



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

FOR IMMEDIATE RELEASE

Chow Tai Fook Announces FY2016 Annual Results

Financial Highlights

For the year ended 31 March (HK\$ million)	FY2015	FY2016	YoY Change
Revenue	64,277.0	56,591.5	-12.0%
Contribution of gem-set jewellery (%)	27.0	27.4	+0.4% points
Gross profit	19,072.4	15,641.4	-18.0%
Gross profit margin (%)	29.7	27.6	-2.1% points
Adjusted gross profit margin ¹ (%)	29.2	28.9	-0.3% points
Selling and distribution costs and general and administrative expenses ("SG&A")	12,344.4	11,623.4	-5.8%
SG&A to revenue ratio (%)	19.2	20.5	+1.3% points
Core operating profit²	6,690.8	5,050.0	-24.5%
Core operating profit margin² (%)	10.4	8.9	-1.5% points
Profit attributable to shareholders of the Company	5,456.0	2,941.4	-46.1%
Basic earnings per share (HK cents)	54.6	29.4	-46.1%
Dividend per share (HK cents)			
Interim	13.0	8.0	-38.5%
Final	15.0	8.0	-46.7%
Special ³	NA	64.0	NA
Total	28.0	80.0	+185.7%

¹ 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.

² Core operating profit and the corresponding margin, a non-IFRS measure, being the aggregate of gross profit and other income, less SG&A 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 The proposed special dividend and paid special dividend in FY2016 are HK22.0 cents and HK42.0 cents per share, respectively.

(Hong Kong, China, 7 June 2016) **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 with 87 years of heritage, today announces its annual results for the year ended 31 March 2016 ("FY2016").

During FY2016, the Group recorded a revenue of HK\$56,591.5 million (FY2015: HK\$64,277.0 million), representing a decline of 12.0% year-on-year. Excluding the unrealised hedging loss on gold loans, net foreign exchange loss and amortisation of other intangible assets, core operating profit was down by 24.5% to HK\$5,050.0 million (FY2015: HK\$6,690.8 million), following a decline in revenue and gross profit margin. Core operating profit margin was 8.9% (FY2015: 10.4%). Profit attributable to shareholders of the Company amounted to HK\$2,941.4 million (FY2015: HK\$5,456.0 million). Basic earnings per share were HK29.4 cents (FY2015: HK54.6 cents). The Board of Directors recommended a final dividend of HK8.0 cents per share and a special dividend of HK22.0 cents per share. Excluding proposed and paid special dividends, the full year payout ratio approximates to 54.4%.

Chow Tai Fook Chairman Dr. Henry Cheng said, “FY2016 was a year filled with challenges and uncertainties amid volatile macro-economic environment in Greater China. Yet, the Group’s underlying competences remain strong against the backdrop of headwinds. We will continue to invest for the future to maintain our competitive advantages, and to capture the market opportunities through our well-established brand and extensive industry experience.”

Business Review

Our revenue reported a decline of 12.0% mainly attributable to the continual weak consumer sentiment and the diversion of Mainland tourists to other overseas’ travel destinations as US dollar strengthened. Revenue contribution from the jewellery business in Mainland China increased steadily to 56.3% of the Group’s revenue in FY2016, while revenue contribution from Hong Kong, China, Macau, China and other markets went further down to 39.2%. Revenue mix from gem-set jewellery showed a gradual increase to 27.4% during the year, while that from gold products also increased to 55.3% due to a surge of demand for gold products as gold price tumbled in July and August last year.

In FY2016, the Group opened a net of 62 POS, bringing a total of 2,319 POS as at 31 March 2016. Following the completion of the acquisition of Hearts On Fire (“HOF”), the internationally acclaimed premium diamond brand, the Group has successfully expanded its presence by leveraging Chow Tai Fook’s strong retail network, with 5 POS and 136 shop-in-shops and counter-in-shops developed in Mainland China, Hong Kong and Macau.

The Group’s e-commerce business in Mainland China recorded a remarkable year-on-year growth of 51.7% in Retail Sales Value (“RSV”) measured at constant exchange rates and contributed 2.3% of the respective RSV in FY2016. Average daily traffic of the Group’s major e-commerce channels including Chow Tai Fook e-Shop, Tmall and JD.com accounts reported an increase of unique daily visitors to 268,000, while the number of followers on Sina Weibo, Tencent Weibo and WeChat accounts reached more than 2.3 million followers.

During the year under review, the Group continued to uplift its brand equity by unveiling high-end and one-of-a-kind auction jewellery, such as the Cullinan masterpiece “A Heritage in Bloom” and the high jewellery collection “Le Labyrinthe Artistique”. The Group also rode on the popularity of blockbusters such as “Star Wars” and “Batman v Superman” and launched their licensed collections.

The Chow Tai Fook Membership Programme continued to play a critical role in supporting our business growth. As at 31 March 2016, the number of members reached more than 1.4 million while the repeat purchase ratio in Mainland China and Hong Kong & Macau recorded 29.0% and 26.0%, respectively.

Prospects and Strategies

Despite market volatilities ahead, the Group remains optimistic about the long-term growth potential of its business in Greater China.

In light of the macro headwinds in the markets that the Group operates, consolidation of POS to enhance store productivity shall continue in Hong Kong and Macau, whereas the Group will adopt a more selective and targeted approach in POS expansion in Mainland China. The Group is also committed to promoting effective product management by refreshing our gem-set jewellery portfolio and launching exclusive and licensed collections with contemporary designs and gimmicks in order to arouse publicity.

Our “Smart+” initiatives highlight our focus in extracting more online-to-offline synergies and uplift customer experience through the use of the Internet and technology. The Group will continue to lever on the initiatives to offer personalised shopping experience and develop more effective marketing programs through collaborations with business partners. Smart devices are also deployed in operations to understand customer preference and refine our business strategies.

Last but not least, the Group is committed to developing sustainable business through on-going investment in the infrastructure of the Company and enhancing staff development through Chow Tai Fook Academy and other professional trainings.

Kent Wong, the Group’s Managing Director, remarked, “In light of the ever-changing market and the new opportunities arising from it, we have risen to the challenges and sought to keep the right initiatives in place for sustainable development over the long run.”

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 annual results for FY2016

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, and has become the largest jeweller listed in Hong Kong by market capitalisation.

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, 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.

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