



Chow Tai Fook (Stock Code : 1929) • The Largest Hong Kong Listed Jeweller by Market Capitalisation

FOR IMMEDIATE RELEASE

Chow Tai Fook Announces 2015/ 16 Interim Results

Financial Highlights

HK\$ million	1HFY2016	1HFY2015	YoY Change
	(For the six months ended 30 September)		
Revenue	28,123.6	29,319.5	-4.1%
Gross profit	7,856.8	9,327.9	-15.8%
Gross profit margin (%)	27.9	31.8	-3.9% points
Net profit	1,561.2	2,736.3	-42.9%
Net profit margin (%)	5.6	9.3	-3.7% points
Profit attributable to shareholders of the Company	1,557.4	2,692.8	-42.2%
Basic earnings per share (HK cents)	15.6	26.9	-42.2%
Dividend per share (HK cents)			
Interim	8.0	13.0	-38.5%
Special	42.0	Nil	N/A
Total	50.0	13.0	+284.6%

(Hong Kong, China, 24 November 2015) **Chow Tai Fook Jewellery Group Limited** (“Chow Tai Fook” or the “Company”; collectively with its subsidiaries, the “Group”; HKEx Stock Code: 1929), the largest jeweller listed in Hong Kong and one of the world’s top few by market capitalisation with 86 years’ heritage, today announces its interim results for the six months ended 30 September 2015 (“1HFY2016”).

The Group recorded a revenue of HK\$28,123.6 million for 1HFY2016 (1HFY2015: HK\$29,319.5 million), representing a year-on-year decrease of 4.1%. Gross profit declined 15.8% to HK\$7,856.8 million (1HFY2015: HK\$9,327.9 million), with gross profit margin dropped 390 basis points to 27.9% (1HFY2015: 31.8%). Profit attributable to shareholders of the Company declined 42.2% to HK\$1,557.4 million (1HFY2015: HK\$2,692.8 million), while earnings per share decreased to HK15.6 cents (1HFY2015: HK26.9 cents). The Board has declared an interim dividend and a special dividend totalling HK50.0 cents per share (1HFY2015: HK13.0 cents per share).

Chow Tai Fook Chairman **Dr. Henry Cheng** said, “The luxury market shifts which the jewellery sector has been undergoing in the last 12 months have continued to pose challenges to our operating environment. We remain highly focused and vigilant as we steer and position our business through refining our product offerings and channels tactically in response to the evolving customer tastes and preferences.”

Business Review

The decline in the Group's revenue in 1HFY2016 was attributable mainly to the weak luxury market sentiment in Hong Kong, China and Macau, China as a result of a declining tourist visitation from Mainland China and a drop in tourist purchasing power. A slight decline of 4.1% in revenue was recorded as such negative impact was largely offset by the relatively stable operation market and the contribution from new POS openings in Mainland China. The Group however saw a considerable decline in net profit owing largely to a reduced gross profit margin due to an increase in gold product sales and the unrealised hedging loss on gold loans for the period while it was an unrealised hedging gain in the same period last year.

Revenue contribution from the jewellery business in Mainland China increased steadily from 54.5% in 1HFY2015 to 56.0% in 1HFY2016, while on the other hand, revenue contribution from Hong Kong, Macau and other markets continued to fall from 42.0% in 1HFY2015 to 40.8% in 1HFY2016. The remaining 3.2% was contributed by the watch business in Mainland China.

Revenue contribution of the wholesale business dropped slightly to 14.6% in 1HFY2016 as franchisees were generally conservative in inventory replenishment. Revenue mix from gold products rose considerably from 49.5% in the same period last year to 55.5% in 1HFY2016, mainly due to a surge of demand for gold products as gold price tumbled in July and August this year.

The Group's POS opening plan was on track by opening 144 POS mainly in Tier III and lower tier cities in Mainland China, while 2 were in our new market, South Korea. But the net openings were only 29 because 115 POS were closed, equivalent to approximately 5% of the total POS, during the period. The closures were higher than the Group's historical average as many POS ceased operation as affected by the closures and restructuring of many department stores in Mainland China. As at 30 September 2015, the Group's POS totalled 2,286.

The Group's e-commerce business continued to maintain a steady growth of 44.3% year-on-year in Retail Sales Value ("RSV"). E-commerce in Mainland China contributed approximately 1.9% of the jewellery business in Mainland China in RSV. Average daily traffic of our major e-commerce channels including Chow Tai Fook eShop, Tmall.com and JD.com accounts rose 47.1% to over 225,000 unique visitors, while followers on Sina Weibo, Tencent Weibo and WeChat accounts were accumulated to over 1.4 million.

To strategically complement the Group's premium bridal and fashion diamond jewellery portfolio, the Group has gradually extended the market access of the newly acquired internationally acclaimed premium diamond brand Hearts On Fire ("HOF") in Greater China. During the period, the Group opened 4 HOF standalone stores in Mainland China and Taiwan, China and 53 "shop-in-shops" and "counter-in-shops" in Mainland China and Hong Kong leveraging Chow Tai Fook's extensive retail network and customer base. As at 30 September 2015, the Group had 16 HOF standalone stores spanning the United States, Taiwan and Mainland China and 53 "shop-in-shops" and "counter-in-shops" in Mainland China and Hong Kong.

Prospects and Strategies

In the face of the changing retail landscape in the markets, a conservative approach in POS network management will be taken in the next 12 months including the consolidation of low performing POS and slowing down the pace of POS expansion. The Group will also focus on improving inventory turnover and optimising inventory level.

With long-term commitment and rewarding successes in innovative technology development and applications, the Group will strive to implement the lately introduced Smart+ Initiatives for enhancing operational efficiency, delivering seamless shopping experience, and driving omni-channel retailing.

Last but not least, the Group is always committed to human capital investment, for instance, the Chow Tai Fook Academy launched in June this year is an important endeavour to incubate staff members with structured and professional training and development programmes.

Kent Wong, the Group's Managing Director, remarked, "Amidst the uncertainties underlining the current market environment, we are positive about the long-term growth of the jewellery consumption in Greater China. Yet, in light of the challenges ahead, we will continue to adopt a balanced approach of growth and development."

PHOTO CAPTION



Chow Tai Fook Jewellery Group Chairman **Dr. Henry Cheng** (Right 2), Managing Director **Kent Wong** (Left 2), Finance Director **Hamilton Cheng** (Right 1) and Executive Director **Dr. Adrian Cheng** (Left 1) announces the interim results for FY2016

- End -

Chow Tai Fook Jewellery Group Limited

Chow Tai Fook Jewellery Group Limited (Stock Code: 1929) is a world-class leading jeweller listed on the Main Board of The Stock Exchange of Hong Kong in December 2011. Being the largest jeweller listed in Hong Kong by market capitalisation, which is also one of the world's top few, the Group also excels as the number one for sales in the world.

The iconic brand "Chow Tai Fook" of the Group has been widely recognised for its trustworthiness and authenticity, and renowned for product design, quality and value. The acquisition of Hearts On Fire, an internationally acclaimed U.S. luxury diamond brand, in August 2014 has further underpinned the Group's stature as a diamond expert in the industry.

The Group boasts an extensive retail network comprising over 2,290 Chow Tai Fook and Hearts On Fire stores spanning more than 500 cities in Greater China, Singapore, Malaysia, South Korea and the United States, as well as a strong and fast growing e-tail network through operating its Chow Tai Fook e-Shops and various e-tail accounts on other online shopping platforms.

The Group's sophisticated vertically integrated business model provides it with an effective and tight control over the entire operation chain from raw material procurement, design, production, to marketing and sales through its extensive POS and e-tail channels.

Media Enquiries:

Chow Tai Fook Jewellery Group Limited

Joanne Wong
Corporate Affairs, Deputy Head
Tel: +852 2138 8338
Email: joanne Wong@chowtaifook.com

Peony Sze
Corporate Affairs, Manager
Tel: +852 2138 8337
Email: peonysze@chowtaifook.com