



Chow Tai Fook (Stock Code : 1929) • A Hong Kong Main Board Listed Company

**FOR IMMEDIATE RELEASE**

## **Chow Tai Fook Announces 2016/17 Interim Results**

*Improvement in Gross Profit Margin Despite Tough Operational Environment*

### **Financial Highlights**

<b>For the six months ended 30 September (HK\$ million)</b>	<b>1HFY2016</b>	<b>1HFY2017</b>	<b>YoY Change</b>
<b>Revenue</b>	28,124	<b>21,526</b>	<b>-23.5%</b>
<b>Gross profit</b>	7,857	<b>6,828</b>	<b>-13.1%</b>
Gross profit margin (%)	27.9%	<b>31.7%</b>	<b>+3.8% pts</b>
Adjusted gross profit margin <sup>1</sup> (%)	28.5%	<b>30.1%</b>	<b>+1.6% pts</b>
<b>Core operating profit<sup>2</sup></b>	2,422	<b>1,708</b>	<b>-29.5%</b>
Core operating profit margin <sup>2</sup> (%)	8.6%	<b>7.9%</b>	<b>-0.7% pts</b>
<b>Profit for the period</b>	1,561	<b>1,268</b>	<b>-18.8%</b>
<b>Profit attributable to shareholders of the Company</b>	1,557	<b>1,222</b>	<b>-21.5%</b>
<b>Basic earnings per share (HK cents)</b>	15.6	<b>12.2</b>	<b>-21.5%</b>
<b>Dividend per share (HK cents)</b>			
Interim	8.0	<b>6.0</b>	<b>-25.0%</b>
Special	42.0	<b>15.0</b>	<b>-64.3%</b>
<b>Total</b>	50.0	<b>21.0</b>	<b>-58.0%</b>

<sup>1</sup> 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.

<sup>2</sup> Core operating profit and the corresponding margin, a non-IFRS measure, being the aggregate of adjusted gross profit, 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.

(Hong Kong, China, 22 November 2016) **Chow Tai Fook Jewellery Group Limited** (“Chow Tai Fook” or the “Company”; collectively with its subsidiaries, the “Group”; SEHK stock code: 1929), a Hong Kong Main Board listed company with over 87 years of heritage, today announces its interim results for the six months ended 30 September 2016 (“1HFY2017”).

The Group recorded a revenue of HK\$21,526 million for 1HFY2017 (1HFY2016: HK\$28,124 million), representing a year-on-year decrease of 23.5%. Gross profit amounted to HK\$6,828 million (1HFY2016: HK\$7,857 million), while adjusted gross profit margin saw an improvement of 160 basis points mainly due to an enhanced product mix and an uplift in gross profit margin of gem-set jewellery and gold products. Core operating profit was down by 29.5% to HK\$1,708 million (1HFY2016: HK\$2,422 million). Core operating profit margin was 7.9% (1HFY2016: 8.6%). Profit attributable to shareholders of the Company declined by 21.5% to HK\$1,222 million (1HFY2016: HK\$1,557 million), while earnings per share were reported at HK12.2 cents (1HFY2016: HK15.6 cents). The Board has declared an interim dividend of HK6.0 cents per share and a special dividend of HK15.0 cents per share. Excluding the special dividend, the payout ratio is approximately 49.2% in 1HFY2017.

### **Business Review**

The decline in revenue was mainly attributable to the continual weak consumer sentiment in the Greater China region and a change in purchasing behaviour of Mainland tourists. Revenue contribution from Mainland China increased steadily to 59.7% of the Group's revenue in 1HFY2017.

In 1HFY2017, the Group opened a net of 7 POS, bringing the total number of POS to 2,326 as at 30 September 2016. In Mainland China, 107 jewellery POS were opened while 94 jewellery POS were closed amid a continual consolidation and restructuring of traditional distribution channels such as department stores. In Hong Kong, China, Macau, China and other markets, the Group had a net closure of 4 POS, resulting from a closure of 6 POS in Hong Kong and Macau, and 2 openings in Malaysia and Korea, respectively. The Group continued to expand the presence of Hearts On Fire ("HOF"), opening a net of 2 POS and 31 shop-in-shop/counter-in-shop in Mainland China, Hong Kong and Macau during the period.

The Group's e-commerce in the jewellery business of Mainland China recorded a year-on-year growth of 22.5% in Retail Sales Value ("RSV"), contributing to 2.8% of the respective RSV and 7.4% of the respective retail sales volume in 1HFY2017. Average daily traffic of the Group's major e-commerce channels including Chow Tai Fook e-Shop, Tmall and JD.com accounts was 250,000 unique daily visitors, while the number of followers on Sina Weibo, Tencent Weibo and WeChat accounts reached approximately 2.7 million.

Chow Tai Fook, being a pioneer in setting industry standards, launched the "Chow Tai Fook T MARK" diamond brand in August this year, riding on the competitive edges brought from its vertically integrated business model with state-of-the-art technology. The new 4Ts concept introduced by "Chow Tai Fook T MARK" diamond brand is a breakthrough in the current industry practice by enabling customers to track the history and life journey of a natural diamond from its source.

Chow Tai Fook Chairman Dr. Henry Cheng said, "Following our signature 999.9 gold jewellery products launched in 1956 and the "Fixed Price Policy" implemented in 1990, we are proud to bring in another disruptive innovation, "Chow Tai Fook T MARK" diamond brand, as a continuation of our legacy in innovation."

To provide a more personalised shopping experience, the Group revamped in-store display by segmenting the merchandise display area by different themes of customer needs such as wedding, fashion, classic, etc. As at 30 September 2016, over 950 POS were furnished with refreshed store image in Mainland China. The Group also upgraded some POS to "high-end luxury" and "elegance" styles to meet the escalating customer expectations amid the evolving retail landscape.

The Group has also been committed to enhancing brand equity through marketing events and activities. An auction dinner for its high jewellery collection “Le Labyrinthe Artistique” was held in November. Around 440 selected high-tier members and guests joined this annual highlight where 13 sets of jewellery masterpiece were auctioned.

The Chow Tai Fook Membership Programme continued to play an important role in supporting its business growth. As at 30 September 2016, the number of members reached more than 1.4 million while the repeat purchase ratio in Mainland China and Hong Kong & Macau were 27.6% and 34.6%, respectively.

### **Prospects and Strategies**

In light of the current market conditions and macro-economic uncertainty, the Group would stay focused on improving store efficiency through continual POS consolidation to enhance store productivity in Hong Kong and Macau, while remaining selective in POS expansion in Mainland China. The Group would also enhance product offerings and extend product differentiation by promoting the distinctive “Chow Tai Fook T MARK” diamond brand, as well as rolling out more Hearts On Fire collections, fashion jewellery, licensed and proprietary collections.

The Group would further deploy the “Smart+” initiatives to understand customer preference and uplift shopping experience. Revamp of brand new store image and POS segmentation, particularly in Mainland China, would also be continued to address the needs of different customer groups. Last but not least, with a goal of achieving sustainable business development, the Group shall continue to invest in technology and talents to enhance its competitive edges.

Dr. Henry Cheng remarked, “While we hold a cautiously optimistic stance in the near term, we remain confident in the long-term prospects of the Greater China jewellery market. With our solid fundamentals, vast industry knowledge and renowned brand name, we are fully equipped to capitalise on business opportunities and emerge stronger out of the current market conditions.”

### **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 **Adrian Cheng** (Left 1) announce the interim results for FY2017

- End -

**Chow Tai Fook Jewellery Group Limited**

Chow Tai Fook Jewellery Group Limited (Stock Code: 1929) was listed on the Main Board of The Stock Exchange of Hong Kong in December 2011.

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. premium 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 2,300 Chow Tai Fook and Hearts On Fire stores spanning more than 500 cities in Greater China, Singapore, Malaysia, 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**

Danita On  
Director, Investor Relations and  
Corporate Communications  
Tel: (852) 2138 8501  
Email: [danitaon@chowtaifook.com](mailto:danitaon@chowtaifook.com)

Peony Sze  
Manager, Investor Relations and  
Corporate Communications  
Tel: (852) 2138 8337  
Email: [peonysze@chowtaifook.com](mailto:peonysze@chowtaifook.com)