



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

FOR IMMEDIATE RELEASE

Chow Tai Fook Announces FY2017 Annual Results

Turnaround in 2HFY2017 Amid Stabilising Fundamentals

Financial Highlights

For the year ended 31 March (HK\$ million)	FY2016	FY2017	YoY Change
Revenue	56,592	51,246	-9.4%
Contribution of gem-set jewellery ¹ (%)	26.8	25.3	-1.5% pts
Gross profit	15,641	14,963	-4.3%
Gross profit margin (%)	27.6	29.2	+1.6% pts
Adjusted gross profit margin ² (%)	28.9	28.5	-0.4% pts
Core operating profit³	5,050	4,649	-7.9%
Core operating profit margin ³ (%)	8.9	9.1	+0.2% pts
Profit attributable to shareholders of the Company	2,941	3,055	+3.9%
Basic earnings per share (HK cents)	29.4	30.6	+3.9%
Dividend per share (HK cents)			
Interim	8.0	6.0	-25.0%
Final	8.0	10.0	+25.0%
Special ⁴	64.0	35.0	-45.3%
Total	80.0	51.0	-36.3%

¹ Revenue from jewellery trading and service income from franchisees excluded.

² 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.

³ 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.

⁴ The proposed special dividend and paid special dividend in FY2017 are HK20.0 cents and HK15.0 cents per share, respectively.

(Hong Kong, 8 June 2017) **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 88 years of heritage, today announces its annual results for the year ended 31 March 2017 (“FY2017”).

The Group recorded a revenue of HK\$51,246 million for FY2017 (FY2016: HK\$56,592 million), representing a year-on-year decrease of 9.4%. Gross profit amounted to HK\$14,963 million (FY2016: HK\$15,641 million), while adjusted gross profit margin was reduced by 40 basis points year-on-year primarily as sales contribution of gold products increased. Core operating profit was down by 7.9% to HK\$4,649 million (FY2016: HK\$5,050 million). Core operating profit margin was 9.1% (FY2016: 8.9%). Profit attributable to shareholders of the Company increased by 3.9% to HK\$3,055 million (FY2016: HK\$2,941 million). Earnings per share were reported at HK30.6 cents (FY2016: HK29.4 cents). The Board has proposed a final dividend of HK10.0 cents per share and a special dividend of HK20.0 cents per share. Excluding proposed and paid special dividends, the payout ratio approximates to 52.0% in FY2017.

Business Review

Full year revenue reported a decline of 9.4% with an improving trend noted in the second half of FY2017 (“2HFY2017”). As operations stabilised, revenue grew by 4.4% year-on-year in 2HFY2017, a remarkable improvement versus a year-on-year decline of 23.5% in 1HFY2017. Both reportable segments, Mainland China, and Hong Kong, Macau and other markets, showed encouraging signs of turnaround in 2HFY2017. Hong Kong, Macau and other markets returned to a revenue growth of 0.8% during 2HFY2017 whereas Mainland China recorded an even stronger rebound of 6.8% year-on-year. Revenue contribution from Mainland China increased steadily over the past few years, and contributed to over 60% of the Group's revenue in FY2017.

In FY2017, the Group opened a net of 67 POS in Mainland China, with gross openings of 235 POS and closures of 168 POS. The POS reduction had moderated during the year amid an easing trend of consolidation in department stores. In Hong Kong and Macau, the Group continued to optimise the retail network to enhance efficiency and productivity, resulting in a net closures of 7 POS during the year. The Group also opened 3 POS in Korea, Malaysia and the United States to capture the opportunities arising from the demand of Chinese customers there. As at 31 March 2017, the number of the Group's POS totalled 2,381.

The Group's e-commerce in Mainland China recorded a robust growth of 41.4% year-on-year in Retail Sales Value (“RSV”), contributing to 3.3% of RSV and 9.3% of retail sales volume in Mainland China. Average daily online traffic of the Group's major e-commerce channels including Chow Tai Fook e-Shop, Tmall and JD.com accounts reached approximately 364,000 unique visitors, while the number of followers on Sina Weibo, Tencent Weibo and WeChat accounts reached approximately 3.0 million. Thanks to our strengthened co-operation with major online platform partners, e-commerce business growth accelerated in 2HFY2017. A notable example is our online order distribution initiatives with JD.com and Tmall. Orders on online platforms are routed directly to physical POS nearby the customers. By mobilising our extensive physical retail network, the Group can achieve full online-to-offline (“O2O”) interactions and enhance customer experience by shortening delivery time and cost.

Since the launch of CHOW TAI FOOK T MARK diamond brand, a disruptive innovation and revolutionary product offering, in August last year, 75 and 27 POS in Mainland China and in Hong Kong and Macau, respectively have been carrying CHOW TAI FOOK T MARK products. In FY2017, CHOW TAI FOOK T MARK products contributed 2.8% and 5.2% of the RSV of the Group's diamond products sold in Mainland China and in Hong Kong and Macau, respectively.

As at 31 March 2017, our members reached over 1.6 million, with the repeat purchase ratio in Mainland China, and Hong Kong and Macau recorded 27.2% and 29.5%, respectively. In particular, members in the top 3 tiers in Mainland China accounted for 3.6% of total while contributed a repeat purchase ratio of 8.7%. Members in the top 3 tiers in Hong Kong and Macau delivered a repeat

purchase ratio of 11.5%.

Prospects and Strategies

Mainland China is on track to become a consumption led economy and a moderately prosperous society, which bodes well for the retail industry, especially the luxury sector, in the long term. While in Hong Kong and Macau, the retail industry is undergoing structural changes inevitably as travel patterns and spending preferences of Chinese tourists have changed.

In view of such changing retail landscape, the Group would stay selective in POS openings in Mainland China while continuing to optimise the retail network in Hong Kong and Macau. As a long term initiative, the Group is reaching out to business prospects in developing wholesale business in the United States.

To cater to the increasingly sophisticated customers, the Group would further enhance the engagement with different customers and enrich their experience. Product offerings will be strengthened with stepped up efforts in CHOW TAI FOOK T MARK, Hearts On Fire and licensed fashion jewellery collections. Store differentiation and multi-brand strategy would be deployed, and O2O interactions would be further fostered.

The Group recognises the importance of utilising technology in operations and would carry on with the “Smart+” initiatives. The Group would continue to leverage smart devices to support O2O and seamless shopping experience, while investing on big data and data analytics to get better understanding of customers’ preference.

Chow Tai Fook Chairman Dr. Henry Cheng remarked, “Although there is still a long way to a full-fledged recovery for our operations, we will remain focused in striving for sustainable growth by meticulously executing our initiatives. We have started to provide a holistic jewellery retail solution on a global scale by leveraging our vertically integrated business model. Last but not least, adhering to our core value of “Sincerity • Eternity”, we shall maintain an excellent standard in our products and services so as to fortify our iconic and trusted brand value.”

PHOTO CAPTION



Chow Tai Fook Jewellery Group Executive Director **Adrian Cheng** (Middle), Managing Director **Kent Wong** (Left) and Finance Director **Hamilton Cheng** (Right) announce the annual results for FY2017

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 POS of Chow Tai Fook and Hearts On Fire spanning more than 500 cities in Greater China, Singapore, Malaysia, Korea, Japan and the United States, as well as a fast growing e-tail network through operating its Chow Tai Fook e-shop and other e-tail accounts on major 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 distribution channels.

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