	40.4%	**13,904**	**41.8%**	(529)		
Bank borrowings	7,920	22.2%	**6,000**	**18.0%**	(1,920)	HKD	Variable interest rate
Gold loans	6,513	18.2%	**7,904**	**23.8%**	1,391	RMB and USD	Fixed interest rate
Net debt[4]	1,432	4.0%	**5,540**	**16.7%**	4,108	N/A	N/A
Working capital[5]	30,241	84.6%	**27,973**	**84.1%**	(2,268)	N/A	N/A
Total equity	35,750	100.0%	**33,243**	**100.0%**	(2,507)	N/A	N/A

(1) Information about denominated currency and interest rate structure related to the condition as at 30 September 2016

(2) Include bank balances and cash

(3) As at 30 September 2016, bank borrowings amounted to HK$5,400 million and all the gold loans would be matured within 12 months while bank borrowings amounted to HK$600 million would be matured in more than 1 year but not exceeding 2 years

(4) Aggregate of bank borrowings, gold loans, net of bank deposits and cash equivalents

(5) Being net current assets

- We principally meet our working capital and other liquidity requirements through a combination of capital contributions, including cash flows from operations, bank borrowings and gold loans. Gold loans 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 flows, and mainly 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 HKD and RMB, while its assets and liabilities were mostly denominated in HKD, RMB and USD.

Effect of RMB fluctuations

- RMB continued to devaluate during 1HFY2017. As of 30 September 2016, RMB further went down by around 3.0% as compared to 31 March 2016. As part of our business is operated in Mainland China, the devaluation of RMB affects the performance and balances of assets and liabilities of our Mainland China operation, as well as the balances of inter-group advances denominated in RMB, which posed some impact to our net profit for the period.

- The table below illustrates the impact to our financial performance due to RMB fluctuations:

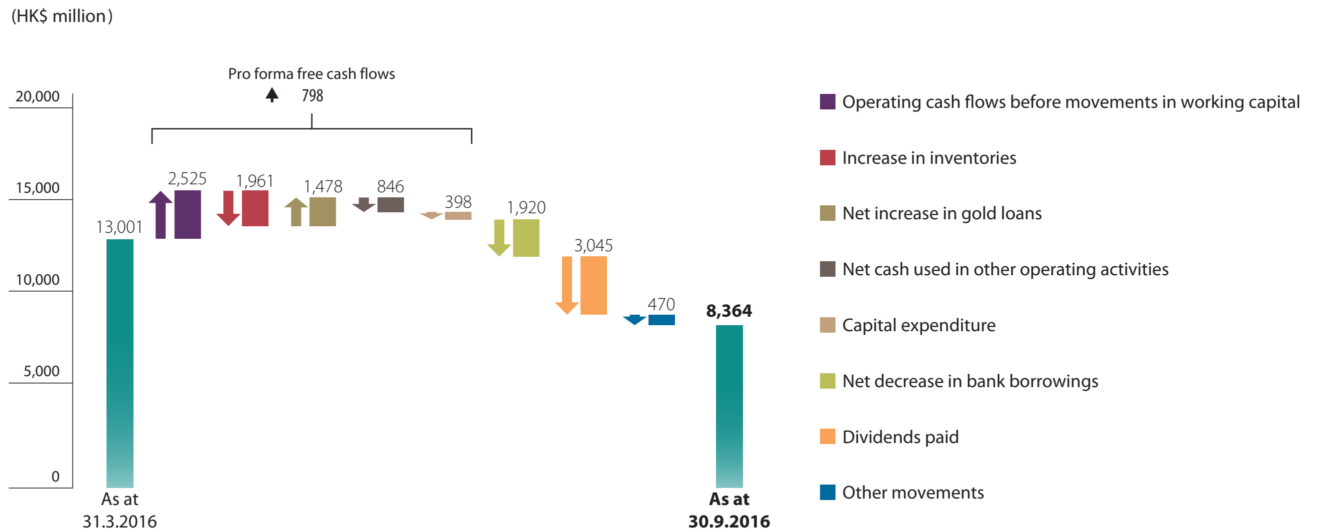
Six months ended 30 September	2015		**2016**	
	As reported	Constant exchange rate basis	**As reported**	**Constant exchange rate basis**
Revenue YoY change	(4.1)%	(3.8)%	**(23.5)%**	**(20.6)%**
Net profit YoY change	(42.9)%	(37.1)%	**(18.8)%**	**(12.9)%**
Changes in inventory balances (30 September vs 31 March)	(6.0)%	(4.4)%	**4.6%**	**6.2%**

Cash flows

Six months ended 30 September	2014	2015	**2016**
	HK$ million	*HK$ million*	***HK$ million***
Operating cash flows before movements in working capital	3,553	2,696	**2,525**
Decrease/(increase) in inventories	3,847	1,694	**(1,961)**
Net change in gold loans	(3,583)	(50)	**1,478**
Net cash used in other operating activities	(1,270)	(91)	**(846)**
Capital expenditure	(1,697)[1]	(489)	**(398)**
Pro forma free cash flows	850	3,760	**798**
Net change in bank borrowings	1,044	137	**(1,920)**
Dividends paid	(2,090)	(1,565)	**(3,045)**
Net cash outflow used in acquisition of subsidiaries	(1,106)[1]	–	**–**
Other movements	519	(389)	**(470)**
Net increase/(decrease) in bank balances and cash	(783)	1,943	**(4,637)**

[1] Cash paid for the respective fixed assets upon acquisition of the subsidiaries were included in "capital expenditure"

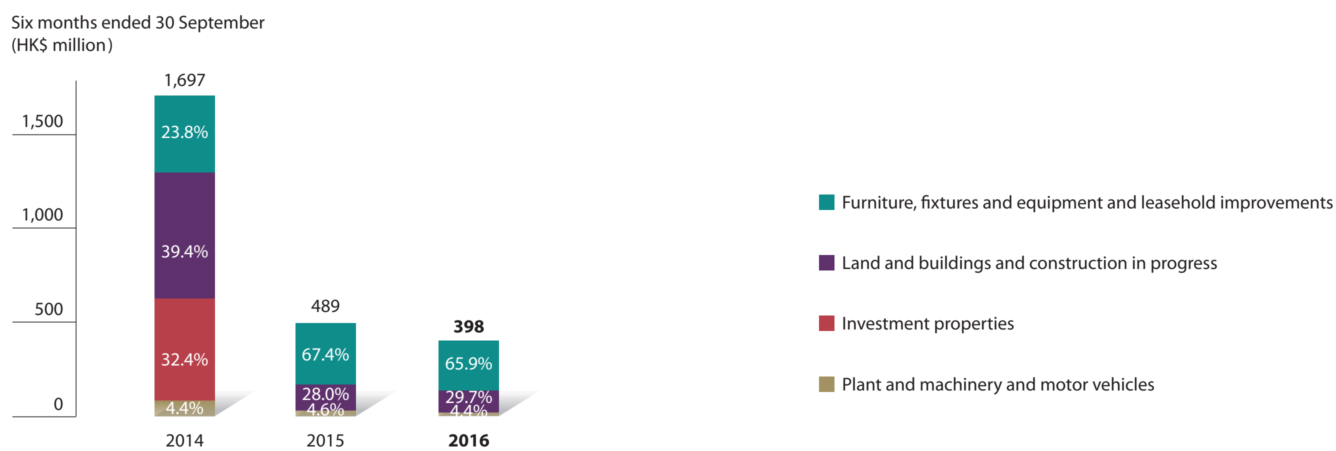
Major cash flows items for 1HFY2017



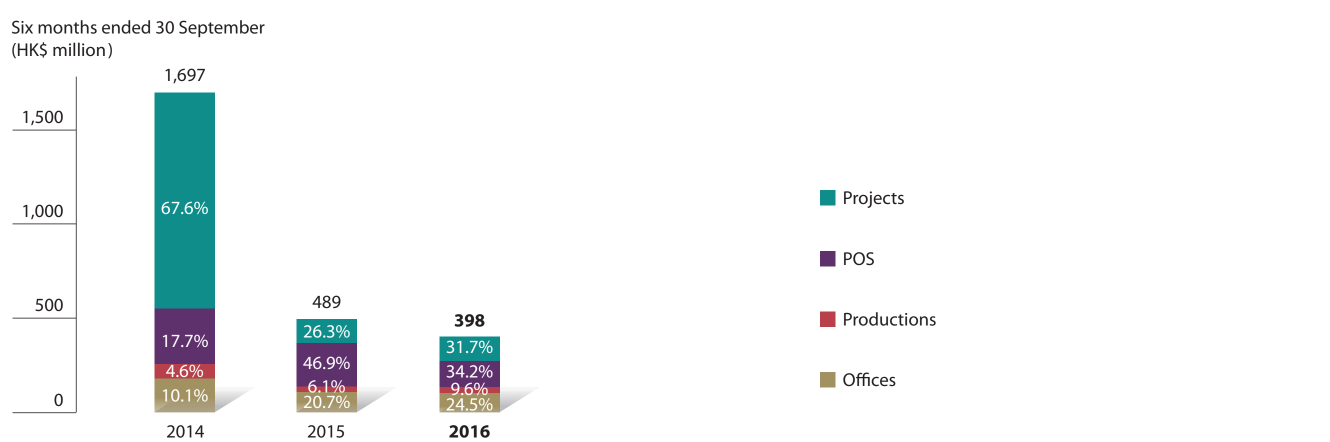
Capital expenditure

- The Group's capital expenditure incurred during 1HFY2017 amounted to HK$398 million (1HFY2016: HK$489 million).

Capital expenditure by nature



Capital expenditure by function



Business outlook and strategies

While short term volatility is expected to persist, we are confident in the long-term prospects of the Greater China jewellery business. In light of the changing market conditions and macro-economic uncertainties, we would intensely focus on the followings:

Optimisation of retail network and rental costs management

- Hong Kong and Macau: POS consolidation shall continue primarily in touristic area to enhance store productivity. A net of 6 POS were closed in 1HFY2017, and more closures are expected in 2HFY2017. Benefiting from the kick-in of rental reduction cycle, our rental expenses in Hong Kong and Macau dropped by approximately 10.0% in 1HFY2017. Such downward adjustment is expected to continue in the rest of the financial year.

- Mainland China: A net of 13 Jewellery POS were opened in 1HFY2017, and we will remain selective in POS expansion in 2HFY2017 amid continual consolidation and restructuring of traditional distribution channels such as department stores.

Enhancement on product offerings

- We will step up our efforts in promoting the distinctive "Chow Tai Fook T MARK" diamond brand.

- More Hearts On Fire collections, fashion jewellery, licensed and proprietary collections will be rolled out in our POS to refresh and enrich our product portfolio.

Improvement of customer experience

- Our "Smart+" initiatives are in place to deliver impactful customer experience.

- Refreshment of our in-store display is underway to segment the merchandise display area in different themes such as wedding, fashion, classic, etc.

- Upgrade and differentiation of our POS to "high-end luxury" and "elegance" styles will continue, particularly in Mainland China, to meet the rising customers' needs and expectations.

Investment for sustainable business development

- Investment in technology and talents' development shall continue to enhance our competitive edges.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK6.0 cents per share and a special dividend of HK15.0 cents per share, totalling HK21.0 cents per share (2015: HK50.0 cents per share) to shareholders whose names appear on the register of members of the Company on 7 December 2016. The interim and special dividends are expected to be paid on or around 16 December 2016.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2016 and discussed the financial related matters with the management. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CORPORATE GOVERNANCE PRACTICES

Since 1 April 2016, the Company has adopted the revised Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules effective for the accounting periods beginning on or after 1 January 2016. During the six months ended 30 September 2016, the Company was in full compliance with all applicable principles and code provisions of the revised CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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 with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct during the six months ended 30 September 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to the interim and the special dividends, the register of members of the Company will be closed on Wednesday, 7 December 2016, no transfer of share of the Company will be registered on that day. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on Tuesday, 6 December 2016.

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

Hong Kong, 22 November 2016

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. Suen Chi-Keung, Peter, Mr. Chan Hiu-Sang, Albert, Mr. Cheng Ping-Hei, Hamilton and Mr. Liu Chun-Wai, Bobby; the non-executive director is Mr. Cheng Kam-Biu, Wilson; and the independent non-executive directors are Mr. Cheng Ming-Fun, Paul, Dr. Fung Kwok-King, Victor, Mr. Kwong Che-Keung, Gordon, Mr. Lam Kin-Fung, Jeffrey and Dr. Or Ching-Fai, Raymond.