



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

FOR IMMEDIATE RELEASE

Chow Tai Fook Announces Encouraging 2017/18 Interim Results

Resumed Market Recovery Lifted Revenue and Profitability

Financial Highlights

For the six months ended 30 September (HK\$ million)	1HFY2017	1HFY2018	YoY Change
Revenue	21,526	24,754	+15.0%
Gross profit	6,828	7,166	+4.9%
Gross profit margin (%)	31.7	28.9	-2.8% pts
Adjusted gross profit margin ¹ (%)	30.1	28.7	-1.4% pts
Core operating profit²	1,708	2,396	+40.3%
Core operating profit margin ² (%)	7.9	9.7	+1.8% pts
Profit attributable to shareholders of the Company	1,222	1,779	+45.6%
Basic earnings per share (HK cents)	12.2	17.8	+45.6%
Dividend per share (HK cents)			
Interim	6.0	12.0	+100.0%
Special	15.0	-	N/A
Total	21.0	12.0	-42.9%

¹ Adjusted gross profit margin, a non-IFRS measure, eliminates the effect of unrealised hedging 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 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, 21 November 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 interim results for the six months ended 30 September 2017 (“1HFY2018”).

The Group recorded a revenue of HK\$24,754 million for 1HFY2018 (1HFY2017: HK\$21,526 million), representing a year-on-year increase of 15.0%. Gross profit amounted to HK\$7,166 million (1HFY2017: HK\$6,828 million), while reported gross profit margin was reduced by 280 basis points year-on-year primarily as a huge unrealised hedging gain of HK\$357 million was recorded in the same period last year, whereas a much smaller unrealised hedging gain of HK\$69 million was recorded during the period. Thanks to the improving sales momentum and operating leverage, core operating profit surged by 40.3% to HK\$2,396 million (1HFY2017: HK\$1,708 million). Profit attributable to shareholders of the Company increased significantly by 45.6% to HK\$1,779 million (1HFY2017: HK\$1,222 million). Earnings per share were reported at HK17.8 cents (1HFY2017: HK12.2 cents). The Board has declared an interim dividend of HK12.0 cents per share. The payout ratio approximates 67.4% in 1HFY2018.

Business Review

The early signs of recovery in the jewellery industry which began in 2HFY2017 have extended into 1HFY2018. This resumed market recovery has also been felt in the Group's operations, leading to encouraging Group results during 1HFY2018. Same Store Sales Growth in both reportable segments continued to rebound. Same Store Sales in Mainland China increased by 10.3%, mainly driven by ASP, while that the growth of Hong Kong and Macau of 9.5% was primarily driven by volume.

In 1HFY2018, the Group opened a net of 107 POS, bringing the total number of POS to 2,488 as at 30 September 2017. In Mainland China, on the back of a general resumption of growth in the jewellery market and an easing trend of consolidation in conventional department stores, net openings amounted to 112 POS. In Hong Kong and Macau, consolidation of network continued in 1HFY2018. Closures were focused in touristic area while there were openings in residential neighbourhoods, resulting in a net closure of 7 POS. The Group also opened 1 POS in the United States and 2 POS in Japan to capture the opportunities arising from the demand of local customers and travellers in these regions.

E-commerce business of the jewellery business in Mainland China further accelerated in 1HFY2018, registering an impressive Retail Sales Value ("RSV") growth of 120.4%, mainly thanks to a strengthened co-operation with major online platform partners. It contributed to 5.4% of RSV and 13.4% of retail sales volume in the jewellery business of Mainland China.

CHOW TAI FOOK T MARK, the Group's revolutionary diamond brand, continued to make healthy progress since its debut in August last year, reflecting its unique product innovation to create a brand new customer experience. As at 30 September 2017, 198 POS in Mainland China and 33 POS in Hong Kong and Macau carried CHOW TAI FOOK T MARK products.

The Group expanded the presence of Hearts On Fire primarily in shop-in-shop/counter-in-shop format through the Group's extensive retail network. As at 30 September 2017, more than 180 POS in Mainland China and 20 POS in Hong Kong and Macau carried Hearts On Fire jewellery. To boost the brand awareness in Greater China, the Group invited famous Chinese actress Zhao Liying and contemporary artist Cheng Ran to collaborate on a photography exhibition themed "Fire" in Shanghai K11 in November 2017, where Hearts On Fire collections were showcased in the event.

Store differentiation has been an on-going exercise in recent years in response to customers' demand for unique and personalised shopping experience. Monologue, launched last year, carries a unique brand DNA of individuality and style distinctions to appeal to millennials. As at 30

September 2017, there were 6 Monologue-branded POS in Mainland China. SOINLOVE, with products and store layout enriched with a romantic ambience, is catered to the wedding market. During 1HFY2018, the Group opened 6 SOINLOVE-branded POS in Mainland China focusing on Tier I and II cities.

POS of the Chow Tai Fook jewellery brand are segmented into different styles in Mainland China to serve different customer clusters. Further refurbishment on store interior designs is in the pipeline. In Hong Kong and Macau, 2 POS with refreshed store layouts and themes have been introduced in Tsuen Wan and Yuen Long to accommodate the local customer profile and positioning of the respective shopping malls during the period.

As at 30 September 2017, our members reached over 1.73 million, with the repeat purchase ratio in Mainland China, and in Hong Kong and Macau of 30.5% and 32.5%, respectively.

Prospects and Strategies

FY2018 will be a turning point for the Group's business given the jewellery market recovery. Although the recovery is gradual and mild, the industry is expected to return to a stable yet sustainable growth.

To capitalise on this recovery, the Group's network expansion in Mainland China is expected to continue in 2HFY2018, in view of the improving general consumer sentiment, while continuing to optimise POS efficiency in touristic area and selectively open stores in residential neighbourhoods in Hong Kong and Macau. The Group will also progressively expand wholesale business in the United States with reputable branded retailers.

To bolster its sustainability, the Group would intensify its focus on customer experience by differentiating product offerings through innovations, exquisite craftsmanship and compelling designs, and continuing store differentiation to increase the uniqueness of multiple brands. Production and operations will be enhanced from a customer-centric perspective. Customer relationship will also be further elevated through the membership programme of the Group.

Chow Tai Fook Chairman Dr. Henry Cheng remarked, "Despite the ups and downs in the economy, there is always a genuine demand for jewellery as it is deeply attached to emotional needs and desired in different important occasions. We therefore remain optimistic about the long-term prospects of the jewellery market. Through preserving, passing on and promoting artisanal and innovative spirits, we strive to facilitate the upgrade of cultural standard of the general population so as to create a better future for the society. At the same time, our efforts will contribute to the sustainability of the Group."

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 interim results for FY2018

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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 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 legacy of the Group and its iconic brand is rooted in innovation, craftsmanship and heritage. The Group also encompasses other jewellery brands including Hearts On Fire, Monologue and SOINLOVE.

The Group's commitment to sustainability is anchored in its "Smart+" initiatives which have been in place to promote innovation surrounding its business, people and culture. Another asset underpinning its sustainability is a sophisticated vertically integrated business model which supports the Group in fostering excellence and extending opportunities along the entire value chain. With an extensive retail network of over 2,400 POS spanning over Greater China, Korea, Japan, Singapore, Malaysia and the United States, and a fast-growing e-commerce business, the Group is capable of implementing effective online-to-offline ("O2O") strategies and achieving omni-channel retailing.

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