CHOW TAI FOOK JEWELLERY GROUP LIMITED
周大福珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1929

PROFIT WARNING
UNREALISED LOSS ON
MARK-TO-MARKET REVALUATION OF GOLD LOANS

This announcement is made by Chow Tai Fook Jewellery Group Limited (the "Company", together with its subsidiaries, the "Group") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PROFIT WARNING FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019 ("1HFY2020")

The Company wishes to inform its shareholders and potential investors that due to the recent escalation in international gold price, the Group will record an unrealised loss of about HK$800 million to HK$1,000 million for 1HFY2020 (the "Unrealised Loss"), which is around 3% of the Group's revenue for 1HFY2020. The Unrealised Loss has arisen on account of the mark-to-market value of the gold represented by the outstanding gold loan contracts of the Group as at 30 September 2019 and it essentially reflects a timing difference in the recognition of the impact of changes in gold price between gold inventories (long position) and gold loans (short position).

The net profit of the Group for 1HFY2020 will be reduced by the Unrealised Loss but this should not have any material impact on the Group's cash flows and operations. In addition, the Company does not expect the net profit of the Group for 1HFY2020 to be materially different from the corresponding period last year if the impact of gold loans revaluations is excluded for both periods.

FACTORS LEADING TO THE SIGNIFICANT AMOUNT OF UNREALISED LOSS

Average international gold price increased rapidly from US$1,310 in 1QFY2020 to US$1,470 per ounce (i.e. about 13%) in 2QFY2020. The outstanding gold loan contracts of the Group have to be revalued by reference to the significantly higher price of gold as at 30 September 2019. In addition, gold loan by weight increased about 13% during 1HFY2020 and the ratio of gold loan to gold inventory by weight as of 30 September 2019 was about 60%. The outstanding gold loan contracts as at 30 September 2019 was approximately HK$10,500 million, which is about 30% higher compared to the amount of gold loan contracts as at 31 March 2019.

ASSESSMENT OF THE IMPACT OF THE UNREALISED LOSS

The purpose of the gold loan contracts is to mitigate the financial impact of gold price fluctuations on our gold inventories between the time when they were purchased and the time when they are sold.

The Unrealised Loss only represents a short term loss by taking a snapshot at the value of gold as at 30 September 2019. Losses on gold loan contracts during a particular period should be recovered by corresponding gains on gold inventories when they are subsequently sold. The long (inventory) and short (loan) positions in gold maintained by the Group is expected to net off each other in the long term through the sales of gold products by the Group.

The Company considers that the Unrealised Loss should not have any material impact on the Group's cash flows and operations.

PRELIMINARY ASSESSMENT OF IMPACT ON THE INTERIM RESULTS FOR 1HFY2020

Based on the latest available unaudited management accounts of the Group up to the five months ended 31 August 2019, revenue recorded a low-teens growth in Mainland China and a high-teens drop in Hong Kong, Macau and other markets, resulting in a flat revenue growth at Group level. The operating performance of the Group up to the five months ended 31 August 2019 as indicated by its core operating profit ("COP") margin (COP being the aggregate of gross profit and other income, less selling and distribution costs and general and administrative expenses and eliminates the effect of unrealised loss (gain) on gold loans) was similar to the corresponding period last year. For the five months ended 31 August 2019, Mainland China segment contributed around 70% and 80% of the Group's consolidated revenue and COP respectively.

Despite the US-China trade conflicts and situation in Hong Kong, the Group remains positive on the fundamentals of Mainland China and believes that the Group will continue to be fuelled by the steady growth of its Mainland China segment. The Company does not expect the net profit of the Group for 1HFY2020 to be materially different from the corresponding period last year if the impact of gold loans revaluations is excluded for both periods.

This profit warning is based on management's preliminary assessment based on the latest information available. The position remains to be reviewed by the Company's auditor, its audit committee and the Board. The Company is in the process of preparing interim results of the Group for the six months ended 30 September 2019 which will be announced by the end of November 2019.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Chow Tai Fook Jewellery Group Limited
Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 15 October 2019

As at the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Cheng Ping-Hei, Hamilton, Mr. Chan Sai-Cheong, Mr. Suen Chi-Keung, Peter, Mr. Chan Hiu-Sang, Albert, Mr. Liu Chun-Wai, Bobby and Mr. Cheng Kam-Biu, Wilson; the non-executive director is Ms. Cheng Chi-Man, Sonia; and the independent non-executive directors are Dr. Fung Kwok-King, Victor, Dr. Or Ching-Fai, Raymond, Mr. Kwong Che-Keung, Gordon, Mr. Cheng Ming-Fun, Paul, Mr. Lam Kin-Fung, Jeffrey and Ms. Cheng Ka-Lai, Lily.