



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

FOR IMMEDIATE RELEASE

Chow Tai Fook Announces FY2015 Annual Results

Financial Highlights

HK\$ million	FY2015	FY2014	YoY Change
	(For the year ended 31 March)		
Revenue	64,277.0	77,407.1	-17.0%
Gross profit	19,072.4	21,152.3	-9.8%
Gross profit margin (%)	29.7	27.3	2.4% points
Net profit	5,535.8	7,449.2	-25.7%
Net profit margin (%)	8.6	9.6	-1.0% points
Profit attributable to shareholders of the Company	5,456.0	7,272.0	-25.0%
Basic earnings per share (HK cents)	54.6	72.7	-25.0%
Dividend per share (HK cents)			
Interim	13.0	17.0	-23.5%
Final	15.0	19.0	-21.1%
Total	28.0	36.0	-22.2%

(Hong Kong, China, 5 June 2015) Chow Tai Fook Jewellery Group Limited (“Chow Tai Fook” or the “Company”; collectively with its subsidiaries, the “Group”; 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 annual results for the year ended 31 March 2015 (“FY2015”).

During FY2015, the Group recorded a revenue of HK\$64,277.0 million (FY2014: HK \$77,407.1 million), representing a decrease of 17.0% year-on-year. Gross profit decreased 9.8% to HK\$19,072.4 million (FY2014: HK\$21,152.3 million), while gross profit margin increased 240 basis points to 29.7% (FY2014: 27.3%). Net profit decreased 25.7% to HK \$5,535.8 million (FY2014: HK\$7,449.2 million). The net profit margin was 8.6% (FY2014: 9.6%). Profit attributable to shareholders of the Company amounted to HK\$5,456.0 million (FY2014: HK\$7,272.0 million). Basic earnings per share were HK54.6 cents (FY2014: HK72.7 cents). The Board of Directors has recommended a final dividend of HK15.0 cents per share (FY2014: HK19.0 cents per share).

The decline in revenue in FY2015 was attributable to the exceptionally high base effect as a result of the gold rush in FY2014 and a weak consumer sentiment, especially in Hong Kong, China and Macau, China market, during the second half of FY2015.

As demand for gold products became normalised gradually on the one hand, the Group was able to capture the growing potential of gem-set jewellery products on the other to improve the product mix remarkably. Thanks to the stable volume growth of gem-set jewellery which enjoys a higher margin, the Group saw an increase in gross profit margin in FY2015.

Speaking of the Group's annual results, Chairman Dr. Henry Cheng said, "In spite of the headwind in FY2015, continuous urbanisation and a growing middle-class have us convinced that growth opportunities still abound in Mainland China, and the Group will continue to focus on Greater China while maintaining our leadership position throughout the region. We will continue with our efforts in different areas of our business to further the distinctive strengths of the Chow Tai Fook brand. Integrating our online and offline channels, leveraging technology to introduce brand new experiences for our customers, rewarding our most loyal customers and, last but not least, maximising our operational efficiency are our guiding principles."

Business Review

Jewellery business in Mainland China continued to be the largest segment of the Group's business and contributed 55.9% to the Group's revenue, while the jewellery and watch business in Hong Kong, Macau and other markets contributed 41.1%. The remaining 3.0% was contributed by the watch business in Mainland China.

The Group continued its retail network expansion in FY2015. As at 31 March 2015, the Group's POS totalled 2,257 with a net increase of 180 POS, of which one was opened in Jeju Island, South Korea as the Group extended its footprint to this new market to capture the purchasing power of overseas Mainland tourists. The Group also further developed its e-tail network to strengthen its capability to reach more online customers, particularly the younger generation.

E-commerce, which recorded a 29.3% y-o-y growth in Retail Sales Value ("RSV"), played a growing strategic role in e-marketing, O2O synergy and customer relationship management (CRM). Leveraging online social media, mobile platforms and various smart tools, the Group approached and engaged existing and potential customers in innovative campaigns efficiently and effectively. Among all, the Group was the first jewellery retailer partnering with WeChat to deploy the Bluetooth-based iBeacon technology for proximity marketing in some promotional campaigns and achieved resounding success in attracting customers and generating sales.

During the year under review, the Group continued to build a multi-faceted brand image to appeal to customers with different demands and expectations. In celebration of its 85th Anniversary, the Group collaborated with four world industry leaders, namely Forevermark, Platinum Guild International, Rio Tinto and World Gold Council, to create world-class masterpieces and jewellery collections. The 14 sets of breathtaking jewellery created for the annual High Jewellery Collection "Reflections of Siem" received overwhelming response at the Group's annual auction.

In August 2014, the Group acquired Hearts On Fire ("HOF"), an internationally acclaimed luxury diamond brand, to strategically complement the Group's existing product portfolio with an exclusive premium diamond jewellery line and to underpin its profile as the world's diamond expert in the industry. The Group opened Mainland China's first HOF standalone store in Shanghai in December 2014, followed by the second one in Nanjing in January 2015.

Wedding jewellery continued to be a core part in the mass luxury jewellery segment. Its contribution to the Group's RSV increased to approximately 40% from around 30% over the previous years. In addition, the Group collaborated with multinationals and celebrities to develop fashion jewellery and youth line products. For instance, the Group worked with Rio Tinto to launch the "Chow Tai Fook Sunshine" collection complemented by the first ever "diamond

traceability certificate” jointly issued to appeal to customers who look for authentic diamond jewellery. The Group also launched exclusive youth line jewellery collections in collaboration with South Korean idols G-Dragon and Lee Min Ho. Leveraging multi-channel sales and marketing campaigns, the crossover endeavors were of great success in winning target customers and sales.

The Group’s Chow Tai Fook Membership Programme continued to play a key role in building a strong customer base with satisfactory results. The number of members in FY2015 surged to 1.5 million in Mainland China and 202,000 in Hong Kong and Macau. Repeat purchases from members have increased steadily since the programme was revamped in 2013 and accounted for 29.2% (FY2014: 23.4%) and 19.3% (FY2014: 17.5%) of the RSV in Mainland China and Hong Kong and Macau, respectively.

The Group continued to invest in strengthening its operations to support continual business growth and sustainable development. The Group’s development project Chow Tai Fook Jewellery Park (“Jewellery Park”) in Wuhan, Hubei began production in September 2014 and will have an annual production capacity of approximately 1.8 million jewellery pieces in FY2016. In October 2014, a land parcel of approximately 165,000 square metres was secured for Phase Two development. The Jewellery Park will strengthen the Group’s vertically integrated business model by enhancing the capacity and efficiency of the operation chain in the mid and down streams substantially.

The Group’s relentless effort in developing and applying new technologies was rewarding with notable enhancement of productivity and efficiency. Its award-winning “ICS RFID-technology Deployment” (“IRD”) project which successfully integrated RFID and IoT technologies with the Group’s inventory management system, facilitates efficient and accurate logistics management, stock-taking and sales operations through the use of newly developed RFID-enabled and IoT-based smart devices. In particular, the customer serving tray “Smart Tray” enables enhanced customer experience and big data analysis for understanding customers and formulating business strategies.

Prospects and Strategies

Despite the challenges ahead, the Group remains cautiously optimistic about the outlook of FY2016. While business momentum in Hong Kong and Macau will be slow amid the macro headwinds, the Mainland China market is anticipated to see a faster recovery as the wealth effect brought forth by the booming capital market is expected to benefit the jewellery industry. In the long run, the Group is positive about the jewellery market growth in Greater China.

In support of the Group’s sustainable development, the Group will continue to penetrate into Tier II and lower tier cities leveraging more on franchisees’ local knowledge and network. While in Hong Kong and Macau, a flexible approach in POS opening and consolidation will continue for optimising store productivity and efficiency. The Group is also open to opportunities in other Asia markets riding on the fast growing trend of overseas travel of Mainland Chinese tourists. The Group strives to develop omni-channel retailing to offer seamless shopping experience to customers. To build HOF’s presence in Greater China, the Group strategically opens HOF standalone stores in prime locations in Tier I and Tier II cities in Mainland China for image building while opening “shop-in-shop” and “counter-in-shop” simultaneously leveraging Chow Tai Fook’s extensive retail network and customer base.

Human resources are the Group's greatest assets and the Group is committed to investing in training and development to help employees equip themselves with the skillset and mindset necessary for professional growth. The Group has worked to establish in phase the Chow Tai Fook Academy which will commence in June 2015 to foster employees' professional development.

Kent Wong, the Group's Managing Director, remarked, "We are pleased that FY2015 represents a year of progress to our team amid challenges. We remain committed to a balanced approach of growth and return, and will further strengthen the Group's market development, products, brand management and marketing, operations as well as management so as to bring steady and sustainable growth over the long run."

PHOTO CAPTION



(From left to right) Chow Tai Fook Jewellery Group Executive Director **Dr. Adrian Cheng**, Managing Director **Kent Wong**, Chairman **Dr. Henry Cheng** and Finance Director **Hamilton Cheng**

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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 2,250 Chow Tai Fook and Hearts On Fire points of sale spanning nearly 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 eShops 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: joannewong@chowtaifook.com

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