

# CHOW TAI FOOK JEWELLERY GROUP LIMITED

周大福珠寶集團有限公司

Stock Code: 1929 • A Hong Kong Main Board Listed Company

## FOR IMMEDIATE RELEASE

### Chow Tai Fook Jewellery Group Announces FY2020 Interim Results and The Unaudited Key Operational Data from 1 October to 21 November 2019

#### Financial Highlights

For the six months ended 30 September	2019 HK\$ million	2018 HK\$ million	YoY Change
Revenue	<b>29,533</b>	29,703	-0.6%
Gross profit	<b>8,147</b>	8,529	-4.5%
Gross profit margin	<b>27.6%</b>	28.7%	
Adjusted gross profit margin <sup>(1)</sup>	<b>30.7%</b>	28.1%	
Core operating profit <sup>(2)</sup>	<b>3,527</b>	2,989	+18.0%
Core operating profit margin <sup>(2)</sup>	<b>11.9%</b>	10.1%	
Profit before taxation	<b>2,200</b>	2,722	-19.2%
Profit attributable to shareholders of the Company	<b>1,533</b>	1,936	-20.8%
Earnings per share – Basic (HK\$)	<b>0.15</b>	0.19	-20.8%
Interim dividend per share <sup>(3)</sup> (HK\$)	<b>0.12</b>	0.15	

<sup>(1)</sup> Adjusted gross profit margin, a non-IFRS measure, eliminates the effect of unrealised 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

<sup>(2)</sup> Core operating profit and the corresponding margin, a non-IFRS measure, being the aggregate of gross profit and other income, less selling and distribution costs and general and administrative expenses and unrealised 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

<sup>(3)</sup> The dividend payout ratio for 1HFY2020 is approximately 78.3%

(Hong Kong, China, 28 November 2019) Chow Tai Fook Jewellery Group Limited (“Chow Tai Fook Jewellery Group”, “the Group” or “the Company”; SEHK stock code: 1929), a Hong Kong Main Board listed company with 90 years of heritage, today announces its interim results for the six months ended 30 September 2019 (“1HFY2020”).

The Group’s revenue was stable at HK\$29,533 million in 1HFY2020 (1HFY2019: HK\$29,703 million), boosted by the POS openings and steady Same Store Sales Growth (“SSSG”) of the Mainland China segment. Gross profit amounted to HK\$8,147 million (1HFY2019: HK\$8,529 million). Adjusted gross profit margin increased to 30.7% in 1HFY2020, thanks to the improvement in like-for-like gross profit margin of gold products resulted from the surge of international gold price. Core operating profit surged by 18.0% year-on-year. Core operating profit margin increased to 11.9% benefitted from the adjusted gross profit margin improvement. The Group’s profit before taxation dropped by 19.2%, mainly impacted by the unrealised loss of gold loans of HK\$917 million arising from the surge in international gold price during the period.

Profit attributable to shareholders of the Company decreased by 20.8% to HK\$1,533 million (1HFY2019: HK\$1,936 million). Basic earnings per share were reported at HK\$0.15 (1HFY2019: HK\$0.19). The Board has declared an interim dividend of HK\$0.12 per share. The payout ratio approximates 78.3% in 1HFY2020.

## **Business Review**

While the volatile macro backdrop and a surge in international gold price dampened consumer demand, SSSG in Mainland China stood at 1.8% in 1HFY2020 as Same Store Average Selling Price recorded a robust increase during the period; whereas Same Store Sales in Hong Kong, China and Macau, China decreased by 27.5% in 1HFY2020 due to a tough base of comparison and sluggish business environment.

The Group's retail network expanded to 3,490 POS, with a net addition of 356 POS as at 30 September 2019. During 1HFY2020, the Group opened a net of 333 CHOW TAI FOOK JEWELLERY POS in Mainland China. As the Group has been leveraging franchisees to deepen the market penetration in lower tier and county level cities, approximately 55.0% of the net openings were located in Tier III, IV and other cities. Tier III, IV and other cities achieved a robust high-teens RSV growth during the period, mainly driven by the new openings and a relatively stronger Same Store performance. While in Hong Kong and Macau, the Group had a net addition of 4 POS, and in other markets 2 POS.

The Group's multi-brand strategy is being implemented to expand the customer base. JEWELRIA is a segmentation of Chow Tai Fook's diversified retail experience which offers international jewellery product offerings. Annoushka and Kagayoi are two international brands that have recently joined the JEWELRIA family in 1HFY2020. Annoushka, a jewellery house based in London, is the creation of renowned designer Annoushka Ducas MBE, which displays playfulness, wearability and daily glamour through the bold colour combinations. Kagayoi, a jewellery brand from Japan founded in 1861, embodies Kyoto's unique aesthetic sense and deep heritage.

T MARK, the Group's disruptive diamond brand in pursuit of true diamond authenticity and traceability, recorded a Retail Sales Value ("RSV") growth of 10.2% year-on-year in Mainland China while a drop of 15.0% in Hong Kong and Macau. Sales of T MARK products accounted for 19.2% and 28.1% of the diamond products RSV in Mainland China and Hong Kong and Macau, respectively. As at 30 September 2019, there were 4 POS and 721 counter-in-shop ("CIS") in Mainland China, as well as 1 POS and 61 CIS in Hong Kong and Macau distributing T MARK products. A personalised T MARK embossment service has launched in October to enable selected customers to customise their own codes for their T MARK diamonds.

For HEARTS ON FIRE, a new jewellery collection designed by Hayley Paige was unveiled in October 2019. Hayley is one of the most sought-after bridal dress designers from the United States. The new collection translated Paige's imaginative, whimsical wedding gowns into a unique and captivating bridal jewellery line. As at 30 September 2019, there were 12 POS and 199 shop-in-shop/counter-in-shop.

Backed by a 49.6% growth of gem-set jewellery, e-commerce business recorded a RSV growth of 9.7% in 1HFY2010, contributing to 4.9% of RSV and 14.1% of retail sales volume in Mainland China. Average daily online traffic reached 487,000 unique visitors. The number of followers on official Sina Weibo, Tencent Weibo and WeChat accounts also increased to over 9.6 million.

As at 30 September 2019, there were 2,380,000 members in Mainland China, with a 24.1% repeat purchase as a percentage of respective RSV. In Hong Kong and Macau, the number of members reached 1,130,000 and the repeat purchase as a percentage of respective RSV was 32.9%.

## Prospects and Strategies

A challenging benchmark for 1HFY2020 was set against a tough comparison base to the same period last year. The market has been softening amidst the macro headwinds. The Hong Kong and Macau market will remain challenging in the near term. Yet, our strategy on market penetration to lower tier and county level cities in Mainland China will continue to keep our growth momentum.

Regardless of the near-term challenges, the Group maintains the focus on the long-term goals and sustainable development, and invests for the future with foresight. The Group has examined the operations and financial position and laid out three key immediate measures to mitigate the short-term impact and improve the Group's risk management. These are 1) to enhance our healthy financial position; 2) to optimise the use of our resources and 3) to empower our people to be "intrapreneurs". Furthermore, in light of our "Smart+ 2020" strategic framework, we will continue to leverage technology to convert innovative ideas into notable retail experiences and enhance operating efficiency.

Chow Tai Fook Jewellery Group Chairman Dr. Henry Cheng remarked, "Over the past 90 years, our innovative spirit has steered us to weather storms and become a seasoned jewellery leader. With a wise strategy and meticulous execution as well as our industry know-how, I am confident that we will pave the way for viable long-term returns. "

## The Unaudited Key Operational Data from 1 October to 21 November 2019

From 1 October up to 21 November 2019, the year-on-year changes of Retail Sales Value and Same Store Sales are as follows:

	<b>(% change compared to the same period last year)</b>	
	<b>Mainland China</b>	<b>Hong Kong and Macau</b>
Retail Sales Value growth	+15%	-39%
Same Store Sales growth	+1%	-38%
Same Store Sales volume growth	-11%	-48%
<b>Same Store Sales growth by product</b>		
— Gem-set jewellery	+2%	-50%
— Gold products	-4%	-35%

*Remark: The above data has not been reviewed nor audited by the auditors of the Company.*

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## **Chow Tai Fook Jewellery Group Limited**

Chow Tai Fook Jewellery Group Limited (the “Group”; SEHK stock code: 1929) listed on the Main Board of The Stock Exchange of Hong Kong in December 2011. The Group’s vision is to become the most trusted jewellery group in the world.

Founded in 1929, the Group’s iconic brand “CHOW TAI FOOK” is widely recognised for its trustworthiness and authenticity, and is renowned for its product design, quality and value. A long-standing commitment to innovation and craftsmanship has contributed to the Group’s success, along with that of its iconic retail brand, and has been embodied in its rich 90 year heritage. Underpinning this success are our long held core values of “Sincerity • Eternity”.

The Group’s multi-brand strategy comprises the ARTRIMUM, JEWELRIA and CTF WATCH brands that are endorsed by the CHOW TAI FOOK master brand, in addition to other brands including HEARTS ON FIRE, T MARK, SOINLOVE and MONOLOGUE.

The Group’s commitment to sustainable growth is anchored in its “Smart+” strategy, which is in place to promote long term innovation in the business, in people and in culture. Another asset underpinning sustainable growth is a sophisticated and agile business model. This supports the Group by fostering excellence and extending opportunities along the entire value chain to communities and industry partners across the world.

With an extensive retail network in Greater China, Japan, Korea, Southeast Asia and the United States, and a fast-growing e-commerce business, the Group is implementing effective online-to-offline (“O2O”) strategies to succeed in today’s omni-channel retail environment.

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