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 2018

- Solid revenue growth of 15.4% year-on-year on the back of recovering market fundamentals in Greater China
- Same Store Sales[(1)] ("SSS") in Mainland China and Hong Kong and Macau registered an increase of 8.0% and 10.2%, respectively
- Core operating profit[(2)] surged by 20.6% thanks to encouraging business performance and operating leverage
- Embarked on our "Smart+ 2020" three-year strategic framework underpinned by our commitment to innovation, technology and sustainability for exceptional customer experience
- Retail network of 2,585 POS as at 31 March 2018, with a net addition of 204 POS in FY2018

FINANCIAL HIGHLIGHTS

For the year ended 31 March	2017 *HK$ million*	**2018** ***HK$ million***	YoY change
Revenue	51,246	**59,156**	+15.4%
Gross profit	14,963	**16,213**	+8.4%
Gross profit margin	*29.2%*	***27.4%***	
Adjusted gross profit margin[(3)]	*28.5%*	***27.2%***	
Core operating profit[(2)]	4,649	**5,606**	+20.6%
Core operating profit margin[(2)]	*9.1%*	***9.5%***	
Profit attributable to shareholders of the Company	3,055	**4,095**	+34.0%
Earnings per share — Basic	HK30.6 cents	**HK40.9 cents**	+34.0%
Dividend per share[(4)]	HK51.0 cents	**HK57.0 cents**	
Full year dividend	*HK16.0 cents*	***HK27.0 cents***	
Special dividend	*HK35.0 cents*	***HK30.0 cents***	

(1) "Same Store Sales" for FY2018 is the revenue from the self-operated points of sale ("POS") existing as at 31 March 2018 and which have been opened prior to 1 April 2016, measured at constant exchange rate. Revenue from wholesale and other channels are excluded

(2) Core operating profit and the corresponding margin, a non-IFRS measure, being the aggregate of gross profit and other income, less selling and distribution costs and general and administrative expenses and 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 core businesses

(3) 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

(4) The proposed final and special dividends of HK15.0 cents and HK30.0 cents per share are subject to the approval of shareholders at the forthcoming annual general meeting. Dividend payout ratio for FY2018, excluding special dividend, is approximately 66%

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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 2018 ("FY2018"), together with comparative figures for the year ended 31 March 2017 ("FY2017") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** ***HK$ million***	2017 *HK$ million*
Revenue	*2*	**59,156.4**	51,245.5
Cost of goods sold		**(42,943.0)**	(36,282.8)
Gross profit		**16,213.4**	14,962.7
Other income		**407.9**	329.5
Selling and distribution costs		**(8,238.7)**	(8,011.3)
General and administrative expenses		**(2,681.6)**	(2,296.0)
Other gains and losses		**342.4**	(285.8)
Other expenses		**(48.1)**	(214.5)
Share of results of associates		**–**	(9.6)
Interest income		**80.3**	140.0
Finance costs		**(243.7)**	(236.6)
Profit before taxation	*3*	**5,831.9**	4,378.4
Taxation	*4*	**(1,628.6)**	(1,227.3)
Profit for the year		**4,203.3**	3,151.1
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
— remeasurement of defined benefit scheme		**(5.4)**	15.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
For the year ended 31 March 2018

	Note	2018 HK$ million	2017 HK$ million
Items that may be reclassified subsequently to profit or loss:			
— exchange differences arising on translation of foreign operations		**1,814.9**	(1,094.6)
— share of translation reserve of associates		**–**	1.9
		1,814.9	(1,092.7)
Other comprehensive income (expense) for the year		**1,809.5**	(1,076.9)
Total comprehensive income for the year		**6,012.8**	2,074.2
Profit for the year attributable to:			
Shareholders of the Company		**4,094.9**	3,055.3
Non-controlling interests		**108.4**	95.8
		4,203.3	3,151.1
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**5,834.8**	2,030.1
Non-controlling interests		**178.0**	44.1
		6,012.8	2,074.2
Earnings per share — Basic	*5*	**HK40.9 cents**	HK30.6 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018

	Note	**2018** **HK$ million**	2017 HK$ million
Non-current assets			
Property, plant and equipment		**5,340.7**	4,666.3
Land use rights		**189.8**	184.9
Investment properties		**233.5**	250.0
Goodwill		**257.8**	257.8
Other intangible assets		**306.4**	356.3
Jewellery collectibles		**1,520.1**	967.1
Deposits paid for acquisition of property, plant and equipment		**27.6**	52.7
Interests in associates		**–**	–
Amounts due from associates		**62.2**	19.7
Loan receivables		**26.9**	65.9
Deferred tax assets		**293.1**	312.7
		8,258.1	7,133.4
Current assets			
Inventories	7	**34,929.4**	29,259.3
Trade and other receivables		**6,410.0**	5,057.3
Loan receivables		**28.4**	8.5
Bank balances and cash		**7,944.0**	7,943.4
		49,311.8	42,268.5
Current liabilities			
Trade and other payables		**8,358.6**	5,693.4
Amounts due to non-controlling shareholders of subsidiaries		**100.5**	89.9
Taxation payable		**1,101.5**	596.4
Bank borrowings		**5,823.0**	6,192.5
Gold loans		**5,335.4**	3,215.9
		20,719.0	15,788.1
Net current assets		**28,592.8**	26,480.4
Total assets less current liabilities		**36,850.9**	33,613.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 March 2018

	2018 *HK$ million*	2017 *HK$ million*
Non-current liabilities		
Bank borrowings	**2,100.0**	600.0
Retirement benefit obligations	**232.2**	226.6
Deferred tax liabilities	**421.1**	285.7
	2,753.3	1,112.3
Net assets	**34,097.6**	32,501.5
Share capital	**10,000.0**	10,000.0
Reserves	**23,423.4**	21,798.8
Equity attributable to shareholders of the Company	**33,423.4**	31,798.8
Non-controlling interests	**674.2**	702.7
	34,097.6	32,501.5

1. BASIS OF PREPARATION

Amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs which are effective for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to 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.

Amendments to IAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold 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 the CODM. The Group's reportable and operating segments for the years ended 31 March 2018 and 2017 included two segments, namely (i) business in the Mainland China and (ii) business in Hong Kong, Macau and other markets.

2. REVENUE AND SEGMENT INFORMATION (Continued)

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

For the year ended 31 March

	Mainland China		Hong Kong, Macau and other markets		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Revenue						
External sales *(note i)*						
— Retail	**28,096.2**	24,313.7	**20,632.7**	19,299.2	**48,728.9**	43,612.9
— Wholesale *(note ii)*	**8,708.3**	6,705.4	**1,719.2**	927.2	**10,427.5**	7,632.6
Segment/group revenue	**36,804.5**	31,019.1	**22,351.9**	20,226.4	**59,156.4**	51,245.5
Inter-segment sales *(note iii)*	**25.9**	384.8	**3,122.2**	2,241.2	**3,148.1**	2,626.0
	36,830.4	31,403.9	**25,474.1**	22,467.6	**62,304.5**	53,871.5
Adjusted gross profit (before elimination)	**10,574.4**	9,217.3	**5,697.2**	5,467.3	**16,271.6**	14,684.6
Inter-segment eliminations	**(1.3)**	0.3	**(151.5)**	(57.8)	**(152.8)**	(57.5)
Adjusted gross profit *(note i)*	**10,573.1**	9,217.6	**5,545.7**	5,409.5	**16,118.8**	14,627.1
Other income	**292.7**	211.5	**115.2**	118.0	**407.9**	329.5
Selling and distribution costs and general and administrative expenses	**(6,598.8)**	(5,853.8)	**(4,321.5)**	(4,453.5)	**(10,920.3)**	(10,307.3)
Core operating profit (segment result)	**4,267.0**	3,575.3	**1,339.4**	1,074.0	**5,606.4**	4,649.3
Unrealised hedging gain on gold					**94.6**	335.6
Others *(note iv)*					**294.3**	(509.9)
Interest income					**80.3**	140.0
Finance costs					**(243.7)**	(236.6)
Profit before taxation					**5,831.9**	4,378.4
Other segment information included in measurement of core operating profit (segment result):						
Concessionaire fees	**1,872.0**	1,699.5	**16.4**	16.9	**1,888.4**	1,716.4
Operating lease payments in respect of rented premises	**276.3**	249.5	**1,306.1**	1,580.7	**1,582.4**	1,830.2
Staff costs	**2,471.0**	2,119.0	**1,465.2**	1,430.5	**3,936.2**	3,549.5

Notes:

(i) Included in the external sales and adjusted gross profit, HK$661.9 million (2017: HK$657.0 million) and HK$270.2 million (2017: HK$290.8 million) are generated from Hearts On Fire Company, LLC.

(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 associates.

2. REVENUE AND SEGMENT INFORMATION (Continued)

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

Adjusted gross profit represents the gross profit generated from each segment without allocation of unrealised hedging gain on gold. Core operating profit represents the profit generated from each segment without allocation of unrealised hedging gain on gold, other gains and losses, other expenses, share of results of associates, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Analysis of the Group's property, plant and equipment, investment properties, jewellery collectibles and inventories by reportable segment:

As at 31 March

	Mainland China		Hong Kong, Macau and other markets		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Property, plant and equipment	**3,958.4**	3,349.4	**1,382.3**	1,316.9	**5,340.7**	4,666.3
Investment properties	**–**	–	**233.5**	250.0	**233.5**	250.0
Jewellery collectibles	**–**	–	**1,520.1**	967.1	**1,520.1**	967.1
Inventories	**18,387.8**	13,480.5	**16,541.6**	15,778.8	**34,929.4**	29,259.3

Segment assets and liabilities

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

(c) An analysis of the Group's revenue is as follows:

	2018	2017
	HK$ million	*HK$ million*
Retail sales of		
— Gem-set jewellery	**11,659.1**	11,075.6
— Gold products	**28,159.3**	24,524.0
— Platinum/karat gold products	**5,463.2**	5,098.8
— Watches	**3,447.3**	2,914.5
	48,728.9	43,612.9
Wholesale to franchisees/retailers	**9,163.0**	7,208.4
Jewellery trading	**1,144.1**	352.4
Service income from franchisees	**120.4**	71.8
	59,156.4	51,245.5

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

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

The Group's non-current assets, excluding loan receivables, interests in associates, amounts due from associates and deferred tax assets, by geographical areas are as follows:

	2018	2017
	HK$ million	*HK$ million*
Mainland China	**4,161.6**	3,572.5
Hong Kong, Macau and other markets	**3,714.3**	3,162.6
	7,875.9	6,735.1

3. **PROFIT BEFORE TAXATION**

	2018	2017
	HK$ million	*HK$ million*
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**62.4**	49.6
Staff's retirement benefits scheme contributions	**546.2**	531.7
Staff costs	**3,327.6**	2,968.2
	3,936.2	3,549.5
Cost of inventories recognised as expenses	**41,579.9**	35,327.0
Concessionaire fees	**1,888.4**	1,716.4
Operating lease rentals in respect of rented premises	**1,582.4**	1,830.2
Depreciation of property, plant and equipment	**806.6**	788.8
Depreciation of investment properties	**14.3**	14.4
Amortisation of land use rights	**14.3**	14.0
Amortisation of other intangible assets	**49.9**	51.2
Allowances on inventories (included in cost of goods sold)	**207.7**	39.8
Allowances for doubtful debts	**18.3**	3.7
Fair value loss (gain) of gold loans (included in cost of goods sold)	**35.3**	(107.2)
Donations (included in other expenses)	**8.3**	10.8
Auditors' remuneration		
— audit services	**8.7**	8.8
— non-audit services	**3.1**	3.5
Impairment loss of interest in an associate (included in other expenses)	**–**	32.0
Impairment loss of amount due from an associate (included in other expenses)	**–**	79.6
Impairment loss of amount due from a joint venture (included in other expenses)	**–**	52.3

4. TAXATION

	2018 *HK$ million*	2017 *HK$ million*
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax ("EIT") in Mainland China	**941.1**	720.9
Hong Kong Profits Tax	**401.2**	150.5
Macau complementary tax	**44.5**	36.3
Taxation in other jurisdictions	**1.1**	0.7
	1,387.9	908.4
(Over) underprovision in prior years:		
EIT in Mainland China	**(17.5)**	(11.8)
Hong Kong Profits Tax	**0.2**	0.3
Macau complementary tax	**–**	1.9
	(17.3)	(9.6)
Deferred tax charge	**230.9**	300.2
Withholding tax*	**27.1**	28.3
	1,628.6	1,227.3

* 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 and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% for both 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.

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit attributable to shareholders of the Company for the year and on the number of 10,000,000,000 (2017: 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

	2018		2017	
	HK cents per share	***HK$ million***	*HK cents per share*	*HK$ million*
Dividends paid and recognised as distribution during the year:				
For current year:				
Interim	**12.0**	**1,200.0**	6.0	600.0
Special	**–**	**–**	15.0	1,500.0
For prior year:				
Final	**10.0**	**1,000.0**	8.0	800.0
Special	**20.0**	**2,000.0**	22.0	2,200.0
		4,200.0		5,100.0

Subsequent to the end of the reporting period, a final dividend of HK15.0 cents per share and a special dividend of HK30.0 cents per share, totalling HK$4,500.0 million in respect of the year ended 31 March 2018 (2017: a final dividend of HK10.0 cents per share and a special dividend of HK20.0 cents per share, totalling HK$3,000.0 million) have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

7. INVENTORIES

	2018	2017
	HK$ million	*HK$ million*
Raw materials for:		
Gem-set jewellery	**5,064.2**	5,059.1
Gold products	**1,187.1**	632.8
Platinum/karat gold products	**308.4**	126.2
	6,559.7	5,818.1
Finished goods:		
Gem-set jewellery	**13,114.4**	11,140.6
Gold products	**10,632.2**	7,826.3
Platinum/karat gold products	**2,414.6**	2,166.5
Watches	**2,096.7**	2,224.0
	28,257.9	23,357.4
Packing materials	**111.8**	83.8
	34,929.4	29,259.3

MANAGEMENT DISCUSSION AND ANALYSIS

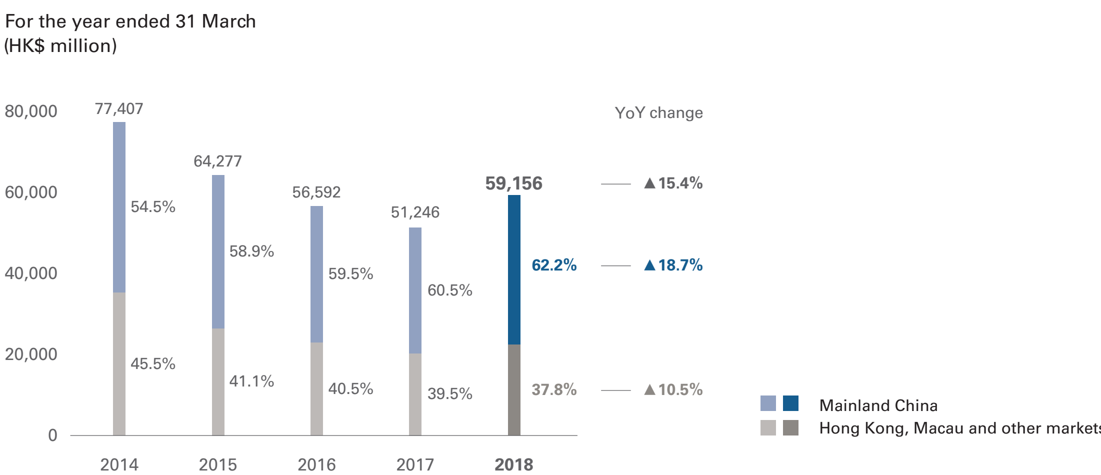
BUSINESS REVIEW

FY2018 marked a year of recovery. Our operations revived meaningfully backed by improving macro-economic environment and buoyant consumer demand.

Revenue Breakdown

Group

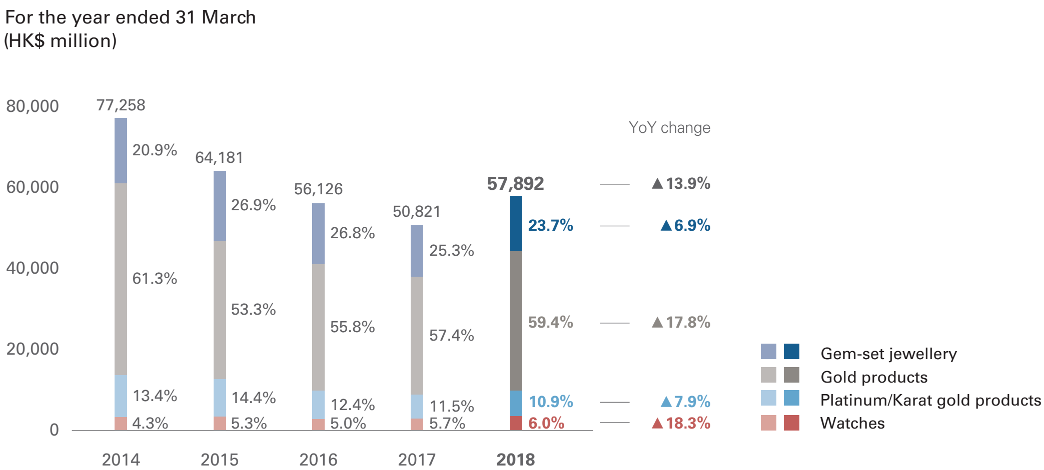
Revenue by reportable segment



Revenue (HK$ million)	1H FY2017	2H FY2017	1H FY2018	2H FY2018	1HFY YoY change	2HFY YoY change
Mainland China	12,851	18,169	14,944	21,860	▲ 16.3%	▲ 20.3%
Hong Kong, Macau and other markets	8,675	11,551	9,810	12,542	▲ 13.1%	▲ 8.6%
Overall	21,526	29,720	24,754	34,402	▲ 15.0%	▲ 15.8%

- Revenue contribution from Mainland China increased steadily over the past few years, and contributed to 62.2% of the Group's revenue in FY2018.
- Full year revenue increased by 15.4% year-on-year to HK$59,156 million.
- Operations in both reportable segments rebounded in FY2018. Mainland China reported a 18.7% growth in revenue while Hong Kong, Macau and other markets delivered a 10.5% increase.
- Revenue growth in Mainland China during 2HFY2018 accelerated to 20.3% from 16.3% in 1HFY2018 due to RMB appreciation, whereas that of Hong Kong, Macau and other markets moderated to 8.6% in 2HFY2018 from 13.1% in 1HFY2018.

Revenue by product (excluding jewellery trading and service income from franchisees)



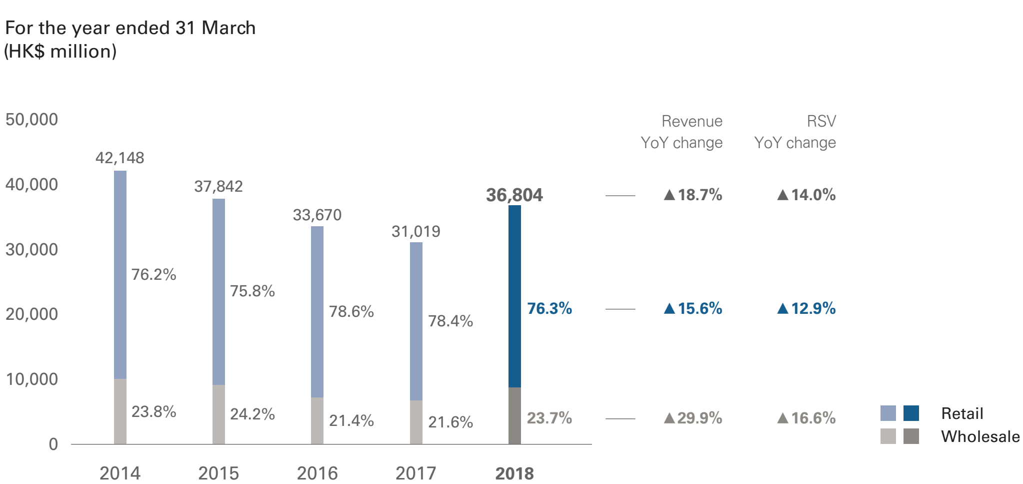
% of Revenue	1HFY2017	2HFY2017	1HFY2018	2HFY2018
Gem-set jewellery	27.2%	24.0%	24.2%	23.4%
Gold products	53.6%	60.1%	57.8%	60.5%
Platinum/Karat gold products	12.9%	10.6%	11.3%	10.6%
Watches	6.3%	5.4%	6.7%	5.4%

- Revenue contribution from gold products rose by 200 basis points year-on-year to 59.4% in FY2018, reflecting robust customer demand for gold products, especially during 1HFY2018. Gold products mix was relatively stable in 2HFY2018 at around 60% comparing to that of 2HFY2017.

- Watches continued to show resilient performance during FY2018 and delivered a 18.3% revenue growth, thanks to market recovery.

Mainland China

Revenue by operation model

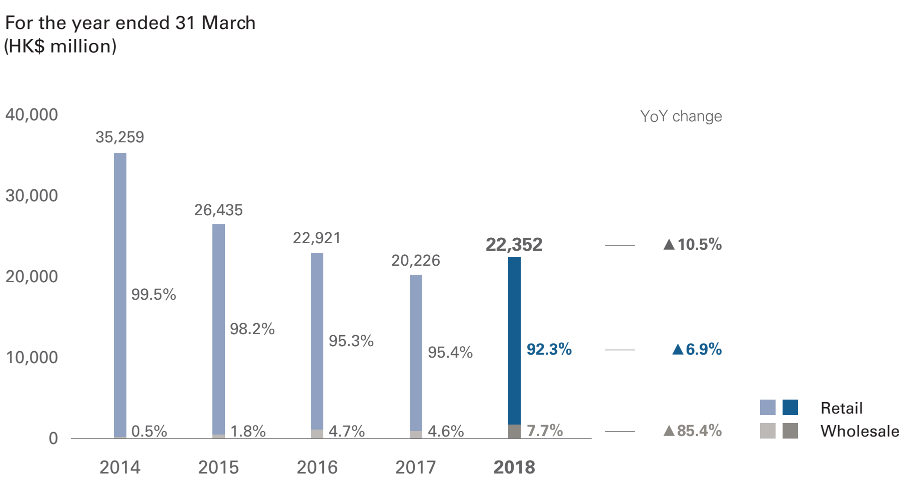


- In Mainland China, our retail revenue represents sales from self-operated POS, e-commerce and other direct channels, while wholesale revenue represents sales to franchisees and provision of services to franchisees under the inventory ownership unification programme.

- Franchisees' gradual adoption of the inventory ownership unification programme led to a low comparison base in prior years which resulted in a faster growth in wholesale revenue than RSV in FY2018. Upon complete adoption of the programme, the trends of wholesale revenue and RSV are expected to converge.

Hong Kong, Macau and other markets

Revenue by operation model



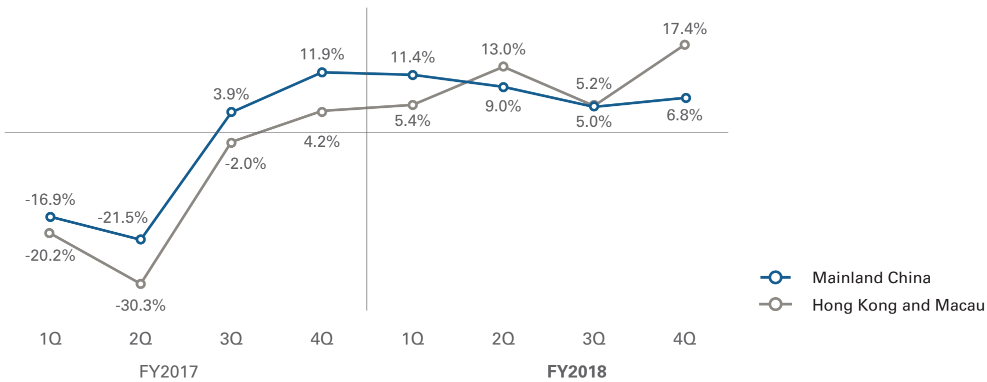
- In Hong Kong, Macau and other markets, our retail revenue represents sales from self-operated POS, e-commerce and other direct channels, while wholesale revenue represents sales to franchisees, sales to retailers and sales from jewellery trading.

- Wholesale revenue contribution expanded by 310 basis points to 7.7% during FY2018, primarily due to the increase in sales from jewellery trading business.

SSSG

Group

SSSG by major market

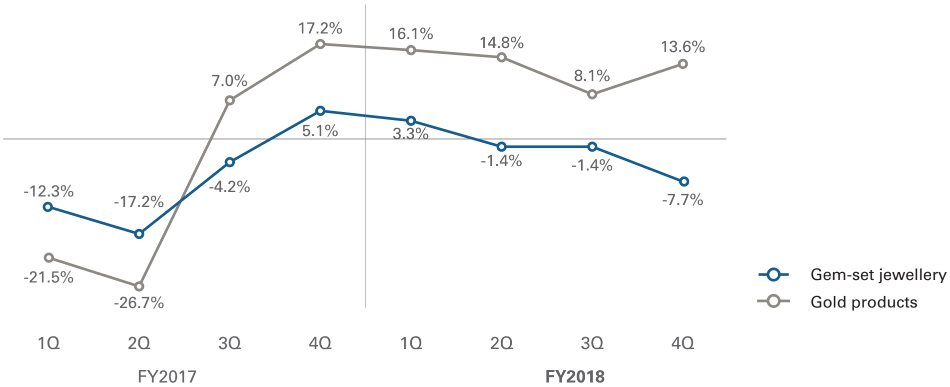


	FY2017	FY2018	
	SSSG	SSSG	SSS volume growth
Mainland China	▼5.2%	▲8.0%	▲1.2%
Hong Kong and Macau	▼12.4%	▲10.2%	▲6.1%

- In Mainland China and Hong Kong and Macau, SSSG turnaround commenced in 2HFY2017 and the recovery trend sustained into FY2018.
- SSSG was driven by both ASP and volume growth in both markets during the financial year. Yet, Hong Kong and Macau registered a stronger volume growth than Mainland China.
- SSSG in Hong Kong and Macau stood at 10.2% in FY2018. Despite a high comparison base, the strong momentum continued in 2HFY2018 in Hong Kong and Macau, thanks to the improving consumer sentiment and reviving Mainland visitation.
- SSS in Mainland China grew by 8.0% in FY2018. Including our e-commerce business, Mainland China SSSG would be 10.8%.

Mainland China

SSSG of major products



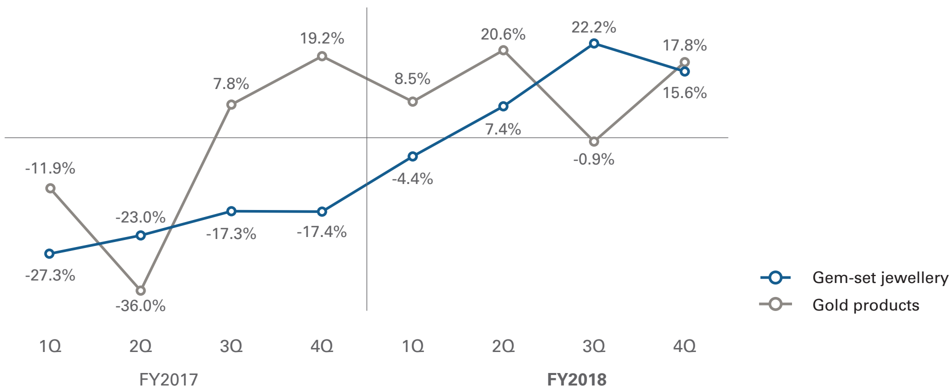
	FY2018 SSSG	FY2018 SSS volume growth	FY2017 Same Store ASP(1)	FY2018 Same Store ASP
Gem-set jewellery	▼2.0%	▼8.2%	HK$6,300	HK$6,700
Gold products	▲13.0%	▲1.0%	HK$3,500	HK$4,000
Platinum/Karat gold products	▲1.9%	▲7.6%	HK$1,900	HK$1,800
Watches	▲17.9%	▲0.3%	HK$12,600	HK$14,800
Overall	▲8.0%	▲1.2%		

(1) Same Store ASP on FY2018 Same Store basis

- SSSG in Mainland China was generally fuelled by gold products which delivered a growth of 13.0% in FY2018.
- Gold products ASP was lifted by 11.9%, benefitted from a gain in the average weight per gold product sold during FY2018. Average international gold price appreciated by 2.1% year-on-year in FY2018.
- Gem-set jewellery SSS reported a negative growth of 2.0% in FY2018 due to volume decline. ASP, however, expanded by 6.8% year-on-year to HK$6,700, as we have been focusing on upselling during FY2018.

Hong Kong and Macau

SSSG of major products



	FY2018 SSSG	FY2018 SSS volume growth	FY2017 Same Store ASP(1)	FY2018 Same Store ASP
Gem-set jewellery	▲11.6%	▲17.6%	HK$12,300	**HK$11,600**
Gold products	▲10.3%	▲2.7%	HK$6,800	**HK$7,300**
Platinum/Karat gold products	▲4.5%	▲6.9%	HK$1,700	**HK$1,700**
Watches	▲13.1%	▲6.1%	HK$47,900	**HK$51,100**
Overall	▲10.2%	▲6.1%		

(1) Same Store ASP on FY2018 Same Store basis

- SSSG in Hong Kong and Macau was supported by both gem-set jewellery and gold products in FY2018.

- Gold products SSSG moderated to 7.3% in 2HFY2018 due to the higher base of comparison as key recovery in the performance of gold products commenced in 3QFY2017.

- Gem-set jewellery SSSG in Hong Kong and Macau rebounded strongly since 2QFY2018, supported by improving consumer sentiment, a favourable comparison base as well as our effective promotional efforts.

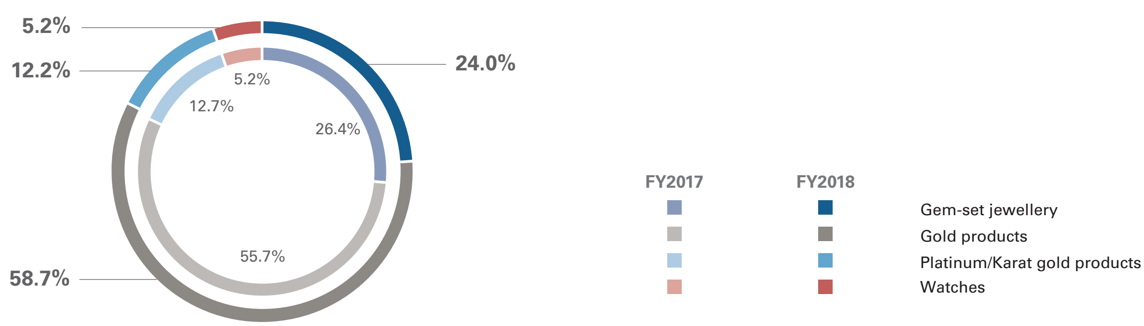
Mainland China Business

POS movement by store brand[1] — Mainland China

As at	31.3.2016	31.3.2017	During FY2018			31.3.2018
	Total	Total	Addition	Reduction	Net	Total
Chow Tai Fook Jewellery	2,052	2,118	296	(97)	199	2,317
CTF Watch	122	117	4	(15)	(11)	106
Hearts On Fire	5	8	–	(2)	(2)	6
SOINLOVE	–	–	9	–	9	9
MONOLOGUE	–	3	8	–	8	11

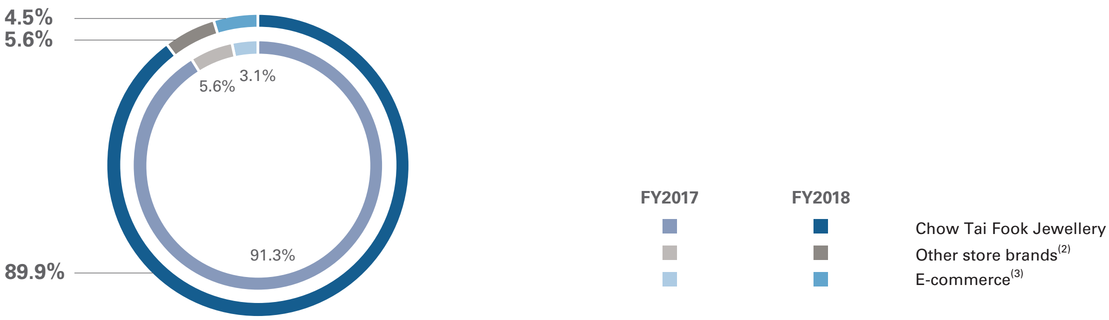
(1) Shop-in-Shop ("SIS") and Counter-in-Shop ("CIS") excluded

RSV by product



	RSV YoY change
Gem-set jewellery	▲3.5%
Gold products	▲20.1%
Platinum/Karat gold products	▲9.0%
Watches	▲13.7%
Overall	▲14.0%

RSV by channel



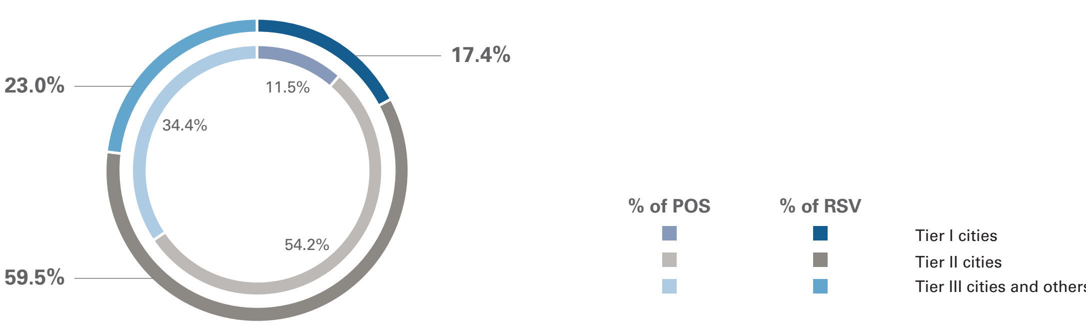
	RSV YoY change
Chow Tai Fook Jewellery	▲12.3%
Other store brands[2]	▲13.1%
E-commerce[3]	▲66.8%
Overall	▲14.0%

(2) CTF Watch, Hearts On Fire, SOINLOVE and MONOLOGUE included
(3) Major platforms included Chow Tai Fook e-shop, Tmall, JD.com, Vipshop; Online order distribution excluded

In FY2018, as our Mainland China business was predominately contributed by Chow Tai Fook Jewellery POS which accounted for approximately 90% of the RSV, the following analyses would focus on its operations:

Chow Tai Fook Jewellery POS

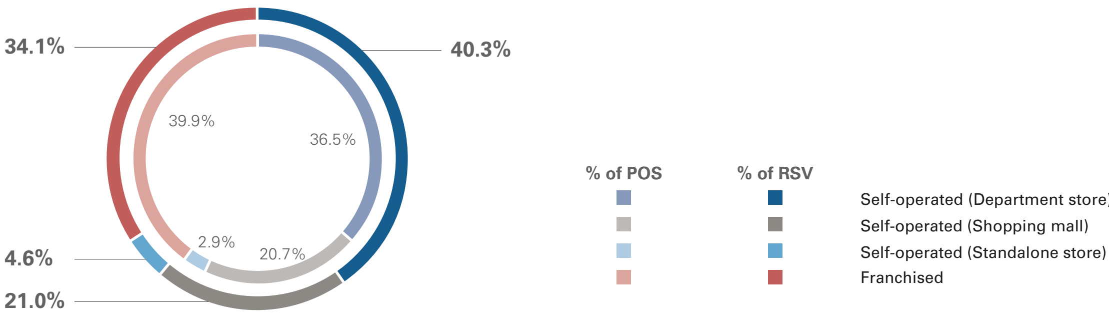
RSV and POS by tier of cities



	RSV YoY change	FY2018 net POS movement
Tier I cities	▲12.4%	▲19
Tier II cities	▲12.9%	▲119
Tier III cities and others	▲10.5%	▲61

- All tiers of cities reported positive RSV growth in FY2018, reflecting a broad recovery in Mainland China. Tier I and II cities continued to outperform Tier III cities and others during the financial year.
- Yet, Tier III cities and others gained traction in 2HFY2018 and delivered a comparable RSV performance with Tier I and II cities during the period.

RSV and POS by operation model



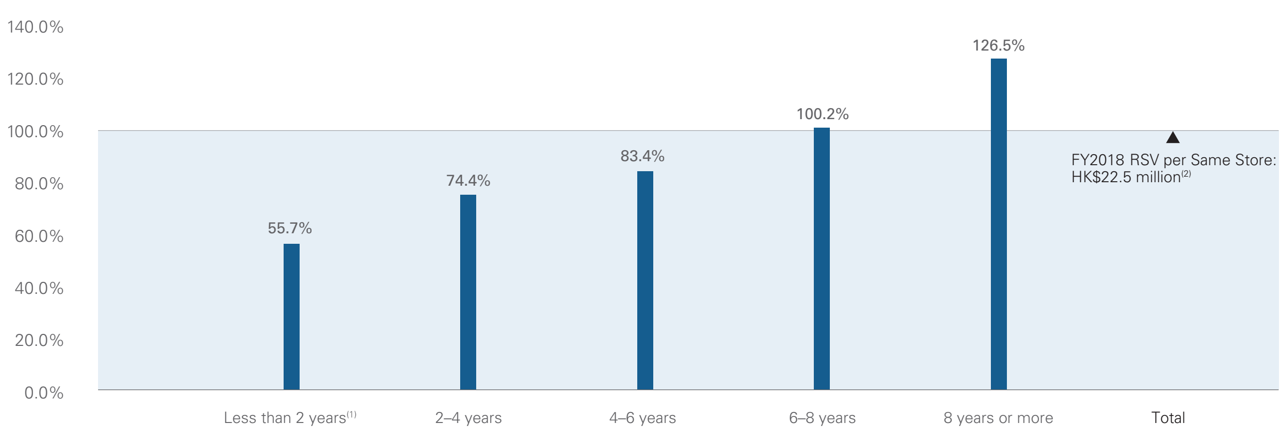
	RSV YoY change	FY2018 net POS movement
Self-operated (Department store)	▲3.0%	▼32
Self-operated (Shopping mall)	▲30.1%	▲119
Self-operated (Standalone store)	▲1.3%	▼2
Franchised	▲16.6%	▲114

- While all operation models delivered an improvement in RSV performance during FY2018, shopping mall remained the best performer.

- Majority of our openings were in shopping malls, with a net openings of 119 POS in FY2018. Meanwhile, we maintained a net closure in department stores but closures have been narrowed to 32 POS in FY2018 as retail landscape stabilised and macro-environment improved.

Self-operated Chow Tai Fook Jewellery POS

RSV per store by store age



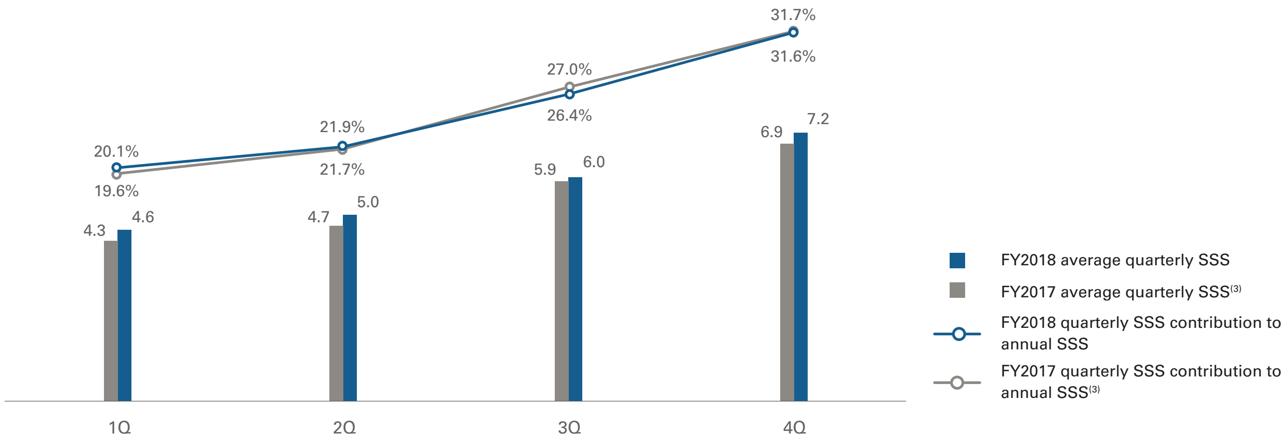
	Less than 2 years[1]	2–4 years	4–6 years	6–8 years	8 years or more	Total
POS opening date	4/2016–3/2018	4/2014–3/2016	4/2012–3/2014	4/2010–3/2012	3/2010 or before	
POS	279	251	238	226	399	1,393
% of POS	20.0%	18.0%	17.1%	16.2%	28.7%	100.0%

■ Ratio of annual RSV per store to RSV per Same Store

(1) For POS of age less than 1 year, RSV is adjusted on an annualised basis
(2) Value-added tax ("VAT") included

Average quarterly sales

(HK$ million)

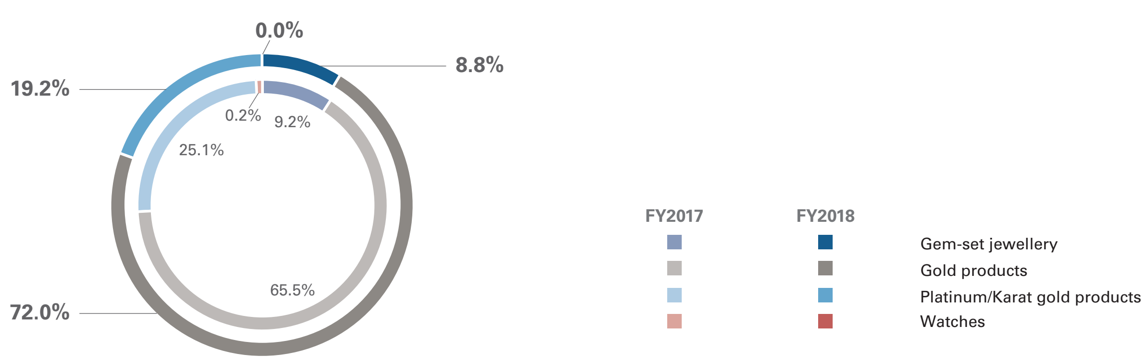


(3) SSS on FY2018 Same Store basis

- Around 58% of the annual SSS was generated in 2HFY2018, this was similar to that in 2HFY2017.
- 4Q being our peak season as driven by festive occasions such as Chinese New Year and Valentine's Day, usually accounts for the highest quarterly SSS contribution.

E-commerce business

RSV by product



	FY2018 RSV YoY change	FY2017 ASP	FY2018 ASP
Gem-set jewellery	▲65.4%	HK$1,400	HK$1,500
Gold products	▲90.3%	HK$1,400	HK$1,600
Platinum/Karat gold products	▲32.5%	HK$900	HK$900
Watches	▼51.0%	HK$500	HK$900
Overall	▲73.2%	HK$1,200	HK$1,400

FY2018

▲ **73.2%** YoY change

RSV

4.8%

of respective RSV

(FY2017: 3.2%)

Contribution to respective retail sales volume

E-commerce (Online order distribution included)

12.5%

(FY2017: 9.2%)

E-commerce platforms

11.7%

(FY2017: 9.0%)

Online order distribution

0.8%

(FY2017: 0.2%)

50+

E-commerce platforms

385,000

Unique daily visitors(1)

3,985,000+

Number of followers(2)

(1) Source: Chow Tai Fook e-shop, Tmall and JD.com

(2) Source: Official Sina Weibo, Tencent Weibo and WeChat accounts

- Our e-commerce business accelerated and registered a significant growth of 73.2% in FY2018, benefitted from a strengthened co-operation with our major online platform partners.

- It contributed to 4.8% of the RSV in Mainland China during FY2018, which was generated from e-commerce platforms and online order distribution.

Other store brands

- During the financial year, a net of 11 CTF Watch POS were closed in Mainland China. Despite the closings, RSV of watches delivered a promising growth of 13.7% thanks to recovery in the luxury watch market.

- Presence of Hearts On Fire is primarily in SIS and CIS format by leveraging our extensive retail network in Mainland China. Moving ahead, enhancing store productivity through retail network optimisation will be our priority for Hearts On Fire.

- In FY2018, we opened 9 POS for SOINLOVE and 8 POS for MONOLOGUE. We will continue to explore opportunities to further roll out these brands in FY2019.

Hong Kong, Macau and Other Markets Business

POS movement by store brand[1] — Hong Kong, Macau and other markets

As at	31.3.2016	31.3.2017	During FY2018			31.3.2018
	Total	Total	Addition	Reduction	Net	Total
Chow Tai Fook Jewellery	123	118	15	(14)	1	119
Hong Kong	86	80	8	(10)	(2)	78
Macau	20	18	1	(1)	–	18
Other markets	17	20	6	(3)	3	23
CTF Watch	3	4	–	(1)	(1)	3
Hearts On Fire	14	13	1	–	1	14

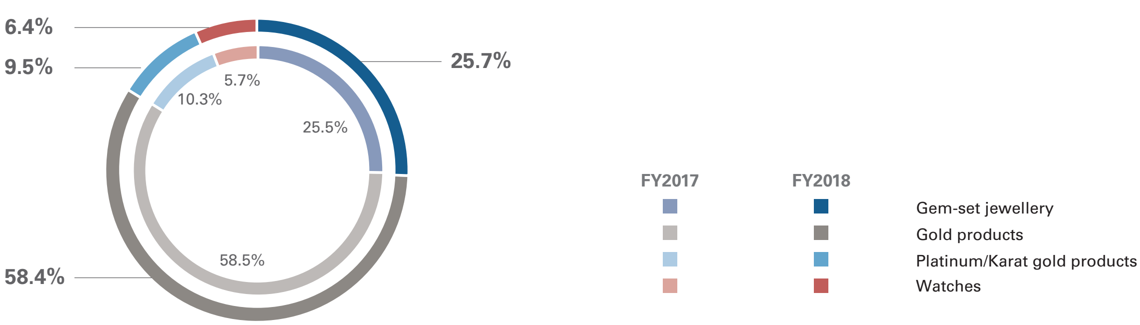
(1) SIS and CIS excluded

- In Hong Kong and Macau, consolidation of POS in touristic area continued while there were openings focusing in residential neigbourhoods, resulted in net closures of 3 POS in FY2018. Majority of closures were located in touristic area such as Mong Kok and Causeway Bay. Meanwhile, there were openings focusing in other area such as Tsuen Wan and Yuen Long.

- We also opened 2 Chow Tai Fook Jewellery POS in Korea and 2 in Japan to capture the opportunities arising from the demand of Chinese customers there.

Hong Kong and Macau business

RSV by product



	RSV YoY change
Gem-set jewellery	▲8.0%
Gold products	▲6.7%
Platinum/Karat gold products	▼0.8%
Watches	▲19.3%
Overall	▲7.0%

Hong Kong and Macau industry performance

FY2018

▲ **10.5%** YoY change

Retail sales of jewellery industry in Hong Kong[(1)]

▲ **6.1%** YoY change

Number of Mainland visitors[(2)] (Hong Kong)

▲ **10.0%** YoY change

Number of Mainland visitors[(2)] (Macau)

Our Hong Kong and Macau performance

FY2018

▼ **7.2%** YoY change

Customer traffic at POS

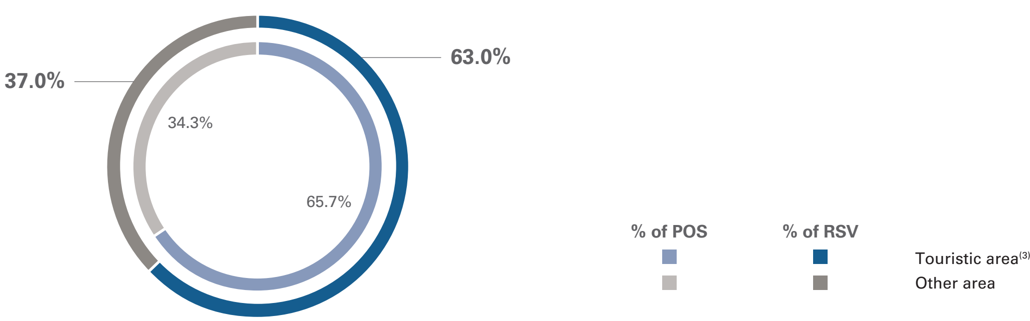
44.6% (FY2017: 43.9%)

RSV settled by China UnionPay, Alipay, WeChat Pay or RMB

(1) Value of retail sales of jewellery, watches and clocks, and valuable gifts in Hong Kong according to Census and Statistics Department of the HKSAR Government

(2) Source: Commerce and Economic Development Bureau of the HKSAR and Macao Statistics and Census Service

RSV and POS by area



	RSV YoY change	FY2018 net POS movement
Touristic area[(3)]	▲4.1%	▼6
Other area	▲11.0%	▲3

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

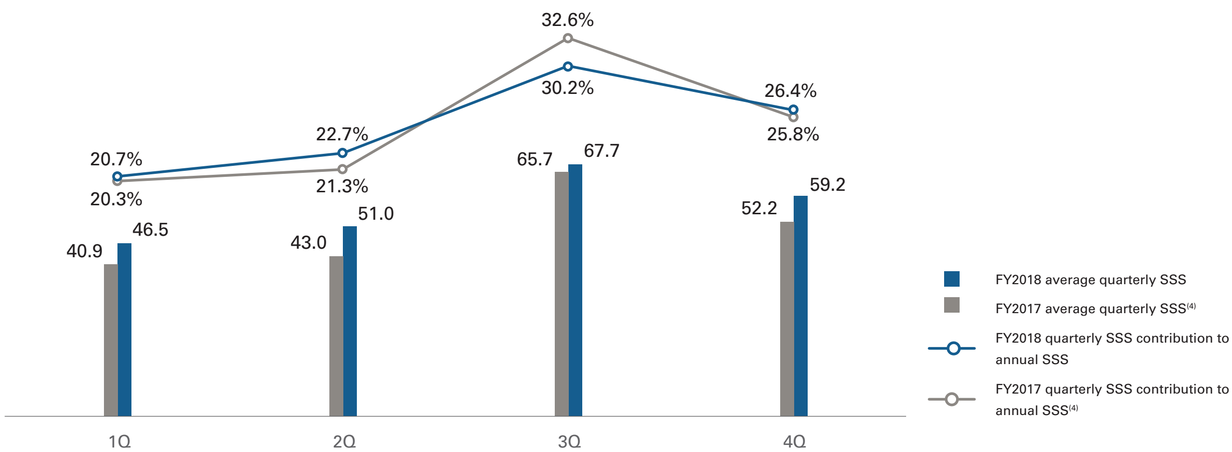
- RSV of touristic area rebounded since 1HFY2018 and increased by 4.1%. RSV growth improved to 5.6% in 2HFY2018 from 1.8% in 1HFY2018 amid a recovering Mainland visitation to Hong Kong.

- Customer traffic decline narrowed to 7.2% year-on-year during FY2018. Decline in customer traffic improved sequentially from 8.4% in 1HFY2018 to 2.5% in 2HFY2018.

- The percentage of RSV settled by China UnionPay, Alipay, WeChat Pay or RMB to the total RSV of Hong Kong and Macau market, a proxy for sales contribution from Mainland tourists, improved slightly from 43.9% to 44.6% in FY2018. The percentage was 42.6% and 46.1% in 1HFY2018 and 2HFY2018, respectively.

Average quarterly sales

(HK$ million)



(4) SSS on FY2018 Same Store basis

- SSS contribution of 2HFY2018 was around 57%, this was generally similar to 2HFY2017 level.

- 3Q, being our peak season as driven by Christmas and our annual mega sales, usually accounts for the highest quarterly SSS contribution for the Hong Kong and Macau market.

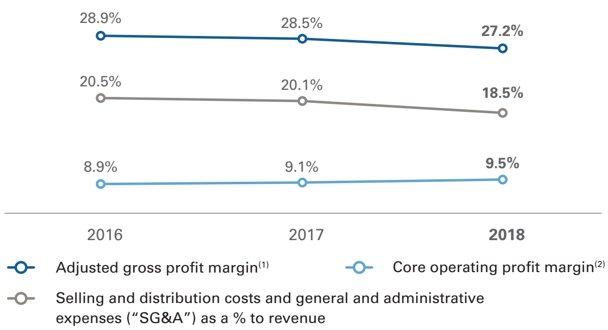
FINANCIAL

Benefitted from the recovering market fundamentals and the improvement in operations, our profitability demonstrated continuous improvement over the past three years.

Profitability

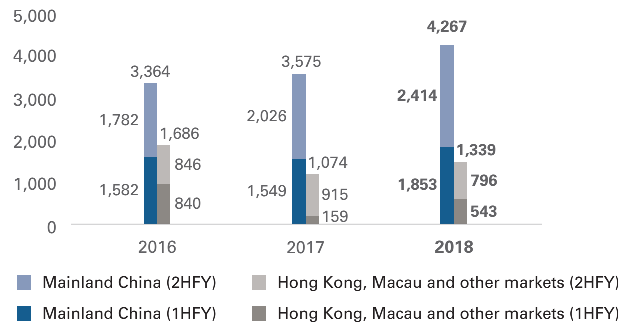
Overall

For the year ended 31 March



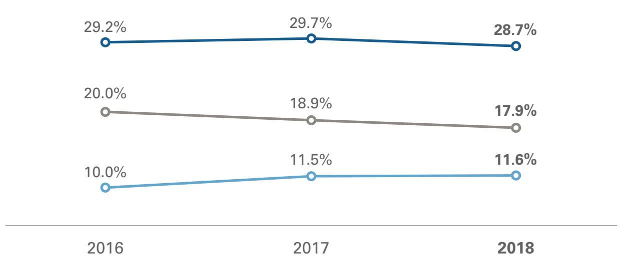
Core operating profit(2) of reportable segments

For the year ended 31 March
(HK$ million)



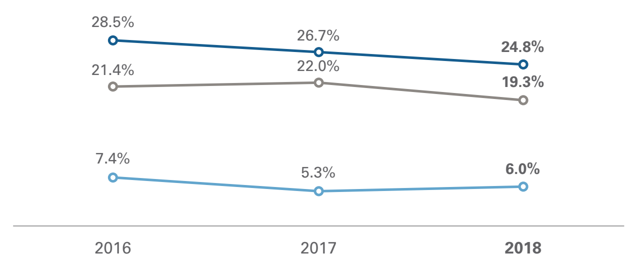
Mainland China

For the year ended 31 March



Hong Kong, Macau and other markets

For the year ended 31 March



(1) Adjusted gross profit and the corresponding 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 business

Group

(HK$ million)	1HFY2017	2HFY2017	1HFY2018	2HFY2018	1HFY YoY change	2HFY YoY change
Revenue	21,526	29,720	24,754	34,402	▲ 15.0%	▲ 15.8%
Adjusted gross profit	6,471	8,156	7,097	9,022	▲ 9.7%	▲ 10.6%
Adjusted gross profit margin	*30.1%*	*27.4%*	*28.7%*	*26.2%*	▼ *1.4% pts*	▼ *1.2% pts*
Other income	178	152	186	222	▲ 4.8%	▲ 45.9%
SG&A	(4,941)	(5,367)	(4,887)	(6,033)	▼ 1.1%	▲ 12.4%
SG&A as a % to revenue	*23.0%*	*18.1%*	*19.7%*	*17.5%*	▼ *3.3% pts*	▼ *0.6% pts*
Core operating profit	1,708	2,942	2,396	3,211	▲ 40.3%	▲ 9.1%
Core operating profit margin	*7.9%*	*9.9%*	*9.7%*	*9.3%*	▲ *1.8% pts*	▼ *0.6% pts*

- As a result of the increasing sales contribution from gold products and wholesale business, adjusted gross profit margin declined slightly across the years, yet core operating profit margin demonstrated continuous improvement over the past three years.

- Among the two segments, Mainland China continued to be our main profit contributor and accounted for over 75% of the Group's core operating profit in FY2018.

Mainland China

(HK$ million)	1HFY2017	2HFY2017	1HFY2018	2HFY2018	1HFY YoY change	2HFY YoY change
Revenue	12,851	18,169	14,944	21,860	▲ 16.3%	▲ 20.3%
Adjusted gross profit	4,229	4,988	4,593	5,980	▲ 8.6%	▲ 19.9%
Adjusted gross profit margin	*32.9%*	*27.5%*	*30.7%*	*27.4%*	▼ *2.2% pts*	▼ *0.1% pts*
Other income	123	89	131	161	▲ 7.1%	▲ 81.6%
SG&A	(2,803)	(3,051)	(2,872)	(3,727)	▲ 2.4%	▲ 22.2%
SG&A as a % to revenue	*21.8%*	*16.8%*	*19.2%*	*17.1%*	▼ *2.6% pts*	▲ *0.3% pts*
Core operating profit	1,549	2,026	1,853	2,414	▲ 19.6%	▲ 19.1%
Core operating profit margin	*12.1%*	*11.2%*	*12.4%*	*11.0%*	▲ *0.3% pts*	▼ *0.2% pts*

- Thanks to a stabilised consumer demand, revenue in Mainland China increased by 18.7% while core operating profit delivered a promising growth of 19.3% in FY2018.

- Adjusted gross profit margin was lowered by 100 basis points in FY2018 primarily due to a higher gold products sales contribution at retail level and an increased wholesale contribution.

- SG&A ratio was contracted by 100 basis points as operations improved. Core operating profit margin remained stable at 11.6% in FY2018.

Hong Kong, Macau and other markets

(HK$ million)	1HFY2017	2HFY2017	1HFY2018	2HFY2018	1HFY YoY change	2HFY YoY change
Revenue	8,675	11,551	9,810	12,542	▲ 13.1%	▲ 8.6%
Adjusted gross profit	2,242	3,168	2,504	3,042	▲ 11.7%	▼ 4.0%
Adjusted gross profit margin	*25.8%*	*27.4%*	*25.5%*	*24.3%*	*▼ 0.3% pts*	*▼ 3.1% pts*
Other income	55	63	55	61	▼ 0.2%	▼ 4.3%
SG&A	(2,138)	(2,316)	(2,016)	(2,306)	▼ 5.7%	▼ 0.4%
SG&A as a % to revenue	*24.6%*	*20.0%*	*20.5%*	*18.4%*	*▼ 4.1% pts*	*▼ 1.6% pts*
Core operating profit	159	915	543	796	▲ 242.2%	▼ 13.0%
Core operating profit margin	*1.8%*	*7.9%*	*5.5%*	*6.3%*	*▲ 3.7% pts*	*▼ 1.6% pts*

- Core operating profit of Hong Kong, Macau and other markets was up by 24.7% in FY2018.

- Adjusted gross profit margin reduced by 190 basis points when compared to FY2017. Yet, benefitted from operating leverage, core operating profit margin increased by 70 basis points to 6.0% in FY2018.

- Adjusted gross profit margin fell 120 basis points from 25.5% in 1HFY2018 to 24.3% in 2HFY2018 due to the negative impact from the increased sales contribution from jewellery trading business, which carries thinner margin, and a one-off inventory impairment made after considering the latest market value of the gem-set jewellery inventories. If the impact from the one-off impairment is excluded, adjusted gross profit margin would be 25.8% and core operating profit would register an approximately 8% year-on-year growth in 2HFY2018.

Gross profit margin

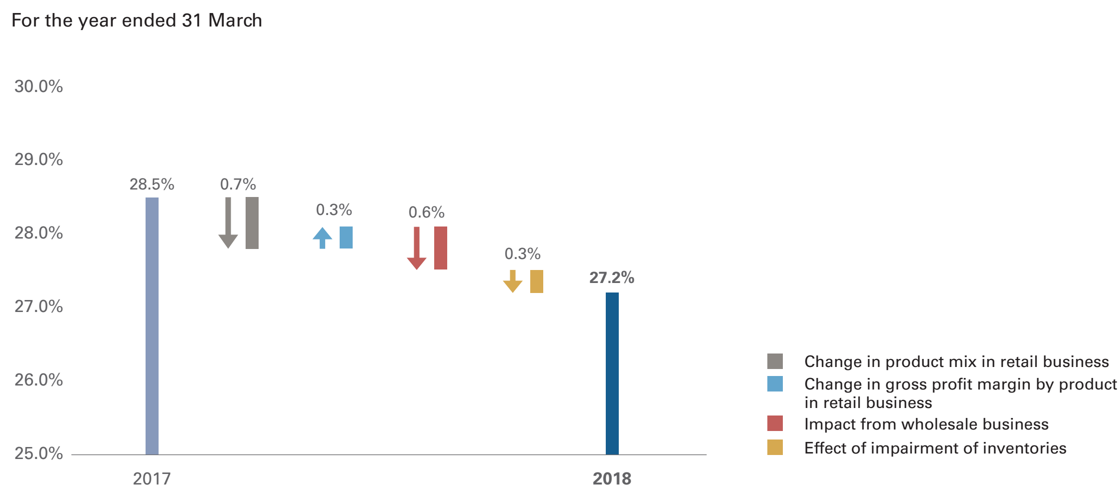
Unrealised hedging loss/(gain)

For the year ended 31 March	2016	2017	2018
Gross profit margin	27.6%	29.2%	**27.4%**
Unrealised hedging loss/(gain) on gold loans	1.3%	(0.7)%	**(0.2)%**
Adjusted gross profit margin	28.9%	28.5%	**27.2%**

- Unrealised hedging loss/(gain) for the year 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 year.

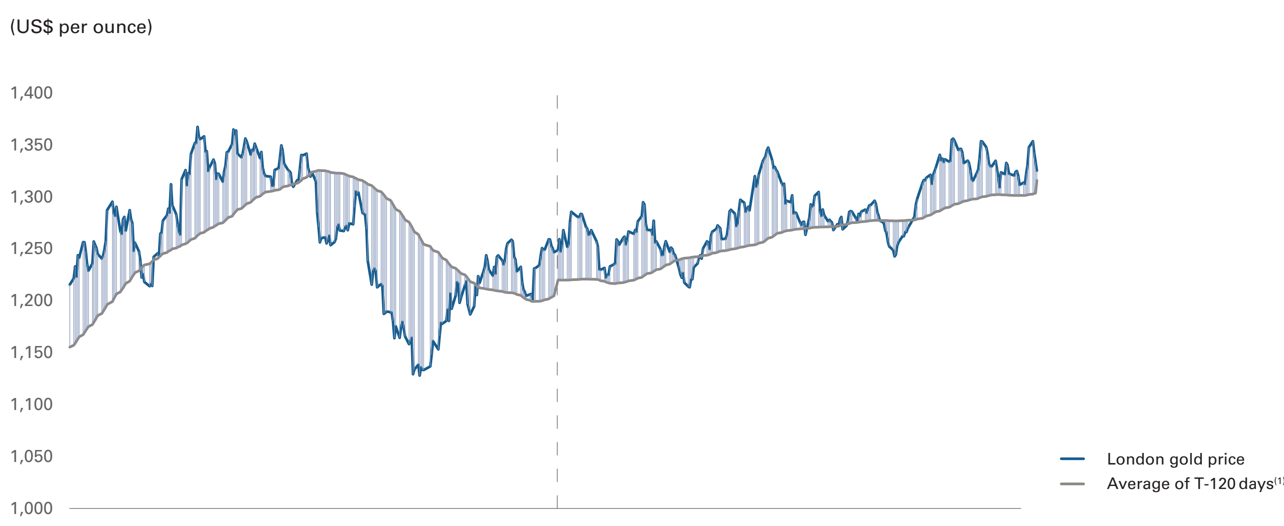
- We use gold loans (short position in gold) to hedge against the gold price fluctuations in our gold inventories (long position). While the long-term effect of long and short positions in gold is expected to net out each other through the sales of gold products, a loss/(gain) may arise due to a short-term timing difference between the time when a loss/(gain) on gold loans is 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 was down by 130 basis points in FY2018. Despite an improvement in gross profit margin at retail level, a higher contribution from our wholesale business in both reportable segments, a less favourable product mix and the one-off impairment on gem-set jewellery inventories led to the contraction of the margin.

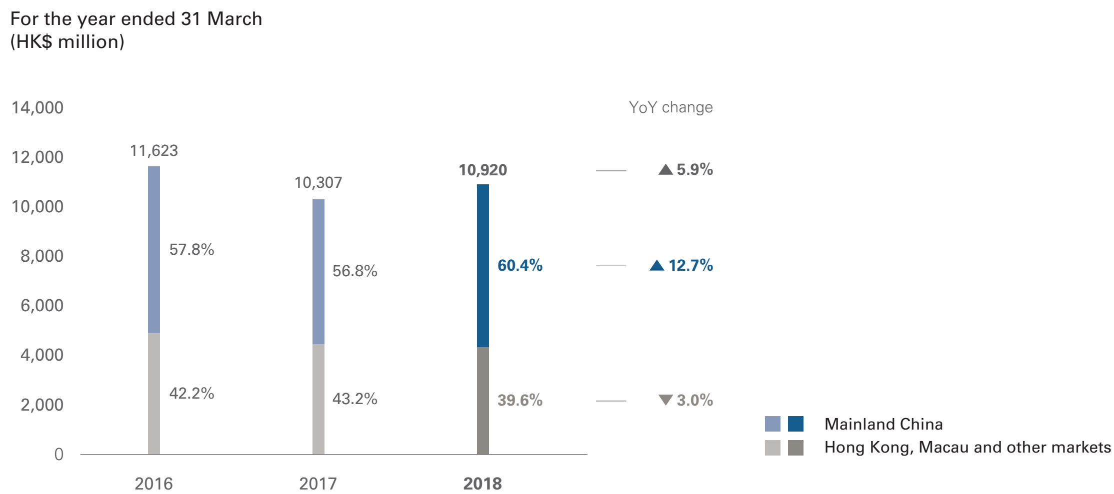
London gold price



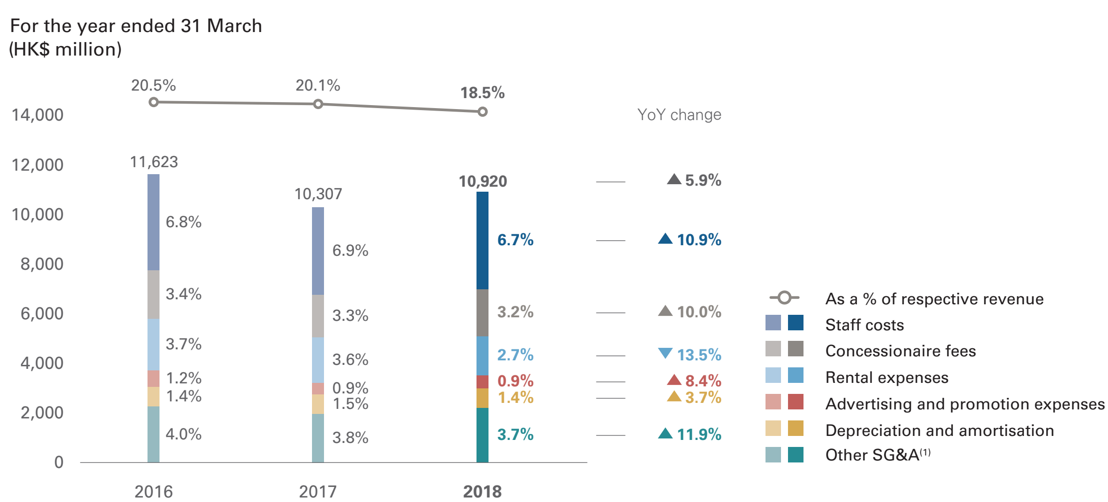
(1) Average of T-120 days refers to the average gold price of previous 120 days on rolling basis, being a proxy of the average price of our hedged gold inventories. Average of T-120 days was used for FY2017 and FY2018

SG&A

SG&A by reportable segment



SG&A to revenue ratio



(1) 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 other staff related expense

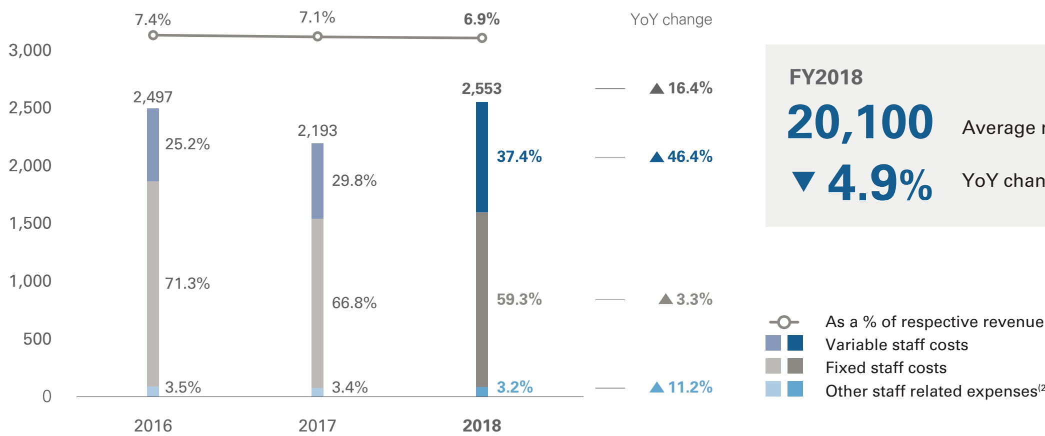
- Our Mainland China segment contributed over half of SG&A over the past three years.
- SG&A increased by 5.9% to HK$10,920 million in FY2018 as most of our major SG&A components increased, except rental expenses recorded a 13.5% decrease.
- Thanks to operating leverage, SG&A ratio fell to 17.5% in 2HFY2018 from 19.7% in 1HFY2018. During the financial year, SG&A ratio further improved by 160 basis points to 18.5%.

Major SG&A components

Staff costs and related expenses

Mainland China

For the year ended 31 March
(HK$ million)



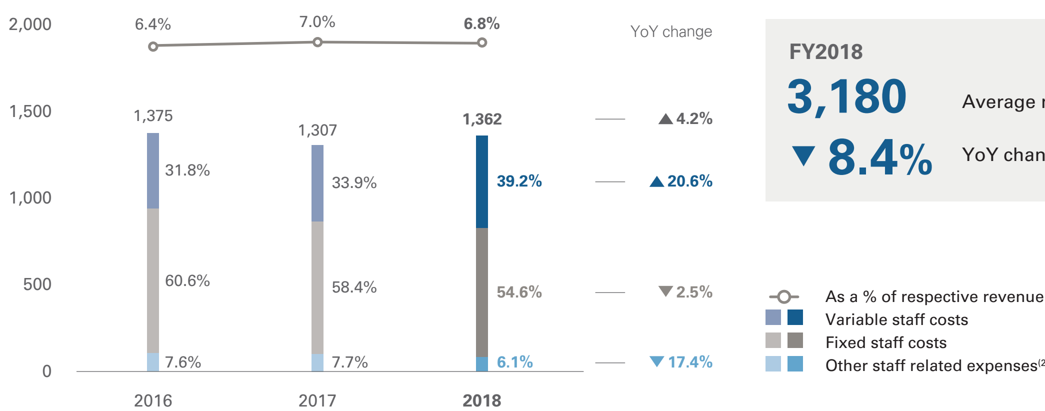
FY2018

20,100 Average number of employees[1]

▼ 4.9% YoY change

Hong Kong and Macau

For the year ended 31 March
(HK$ million)



FY2018

3,180 Average number of employees[1]

▼ 8.4% YoY change

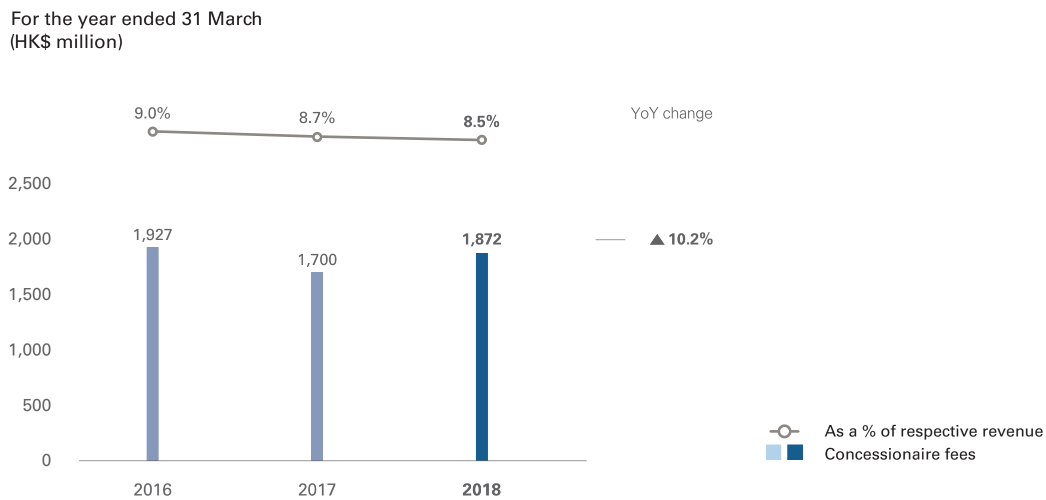
(1) Employees in production function excluded
(2) Other staff related expenses mainly included staff messing, medical care, educational expenses, etc.

- In Mainland China, staff costs and related expenses were up by 16.4% in FY2018. The expansion was mostly on the variable performance based component, as we aligned the staff remuneration with the market standard.

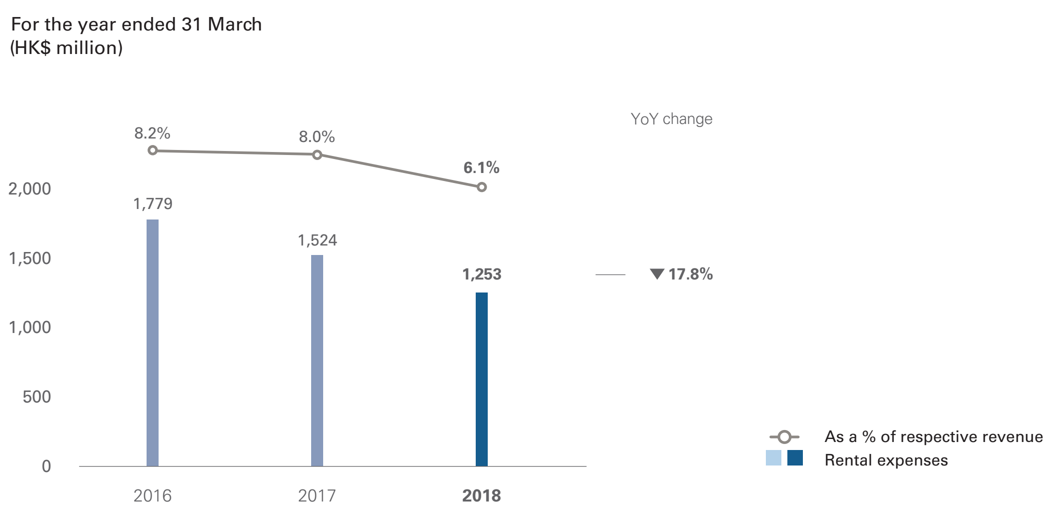
- In Hong Kong and Macau, staff costs and related expenses increased by 4.2% in FY2018. The fixed staff costs reduced by 2.5%, while variable staff costs was up by 20.6% as business recovered.

Concessionaire fees and rental expenses

Mainland China



Hong Kong and Macau



- In Mainland China, concessionaire fees increased by 10.2% along with sales growth. The slight decline in concessionaire fees ratio was mainly due to the shift of sales mix towards gold products which are generally subject to lower rates.

- In Hong Kong and Macau, rental expenses were down by 17.8% thanks to POS consolidation and rental renewal reduction. Coupled with a stabilising business environment, rental expenses ratio was further lowered by 190 basis points to 6.1% in FY2018. We achieved an average reduction on rental renewal of approximately 29% in FY2018.

Other income, other gains and losses and other expenses

For the year ended 31 March	2016 HK$ million	2017 HK$ million	2018 HK$ million	2018 vs 2017 YoY change
Other income	306	330	**408**	▲ 23.8%
Other gains and losses	(245)	(286)	**342**	N/A
Other expenses	(51)	(215)	**(48)**	▼ 77.6%

- 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 gain of HK$343 million (FY2017: net foreign exchange loss of HK$273 million) due to the appreciation of RMB.
- Other expenses dropped by 77.6% as an impairment loss on investment, amount due from an associate and amount due from a joint venture amounted to an aggregate of HK$164 million was recognised and included in "other expenses" in FY2017.

Interest income, finance costs and taxation

For the year ended 31 March	2016 HK$ million	2017 HK$ million	2018 HK$ million	2018 vs 2017 YoY change
Interest income from banks	112	122	**67**	▼ 45.1%
Other interest income	43	18	**13**	▼ 26.0%
Finance costs on bank borrowings	69	93	**111**	▲ 18.6%
Finance cost on gold loans	174	143	**133**	▼ 7.2%
Taxation	957	1,227	**1,629**	▲ 32.7%

- Finance costs on gold loans decline slightly as the new hedging mechanism was fully implemented during the financial year. On average, the hedging ratio approximately reduced from 65% in FY2017 to 47% in FY2018.
- Effective tax rate stayed at approximately 28% in both FY2018 and FY2017. In FY2018, additional withholding tax expenses were incurred for dividends to be distributed from the subsidiaries in Mainland China as Mainland China is expected to continue to contribute a higher portion of the Group's profit. While in FY2017, more withholding tax expenses were incurred for paying a higher special dividend declared. If the withholding tax impact was excluded in both years, the effective tax rate would stay at around 24%.

Return on equity

- We use return on equity ("ROE") to measure the efficiency of generating profits from each unit of shareholder equity.

- Net profit margin increased by 100 basis points to 7.1% due to the uplift in core operating profit margin and the positive impact from RMB movements. As a result, ROE improved by 260 basis points to 12.3%.

$$\text{ROE} = \frac{\text{Net profit}}{\text{Total equity}}$$

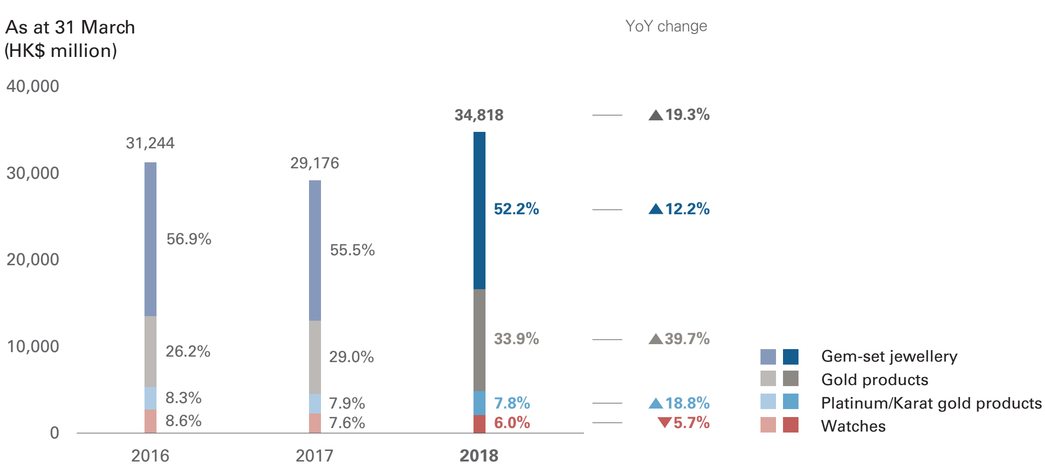
12.3% ▲2.6% pts (FY2017: 9.7%)

7.1% Net profit margin (FY2017: 6.1%)	**1.0** times Assets turnover (FY2017: 1.0 times)	**1.7** times Equity multiplier (FY2017: 1.5 times)
$\frac{\text{Net profit}}{\text{Revenue}}$	$\frac{\text{Revenue}}{\text{Total assets}}$	$\frac{\text{Total assets}}{\text{Total equity}}$

Inventory Turnover and Capital Structure

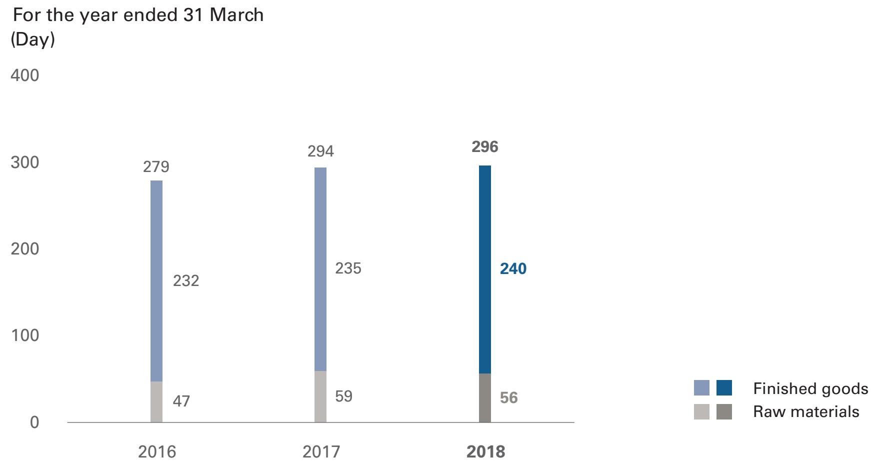
Inventory balances and turnover period

Inventory balances by product[1]



(1) Packing materials excluded

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 year, multiplied by 365/366

- Inventory balances, excluding packing materials, increased by 19.3% and stood at HK$34,818 million as at 31 March 2018, which was mainly attributable to the addition of gold inventories amid strong consumer demand.
- As at 31 March 2018, approximately HK$3,290 million or 9.4% of our total inventory balances were held by 712 franchised POS (31 March 2017: approximately HK$1,870 million or 6.4% were held by 517 franchised POS).
- If the inventory balances held by franchisees were excluded, inventory turnover period would be 268 days, around 7 days shorter than last year.

Capital structure

As at	31.3.2017 HK$ million	% to total equity	31.3.2018 HK$ million	% to total equity	Increase HK$ million	Denominated currency[1]	Interest rate structure[1]
Non-current assets	7,133	21.9%	**8,258**	**24.2%**	1,125	N/A	N/A
Inventories	29,259	90.0%	**34,929**	**102.4%**	5,670	N/A	N/A
Bank deposits and cash equivalents[2]	7,943	24.4%	**7,944**	**23.3%**	1	Mainly HKD, RMB and USD	Mainly variable interest rate
Total borrowings[3]	10,009	30.8%	**13,258**	**38.9%**	3,249		
Bank borrowings	6,793	20.9%	**7,923**	**23.3%**	1,130	HKD	Variable interest rate
Gold loans	3,216	9.9%	**5,335**	**15.6%**	2,119	RMB and USD	Fixed interest rate
Net debt[4]	2,066	6.4%	**5,314**	**15.6%**	3,248	N/A	N/A
Working capital[5]	26,480	81.5%	**28,593**	**83.9%**	2,113	N/A	N/A
Total equity	32,502	100.0%	**34,098**	**100.0%**	1,596	N/A	N/A

(1) Information about denominated currency and interest rate structure related to the condition as at 31 March 2018
(2) Bank balances and cash included
(3) As at 31 March 2018, bank borrowings amounted to HK$5,823 million and all the gold loans would be matured within 12 months while bank borrowings amounted to HK$2,100 million would be matured in more than 2 years but not exceeding 5 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 fluctuation

FY2018	Closing exchange rate YoY change	Average exchange rate YoY change
RMB to HKD	▲ 11%	▲ 2%

- As part of our business operation was in Mainland China, the appreciation of RMB affected 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 year.

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

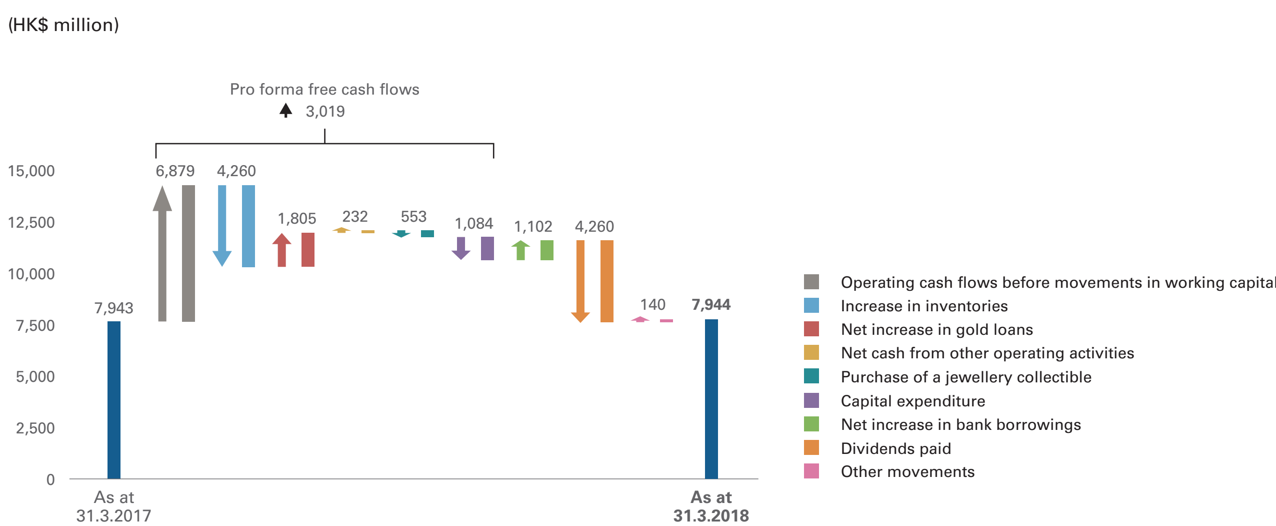
	2017		2018	
For the year ended 31 March	**As reported**	**Constant exchange rate basis**	**As reported**	**Constant exchange rate basis**
Revenue YoY change	▼ 9.4%	▼ 6.0%	▲ 15.4%	▲ 14.0%
Core operating profit YoY change	▼ 7.9%	▼ 3.5%	▲ 20.6%	▲ 18.7%
Changes in inventory balances	▼ 6.7%	▼ 6.4%	▲ 19.4%	▲ 13.6%
Changes in bank balances and cash	▼ 38.9%	▼ 37.3%	▲ 0.0%	▼ 7.5%

- Revenue and core operating profit on constant exchange rate basis are calculated by translating current year's revenue and core operating profit of the Mainland China segment in RMB into HKD using the prior year's average RMB to HKD exchange rates. We believe using constant exchange rate basis could enhance the comparability between two financial years.

Cash flows

For the year ended 31 March	2016 HK$ million	2017 HK$ million	2018 HK$ million
Operating cash flows before movements in working capital	5,787	5,702	**6,879**
Decrease/(increase) in inventories	7,499	599	**(4,260)**
Net change in gold loans	(2,161)	(3,023)	**1,805**
Net cash from/(used in) other operating activities	611	(49)	**232**
Purchase of jewellery collectibles	–	(378)	**(553)**
Capital expenditure	(1,046)	(862)	**(1,084)**
Pro forma free cash flows	10,690	1,989	**3,019**
Net change in bank borrowings	1,192	(1,112)	**1,102**
Dividends paid	(6,582)	(5,148)	**(4,260)**
Other movements	(776)	(787)	**140**
Net increase/(decrease) in bank balances and cash	4,524	(5,058)	**1**

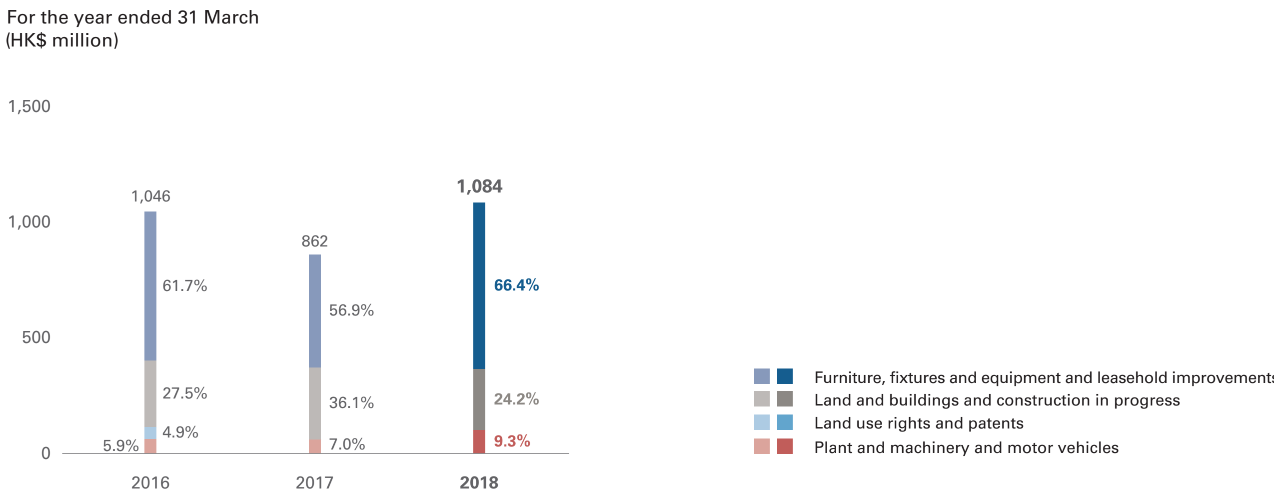
Major cash flows items for FY2018



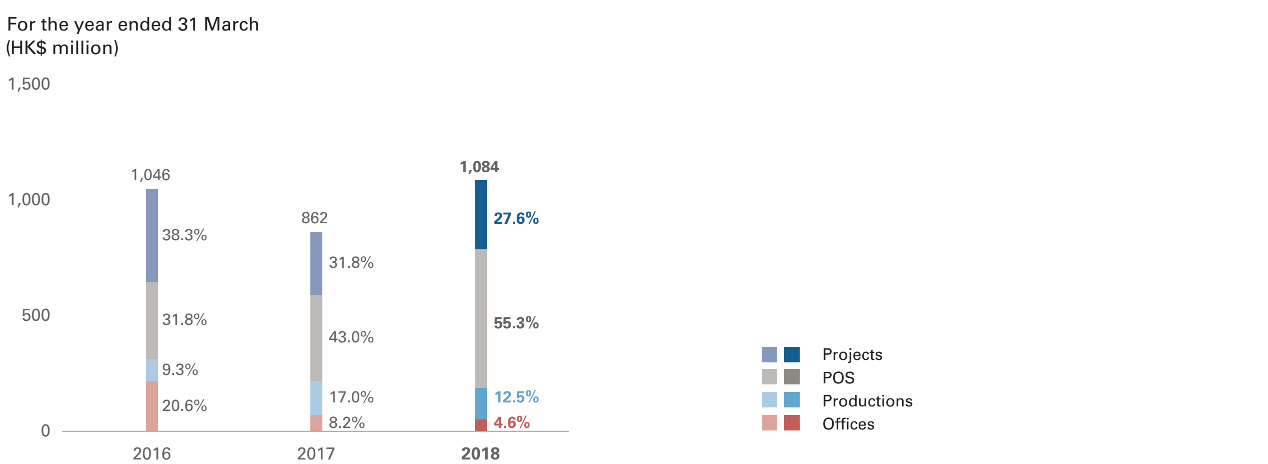
Capital expenditure

- The Group's capital expenditure incurred during FY2018 amounted to HK$1,084 million (FY2017: HK$862 million).

Capital expenditure by nature



Capital expenditure by function



OPERATIONS

Driven by stable fundamentals and improving consumer sentiment, the retail market in Greater China has been picking up steadily over the past year, and continues to be transformed by disruptive innovation and technology. Customers are also changing; with the rise of middle class and millennials, increasing urbanisation leading to a stable demand growth, along with the rapid shift in their preferences.

In response to these dynamics, a step change in customer engagement is indispensable to the sustainable growth of the industry. Being a distinguished jeweller in the industry, we are dedicated to creating a seamless and unique customer experience through our commitment to innovation, technology and sustainability.

Business Development

Mainland China

POS	Net openings
As at 31 March 2018	FY2018
2,449	▲ 203

- Majority of the net openings were located in shopping malls in FY2018 so as to leverage the opportunities of their increasing popularity and foot traffic.

- A two-pronged strategy shall be adopted to further our business development in different tiers of cities. While we would remain selective in openings and focus on uplifting the ASP in Tier I and II cities, market penetration in lower tier cities will be the priority. The pace of expansion will be accelerated in order to capitalise on the rapid urbanisation and infrastructural development in these areas.

- To further grow market share and diversify our product portfolio, we have implemented a multi-brand strategy such as the rollout of two new brands, MONOLOGUE and SOINLOVE, to target new customer segments during FY2018.

Hong Kong, Macau and other markets

Hong Kong and Macau

POS	Net closings
As at 31 March 2018	FY2018
99	▼ 3

- Closures were mainly located in touristic area in FY2018.

- Five experience shops were opened in residential area in Hong Kong to cater to the evolving expectations of local customers.

- We will continue our effort to engage the relatively stable local clientele through optimising our POS network and the delivery of rejuvenated shopping experiences.

Other markets

- Our openings covered Japan and Korea during the financial year.

- Further extension of our footprint to other markets, such as Southeast Asia, is in the pipeline to capitalise on the business potential from the Chinese customers present in the region.

POS	Net openings
As at 31 March 2018	FY2018
37	▲ 4

Wholesale business

- By leveraging the inherent strength of our business model and harnessing Hearts On Fire's strong retail network globally, we are increasingly engaging the wholesale business community, especially the jewellery retailers in the United States.

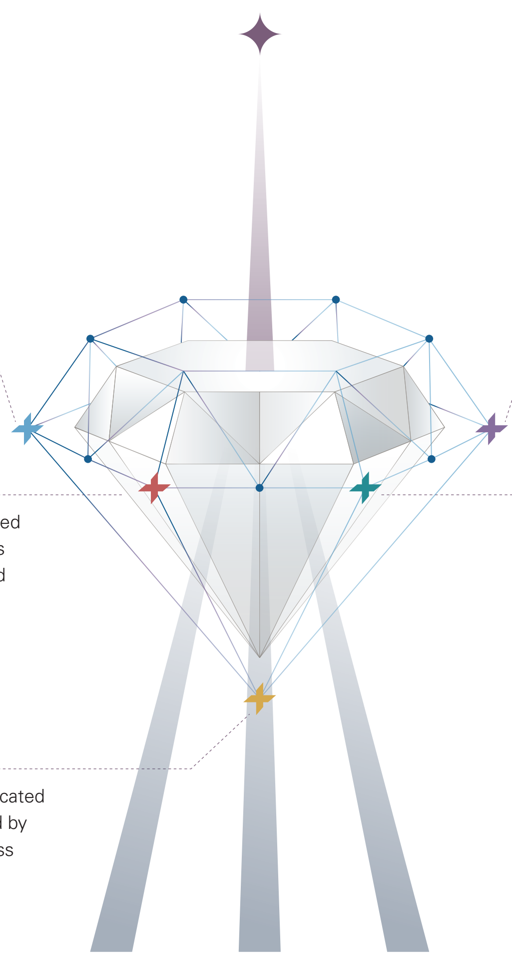
- Through our products, retail experience and technology, we aim to offer greater value to other retailers, and ultimately complement the sustainable growth of our business.

“Smart+ 2020” Strategic Framework

Our “Smart+ 2020” strategic framework is a three-year strategic work plan supported by our dedicated Smart working teams, which are tasked with the delivery of each strategy from conception through to execution.

SMART+ 2020

Customer Experience



Products and Brands

Smart Product working teams are dedicated to the rollout of a multi-brand strategy in order to target multiple customer segments and expand overall market share

Culture

Smart Office working teams are dedicated to enforcing culture of innovation and sustainable development

Retail Experience

Smart Channel working teams are dedicated to creating unique experiences for customers across all channels and seamlessly integrated O2O customer journeys

Insights

Smart Advisor working teams are dedicated to data analytics, customer and market big data insights

Customisation

Smart Production working teams are dedicated to product customisation, which is supported by an optimised data-driven manufacturing process

Innovation

Embedding in our culture to spearhead our product and brand development strategy

Technology

Enabling great customer experiences

Sustainability

Driving our long-term economic sustainability, social and environmental impact and corporate governance

Smart Product

We are positioned to meet a wide spectrum of customer needs through our multi-brand strategy.

Chow Tai Fook Jewellery and Jewelria

- Our iconic brand, Chow Tai Fook Jewellery, contributes to the majority of our business with classic product offerings at reasonable prices.
- Targeting more sophisticated customer groups, we upgraded some of our POS and introduced Jewelria last year which has a differentiated store layout with an increased gem-set product offerings.

Jewelria retail network

As at 31 March 2018

7
POS

House 1929

- House 1929, our official high jewellery brand was founded this year.
- The brand houses one-of-a-kind artistic jewellery pieces with preeminent quality gemstones and superlative craftsmanship, exclusively catered for VVIPs and invited jewellery enthusiasts.
- The first high jewellery collection under House 1929 "Mosäique de Rêverie" was unveiled in an exclusive VIP Preview Show in Beijing in April 2018, where 13 sets were showcased to more than 700 guests at the event. Most of them will be available for auction in Hong Kong in November this year, two of which will be listed as museum pieces for exhibition only.

CHOW TAI FOOK T MARK

- Our diamond brand launched in 2016 to fulfil customer demand and expectations for true diamond authenticity and traceability.
- As an assurance, each CHOW TAI FOOK T MARK diamond is inscribed with a mark that carries a set of unique serial numbers, which enable customers to trace the life journey of a diamond from sourcing to production. The patented nano-inscription technology of the mark was awarded a gold medal at the 46th International Exhibition of Inventions of Geneva in April 2018.
- We also collaborated with Gemological Institute of America ("GIA"), the leading independent diamond grading authority in the industry to apply blockchain technology in order to deliver secure and digital diamond grading reports to our customers for the first time. Customers will receive a permanent and immutable blockchain record of their diamond's GIA grading information. This innovation will first be piloted in selected POS in Hong Kong in 2018.
- Our debut CHOW TAI FOOK T MARK diamond specialty store was opened in Hong Kong in April this year, and we expect to further roll out in both Mainland China and Hong Kong and Macau.

CHOW TAI FOOK T MARK retail network

As at 31 March 2018

Mainland China	Hong Kong and Macau
258 CIS	41 CIS

ASP

Mainland China	Hong Kong and Macau
HK$13,100	HK$17,700

- During the financial year, CHOW TAI FOOK T MARK products accounted for 11.5% and 15.6% of the RSV of our diamond products sold in Mainland China and Hong Kong and Macau, respectively.

Hearts On Fire

- A U.S. premium diamond brand acquired in 2014 which carries design-oriented bridal and fashion jewellery with exquisite craftsmanship.
- In FY2018, Hearts On Fire products contributed 2.6% and 3.7% of diamond product RSV in Mainland China and Hong Kong and Macau, respectively.
- RSV growth amounted to 21.5% and 16.8% in Mainland China and Hong Kong and Macau, respectively.

Hearts On Fire retail network

As at 31 March 2018

20 POS

192 SIS and CIS

517 Retailer locations

ASP

HK$22,200 Mainland China

HK$22,900 Hong Kong and Macau

SOINLOVE

- Tapping Mainland China's affordable luxury bridal jewellery market, we unveiled SOINLOVE in April last year with its products and store layouts enriched with romantic and sweet ambience.
- We will continue to explore the opportunities to further roll out the brand in FY2019.

SOINLOVE retail network

As at 31 March 2018

9 POS

Price range

HK$2,000 – HK$20,000

MONOLOGUE

- To address the trendsetting millennials' demand in Mainland China, we introduced MONOLOGUE in 2016.
- Scaling up our efforts to raise brand awareness, we organised themed exhibitions and sponsored reality shows in Mainland China, where featured collections were showcased by the contestants.

MONOLOGUE retail network

As at 31 March 2018

11 POS

Price range

HK$500 – HK$5,000

Smart Channel

Evolving consumer expectation around how they wish to engage with the retail brands are driving our continuous innovation in customer experience, both online and in-store.

New in-store experiences

- Catering to different customer profiles and neighbourhoods in Hong Kong, we opened five new experience shops. Each renovated in different themes to deliver a rejuvenated shopping experience has resonated with consumers in the neighbourhoods.

- Following the rollout in Hong Kong, we expect experience shops with similar or new themes to be gradually introduced in Mainland China in FY2019 and beyond.

Omni-channel retailing

- We deploy technology and collaborate with business partners to create integrated sales channels as part of our ongoing effort to offer more seamless omni-channel journeys to our customers.

Smartphone as sales channel

- Riding on the sweeping trend towards online transactions through smartphones, we leverage the power of instant sharing on social media platforms to boost the sales of our collections.

- For example, we engaged Zhao Liying, a famous Chinese actress as our Brand Ambassador to promote our online exclusive jewellery pendant for Valentine's Day on social media platforms such as WeChat. Followers could act on their desires immediately to buy the pendants directly through the mini program under Chow Tai Fook's official WeChat account in their smartphones.

Self-service experience corner

- To further enhance our customer experience, we are committed to investing in technological innovation and successfully launched the self-service experience corner for jewellery retail in Mainland China in FY2018.

- The corner extends the idea of "grab-and-go" to offer our customers a faster check-out process and a more convenient shopping experience.

- The mobility of the corner also enables us to reach a vast base of potential customers in various locations such as cinemas, shopping malls and other public areas.

Customer relationship management

Chow Tai Fook membership programme

- In order to strengthen our membership base and retain the loyalty of our customers, we have intensified collaboration with various business partners to offer more lifestyle rewards and privileges to our members especially in Mainland China.

Mainland China

As at 31 March 2018

1,300,000

Number of members

FY2018

30.7%

Members' repeat purchase as a % of respective RSV

Hong Kong and Macau

As at 31 March 2018

817,000

Number of members

FY2018

32.8%

Members' repeat purchase as a % of respective RSV

Smart Production

We are adopting a more customer-driven approach in our production and operations in order to drive excellence in customer experience.

Customer-to-Manufactory ("C2M")

- Our production framework enables us to move towards flexible manufacturing and ultimately to the completion of our C2M business model. This allows us to engage our customers along the supply chain from design to manufacturing.

- As a pilot, we introduced a jewellery customisation online platform named "D-ONE" in Mainland China last year. It offers our customers the unique experience of creating their own jewellery by choosing the diamonds and settings according to their own preferences.

- In the future, we envision the customer experience to further extend to our production hubs, so that customers would be able to personally witness the craftsmanship of their customised jewellery pieces. This will reinforce their personalised shopping journey from design to manufacturing, packaging and delivery as a whole.

Production Framework

- In response to evolving market dynamics, we strive to deliver a personalised shopping journey to our customers. To achieve this, we created our production framework characterised by four key principles:

Standardisation

- We consolidate, streamline and standardise relevant operations, procedures and specifications for better quality control and efficiency.

- Accreditations from Integrated Management Systems "IMS" to standardise production management and promote continuous improvement.

- Accreditations of precious metal testing laboratories from China National Accreditation Service "CNAS" also certified our attainment of accuracy, consistency and level of management system.

- All of our precious metal testing laboratories in Mainland China have received the same accreditations since December 2017.

Automation

- Upon standardisation, automated facilities can be operated efficiently to reduce lead time and enhance reliability.

- Wuhan Production Centre successfully deployed an automatic weighing system and an automated guided vehicle in FY2018 to realise unmanned logistics in production lines.

- In addition, Phase I of Logistics and Distribution Centre in Shunde has started its operation since FY2017. Phase II is expected to commence operation in FY2019 to further uplift the distribution capacity.

Digitalisation

- Simultaneously, data analytics are widely deployed to strengthen the production planning and supply chain management.

- Extensive application of RFID technology is deployed to monitor the production status in our Wuhan Production Centre which reduced order tracking time by about 40%.

- Data Intelligence Space at our Shenzhen Research and Development Centre provides a comprehensive data platform for management to monitor production processes and analyse production data in real time.

Intelligence

- Following digitalisation and application of sophisticated mathematical algorithms, we can automate the business decision making process to deliver more reliable and consistent production and operations.

- We deployed a pilot plant simulation system in one of our production lines in Wuhan Production Centre in March 2018.

- The system optimises layout of the production lines, predicts production process bottlenecks and estimates production capacity to improve resource allocation and production efficiency.

Smart Advisor

Technology and innovation not only drive the strategies in our "Smart+ 2020" framework, but also empower us, with the aid of data analytics and insights, to improve operating efficiency and to deliver an exceptional customer experience.

Data analytics and insights

- Following the successful deployment of our RFID-enabled Smart Tray three years ago, we continued our efforts to enhance the functionality and experience of the device.

- We aim to not only further smoothen the customer sales process, but also to analyse customer preference in a more systematic and scientific way.

- Data that passes through the analytic process empowers us with useful insights for spearheading various business strategies and making informed decisions.

Examples of applied data analytics:

- Predictive analytics empowers business knowledge and decision-making in a scientific way. A test would be designed for a particular initiative such as a new collection launch or marketing event. The performance of the test group would be compared with those in a selected control group. Through predictive analytics, we can identify the performance drivers and assess the profitability impact effectively.

- Inventory assortment and distribution to a particular store could be more effective with insights into customer preferences based on the analysis of information collected such as product view times, frequency and stock-out ratio, etc.

- The collected data could also provide us with insights to evaluate our salespersons' performance, so that we could develop targeted-trainings to improve their sales techniques and strategies.

Smart Office

We believe that culture is the key enabler behind continued innovation and our ability to attract and retain the right talent to contribute to the sustainable development of the Group and the jewellery industry as a whole.

Internal innovation incubator

Sustainability and Innovation Centre ("SI Centre")

- We are committed to uplifting our customer experience by harnessing innovation and technology across our key operations.

- To facilitate the more effective allocation of resources, and to support our conventional jewellery retail business, we set up a new SI Centre in April 2018, comprising three key areas of focus — culture and art, craftsmanship and creativity.

- A designated management team is responsible for the investment in innovation, brand management, culture and art, craftsmanship, technology and data applications to underpin the sustainable growth of the Group.

External innovation incubator

Loupe at PMQ in Central, Hong Kong

- A common design incubation space was established in December last year to foster creativity and to provide an engagement platform for local and international talent in the jewellery sector.

- We aim to nurture young jewellery talent in engaging ways such as offering co-working space where they can share design ideas, acquire craftsmanship techniques and participate in workshops led by industry professionals.

C⁺ Creative Park in Wuhan, Mainland China

- Echoing the spirit of innovation and entrepreneurship advocated by the Chinese government, alongside our "Smart+ 2020" strategic framework, we established the "C^+ Creative Park" in Chow Tai Fook Jewellery Park in Wuhan, Mainland China. The aim is to support talent in technological development, to promote our entrepreneurial culture and to encourage the pursuit of various long-term business opportunities.

Culture preservation and inheritance

As we are approaching 90 years of operating history, we have always taken the lead in preserving, passing on and promoting culture and craftsmanship.

Franco-Chinese Branding Forum

- Following our participation in the third Franco-Chinese Branding Forum in Paris, France last year to share our inspirations with prominent designers from the West, we invited 6 French designers to join us for a cultural exchange where we successfully collaborated to launch the "Palace" Collection during FY2018.

- To foster the exchange of inspirational designs, selected senior management and designers across the Group have participated in the Forum in May this year, where various activities such as jewellery market seminars, craftsmanship workshops and museum visits were offered.

Ancient Chinese gold techniques exhibition

- We are dedicated to promoting sustainable development of the jewellery industry and continued inheritance of traditional jewellery craftsmanship techniques.

- To preserve and inherit ancient Chinese goldsmith techniques, we supported and sponsored a research project that spanned three years, and concluded with an exhibition of ancient Chinese gold and silver wares to showcase the beauty of these traditional gold art work.

BUSINESS OUTLOOK AND STRATEGIES

We are delighted to have enjoyed a year of recovery with resilient business performance seen in both Mainland China and Hong Kong and Macau. Against the backdrop of the shifting retail landscape, we remain confident in the prospects of the Greater China jewellery market in FY2019 and beyond, as it enables us to explore new customer segments and unleash the full potential of our capabilities.

To this end, we have embarked on our "Smart+ 2020" three-year strategic work plan in FY2018 committing to delivering seamless experiences to our customers in the long-term with the following five areas of focus:

1. Introducing more product offerings and innovations coupled with the launch of our multi-brand strategy;

2. Enhancing in-store experiences and fostering omni-channel retailing;

3. Cultivating customer-led manufacturing capabilities and versatile supply chain to reinforce a personalised shopping journey;

4. Investing in big data analytics to empower insights for a more efficient operational model that can respond to fast-changing consumer preferences; and

5. Inspiring an innovative and entrepreneurial culture for talent development across the Group and the jewellery industry as a whole.

FINAL DIVIDEND, SPECIAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommended a final dividend of HK15.0 cents per share (FY2017: HK10.0 cents per share) and a special dividend of HK30.0 cents per share (FY2017: HK20.0 cents per share) for FY2018, amounting to approximately HK$4,500 million (FY2017: HK$3,000 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 Thursday, 26 July 2018 and is payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 2 August, 2018. It is expected that the proposed final and special dividends will be paid on or about Wednesday, 15 August, 2018. 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.

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 FY2018.

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 2018 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.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2018, the Company was in full compliance with all applicable principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation mentioned below.

Pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. Due to health reasons, Dr. Cheng Kar-Shun, Henry, the Chairman of the Board, did not attend the annual general meeting held on 26 July 2017 (the "2017 AGM"). Mr. Wong Siu-Kee, Kent, the Managing Director who took the chair of the 2017 AGM, together with other members of the Board who attended this meeting, were of sufficient calibre for answering questions at the 2017 AGM.

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 of all Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code and the Company's code of conduct during FY2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Monday, 23 July 2018 to Thursday, 26 July 2018, 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, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 July 2018.

In order to establish entitlements to the proposed final and special dividends, the register of members of the Company will be closed on Thursday, 2 August 2018 and 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 p.m. on Wednesday, 1 August 2018.

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

Hong Kong, 7 June 2018

As of the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Cheng Ping-Hei, Hamilton, Mr. Chan Sai-Cheong, Mr. Suen Chi-Keung, Peter, Mr. Chan Hiu-Sang, Albert 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.