# Apple Sales, Profit Surge in China

Iphone, Apple’s most profitable product, is doing extremely well in China

By

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[Apple](http://quotes.wsj.com/AAPL) Inc.’s sales in China surged 84% in the past fiscal year, but profits grew even faster.

In its annual securities filing for the fiscal year ended Sept. 26, Apple said it generated operating income of $23 billion in greater China—a region that includes Taiwan and Hong Kong—more than double its profit of $11.04 billion in the prior year. Apple’s operating margin from Greater China jumped to 39% in the past fiscal year from 35% in fiscal 2014 and 31% in fiscal 2013.

Apple didn’t provide a reason for the profitability gains. The iPhone, Apple’s most profitable product, is doing extremely well in China. What’s more, many Chinese consumers buy models with additional storage, which tend to have better profit margins than those with less storage.

China is now a [major growth engine](http://www.wsj.com/articles/apple-earnings-lifted-by-iphone-sales-in-china-1445977904) for Apple, propelled by an emerging middle class with increasing disposable income and a deal last year with the country’s biggest wireless carrier, [China Mobile](http://quotes.wsj.com/CHL) Ltd. In the past fiscal year, Apple’s Greater China revenue grew by roughly $27 billion, which is more than all but 113 members of the Fortune 500.

China has become so important to Apple that the company’s stock plunged last month amid concerns that a slowing Chinese economy could dampen demand for its products. Apple Chief Executive [Tim Cook](http://topics.wsj.com/person/C/Tim-Cook/5997), who has said in the past that China will eventually become the company’s biggest market, issued a statement to calm the waters and say Apple’s growth in the country was as strong as ever.

Mr. Cook reiterated his optimism for China on Tuesday in an interview. “We saw no signs of a slowdown in China,” said Mr. Cook, suggesting there may be differences in export markets versus domestic demand.

Apple said it plans to increase the number of Apple stores in China to 40 by mid-2016 from 25 currently.

In the same filing, Apple said 96% of Greater China sales are derived from China alone. China sales are up 85%, while sales in the rest of the region are up 78%.

Apple also said it plans a 34% increase in capital expenditures in the current fiscal year, which ends in September, to $15 billion. Apple said it plans to use the funds for manufacturing equipment, data centers, facilities, hardware and software enhancements, and its retail stores.

Apple’s estimates for capital spending often vary from how much it actually spends. Last October, it estimated that it would spend $13 billion for capital expenditure in the year just ended; it actually spent $11.2 billion.