



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

**FOR IMMEDIATE RELEASE**

**Chow Tai Fook Announces Promising FY2018 Annual Results**

*Solid Revenue Growth on the Back of Upward Market Momentum*

**Financial Highlights**

| For the year ended 31 March                               | 2017<br>(HK\$ million) | 2018<br>(HK\$ million) | YoY<br>change |
|---|------------------------|------------------------|---------------|
| <b>Revenue</b>  | 51,246                 | <b>59,156</b>          | <b>+15.4%</b> |
| <b>Gross profit</b>                                       | 14,963                 | <b>16,213</b>          | <b>+8.4%</b>  |
| <i>Gross profit margin</i>                                | 29.2%                  | <b>27.4%</b>           |               |
| <i>Adjusted gross profit margin<sup>1</sup></i>           | 28.5%                  | <b>27.2%</b>           |               |
| <b>Core operating profit<sup>2</sup></b>                  | 4,649                  | <b>5,606</b>           | <b>+20.6%</b> |
| <i>Core operating profit margin<sup>2</sup></i>           | 9.1%                   | <b>9.5%</b>            |               |
| <b>Profit attributable to shareholders of the Company</b> | 3,055                  | <b>4,095</b>           | <b>+34.0%</b> |
| <b>Earnings per share - Basic</b>                         | HK30.6 cents           | <b>HK40.9 cents</b>    | <b>+34.0%</b> |
| <b>Dividend per share<sup>3</sup></b>                     | HK51.0 cents           | <b>HK57.0 cents</b>    |               |
| <i>Full year dividend</i>                                 | HK16.0 cents           | <b>HK27.0 cents</b>    |               |
| <i>Special dividend</i>                                   | HK35.0 cents           | <b>HK30.0 cents</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 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*

<sup>3</sup> *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%*

(Hong Kong, China, 7 June 2018) **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 89 years of heritage, today announces its annual results for the year ended 31 March 2018 (“FY2018”).

The Group recorded a revenue of HK\$59,156 million for FY2018 (FY2017: HK\$51,246 million), representing a year-on-year increase of 15.4%. Gross profit amounted to HK\$16,213 million (FY2017: HK\$14,963 million). Adjusted gross profit margin was down by 130 basis points in FY2018. Thanks to the encouraging business performance and operating leverage, core operating profit surged by 20.6% to HK\$5,606 million (FY2017: HK\$4,649 million).

Profit attributable to shareholders of the Company rose 34.0% to HK\$4,095 million (FY2017: HK\$3,055 million). Basic earnings per share were reported at HK40.9 cents (FY2017: HK30.6 cents). The Board has proposed a final dividend of HK15.0 cents per share and a special dividend of HK30.0 cents per share. Dividend per share for the year amounted to HK57.0 cents. Excluding special dividend, payout ratio approximated 66% in FY2018.

## **Business Review**

FY2018 was a year of recovery with encouraging development. The retail market in Greater China has regained its upward momentum, leading to a vibrant performance for the Group. In Mainland China and Hong Kong, China and Macau, China, Same Store Sales Growth (“SSSG”) turnaround commenced in 2HFY2017 and the recovery trend sustained into FY2018. Driven by both Average Selling Price (“ASP”) and volume growth in both markets, SSSG in Hong Kong and Macau stood at 10.2% in FY2018 and registered a stronger volume growth than Mainland China, while Same Store Sales in Mainland China grew by 8.0% in FY2018. Including e-commerce business, Mainland China SSSG would be 10.8%.

In FY2018, the Group opened a net of 204 points of sale (“POS”), bringing the total number of POS to 2,585 as at 31 March 2018. In Mainland China, on the back of an overall recovery of jewellery and retail market, net openings reached 203 POS during the financial year, of which, 199 POS were opened under Chow Tai Fook Jewellery brand. In Hong Kong and Macau, consolidation of POS in touristic area continued while there were openings focusing in residential neighbourhoods, resulted in net closures of 3 POS in FY2018. The Group also opened 2 POS in Korea and 2 POS in Japan during the financial year.

For the retail network management in Mainland China, a two-pronged strategy shall be adopted to further the Group’s business development in different tiers of cities. While the Group would remain selective in openings and focus on uplifting the ASP in Tier I and II cities, market penetration in lower tier cities would be the priority. The pace of expansion will be accelerated to capitalise on the rapid urbanisation and infrastructural development in these areas.

To meet a wide spectrum of customer needs, the Group has implemented a multi-brand strategy, developing six other brands besides the iconic brand Chow Tai Fook Jewellery. They are House 1929, Hearts On Fire, Jewelria, CHOW TAI FOOK T MARK, SOINLOVE and MONOLOGUE.

CHOW TAI FOOK T MARK has been gaining strength since its launch in 2016, reflecting customer demand and expectations for true diamond authenticity and traceability. As at 31 March 2018, there were 258 counter-in-shop (“CIS”) in Mainland China and 41 CIS in Hong Kong and Macau selling T MARK products. T MARK products accounted for 11.5% and 15.6% of diamond product Retail Sales Value (“RSV”) in Mainland China and Hong Kong and Macau, respectively in FY2018.

Presence of Hearts On Fire is primarily in shop-in-shop (“SIS”)/CIS format by leveraging the Group’s extensive retail network in Greater China. As at 31 March 2018, there were 20 POS and 192 SIS/CIS, in addition to 517 retailer locations. In FY2018, Hearts On Fire contributed 2.6% and 3.7% of diamond product RSV in Mainland China and Hong Kong and Macau, respectively.

Tapping Mainland China’s affordable luxury bridal jewellery market, the Group unveiled SOINLOVE in April 2017. As at 31 March 2018, there were 9 SOINLOVE POS. To address the millennials’ demand in Mainland China, the Group also introduced MONOLOGUE in 2016 and had a total of 11 POS as at 31 March 2018.

To cope with the evolving consumer expectation, the Group continued to enhance customer experience both in-store and online. Five experience shops in different themes were rolled out in Hong Kong to deliver a rejuvenated shopping experience in FY2018. Riding on the sweeping trend towards online transactions through smartphones, the Group leveraged the power of instant sharing on social media platforms to boost the sales of its collections. The Group also rolled out the self-service experience corner with the idea of “grab-and-go” for jewellery retail during FY2018, offering its customers a faster checkout process and a more convenient shopping experience.

E-commerce business accelerated and registered a significant growth of 73.2% in FY2018, benefitted from a strengthened co-operation with the Group’s major online platform partners. It contributed to 4.8% of RSV and 12.5% of retail sales volume in Mainland China.

As at 31 March 2018, the Group had 1,300,000 members in its membership programme in Mainland China and 817,000 members in Hong Kong and Macau. Members’ repeat purchase as a percentage of respective RSV in Mainland China and Hong Kong and Macau increased steadily to 30.7% and 32.8%, respectively.

### **Prospects and Strategies**

FY2018 was a year of recovery with resilient business performance seen in both Mainland China and Hong Kong and Macau. On the back of the shifting retail landscape, the Group remains confident in the prospects of the Greater China jewellery market in FY2019 and beyond.

The Group has embarked on the “Smart+ 2020” three-year strategic work plan since FY2018 committing to delivering seamless experiences to customers in the long-term with five areas of focus: (1) introducing more product offerings and innovations coupled with the launch of 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. These five key areas enable the Group to explore new customer segments and unleash the full potential of its capabilities.

Chow Tai Fook Chairman Dr. Henry Cheng remarked, “Chow Tai Fook is proudly approaching the 90<sup>th</sup> anniversary. We will, as always, continue to uphold our leading edges to bring our business to fruition by meticulously executing our “Smart+ 2020” strategic framework. We believe that the customer-centric approach fortified with our iconic and trusted brand value would further solidify our status as the industry leader.”

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## **Chow Tai Fook Jewellery Group Limited**

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

Founded in 1929, the Group's iconic brand "Chow Tai Fook" has been widely recognised for its trustworthiness and authenticity, and is renowned for its product design, quality and value. The success of the Group and its iconic brand is rooted in innovation, craftsmanship and heritage. The Group also holds other jewellery brands including CHOW TAI FOOK T MARK, Hearts On Fire, MONOLOGUE and SOINLOVE, which are the first examples of a long term multi-brand strategy rollout.

The Group's commitment to sustainable growth is anchored in its "Smart+" strategy, which is in place to promote long term innovation in the business, in people and in culture. Another asset underpinning sustainable growth is a sophisticated vertically integrated business model. This supports the Group by fostering excellence and extending opportunities along the entire value chain to communities and industry partners.

With an extensive retail network in Greater China, Korea, Japan, Singapore, Malaysia and the United States, and a fast-growing e-commerce business, the Group is implementing effective online-to-offline ("O2O") strategies to succeed in today's omni-channel retail environment.

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