

# 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 Posts 37.7% Growth in Core Operating Profit to HK\$5,989 Million For 1HFY2024 Led By Positive Impact From Ongoing Transformation**



*Chow Tai Fook Jewellery Group announces FY2024 interim results*

### Results Highlights

- In transition to higher value growth, we are focusing our efforts and making significant strides towards executing our five strategic priorities as part of the transformation journey: brand revamp, product optimisation, accelerated digitalisation, operational efficiency and talent cultivation.
- Notable progress in rationalising our product portfolio and optimising the product planning process. During the period, we successfully launched new designs of HUÁ Collection and our HEARTS ON FIRE brand launched its VELA Collection.
- Improvement in mobility and retail activity in our key markets during the first half of FY2024 (“1HFY2024”) drove a 6.4% year-on-year increase in revenue to HK\$49,526 million. The growth would amount to 11.3% on a constant exchange rate basis. In Hong Kong, Macau and other markets, revenue grew 57.7% during the period due to improved inbound tourism with the progressive return of Mainland tourists.
- Core operating profit increased 37.7% to HK\$5,989 million, outpacing revenue growth. This was led by ongoing efforts in optimised pricing strategy and operational efficiency enhancement, coupled with the benefits from gold price surge. On a constant exchange rate basis, it was up 44.3% YoY.

- In line with our commitment to enhancing earnings quality, adjusted gross profit margin improved 140 basis points year-on-year to 23.8% while the core operating profit margin expanded by 280 basis points to 12.1% in the period. This validates our clear focus towards higher value growth and delivering sustainable long-term stakeholder value creation as we chart steady progress in our transition.

Financial Summary	2023 HK\$ million	2022 HK\$ million	YoY Change
For the six months ended 30 September			
<b>Revenue</b>	<b>49,526</b>	46,535	+6.4%
<b>Gross profit</b>	<b>12,344</b>	10,962	+12.6%
<i>Gross profit margin</i>	<b>24.9%</b>	23.6%	
<i>Adjusted gross profit margin<sup>(1)</sup></i>	<b>23.8%</b>	22.4%	
<b>Core operating profit<sup>(2)</sup></b>	<b>5,989</b>	4,349	+37.7%
<i>Core operating profit margin<sup>(2)</sup></i>	<b>12.1%</b>	9.3%	
<b>Profit attributable to shareholders of the Company</b>	<b>4,551</b>	3,336	+36.4%
<b>Earnings per share (HK\$)</b>	<b>0.46</b>	0.33	+36.4%
<b>Interim dividend per share<sup>(3)</sup> (HK\$)</b>	<b>0.25</b>	0.22	N/A

(1) *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*

(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 administration expenses, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its businesses*

(3) *The payout ratio for 1HFY2024 approximates 54.9%*

(Hong Kong, China, 23 November 2023) **Chow Tai Fook Jewellery Group Limited** (“Chow Tai Fook Jewellery Group”, the “Group” or the “Company”; SEHK stock code: 1929), today announces its interim results for the six months ended 30 September 2023 (“1HFY2024”).

### Solid Recovery in Operating Performance

Our efforts in pricing strategy optimisation and operational efficiency enhancement, coupled with the benefits from gold price surge yielded resilient underlying performance during 1HFY2024. The Group’s revenue increased 6.4% to HK\$49,526 million in 1HFY2024 (1HFY2023: HK\$46,535 million). Gross profit rose 12.6% to HK\$12,344 million (1HFY2023: HK\$10,962 million). Adjusted gross profit margin improved to 23.8% from 22.4% in the same period last year. Core operating profit increased 37.7% to HK\$5,989 million, outpacing revenue growth. On a constant exchange rate basis, it was up 44.3% YoY.

Profit attributable to shareholders rose 36.4% to HK\$4,551 million (1HFY2023: HK\$3,336 million) during the period. Earnings per share was reported at HK\$0.46 (1HFY2023: HK\$0.33). The Board has declared an interim dividend of HK\$0.25 per share in 1HFY2024 (1HFY2023: HK\$0.22), representing a payout ratio of approximately 54.9%.

Dr. Henry Cheng, Chow Tai Fook Jewellery Group Chairman, said: “We are witnessing encouraging progress in our transformation journey and we are confident that through active investment in our five strategic priorities, we will further strengthen our competitiveness and enhance earnings quality as we transition into a new phase of higher value growth.”

### **Robust RSV Growth Fueled by Sustained Improvement of Mobility and Retail Activity**

During 1HFY2024, mobility and retail activity continued to improve in the Mainland and Hong Kong and Macau. The Group's retail sales value ("RSV") registered positive growth of 15.6% during the period, driven by Hong Kong, Macau and other markets. RSV in Hong Kong, Macau and other markets jumped 58.5% in 1HFY2024, boosted by the return of inbound tourism in key markets.

Against a high base of comparison, our RSV in Mainland China increased by a notable 10.8%. Furthermore, we saw resilient teens RSV growth during several festive and holiday periods, such as the Labour Day holiday, Chinese Valentine's Day, Mid-Autumn Festival and National Day holiday etc. During the recent Double 11 Festival, we ranked No.1 in the jewellery category on both Tmall and JD.com, with strong GMV growth of close to 90% year-on-year.

In Hong Kong and Macau, the return of inbound Mainland tourists continued support our business, with Same Store Sales Growth ("SSSG") of 59.6% in 1HFY2024. SSS in Hong Kong increased 52.5% during the period while that in Macau jumped 87.3%. SSS in the Mainland was 3.5% lower in 1HFY2024, largely due to the high base of comparison.

### **Centralised Marketing Efforts To Support Targeted Growth**

We continued to execute our centralised global marketing campaign strategy in 1HFY2024, to ensure consistency and maximise synergy. In August, we launched our first-ever 360-degree global marketing campaign unveiling the new designs for HUÁ Collection, inspired by the Tang Dynasty artefacts and forged with time-honoured gold-crafting techniques. An immersive launch event was held at the Shaanxi History Museum in Xi'an. Separately, the "GOLD IS CHIC: The Luminous Era" art exhibition was held at Taikoo Li Qiantan in Shanghai, where the lavishly adorned event space offered visitors an immersive sensory experience. The HUÁ Collection continued to register RSV growth of approximately 8% and its contribution stabilised at around 37% in the Mainland. The Collection's RSV achieved a significant growth of over 350% in Hong Kong and Macau.

In addition to the successful HUÁ Collection, our ING Collection and Liu Jin Sui Yue ("流金歲月") Collection also received an overwhelming response from the market, particularly among young consumers. These gold jewellery collections contributed around 18% of the RSV of gold products in the Mainland during 1HFY2024.

In championing our pioneering legacy and leadership in craftsmanship and natural diamond jewellery design, we have enriched our diamond strategy with the rollout of signature diamond collections. During 1HFY2024, our HEARTS ON FIRE brand launched the VELA Collection, touting the unparalleled sparkle of signature cut diamonds featuring a French cut pavé setting. Another signature diamond collection, the Chow Tai Fook Dancing Lily Collection, was successfully developed in 1HFY2024.

Our global diamond campaign, which kicked off in September, was led by a diamond-themed exhibition "Beyond Time" in Tai Kwun, Hong Kong. The exhibition showcased resplendent and vibrant diamond pieces alongside immersive art installations that celebrated the magnificent beauty of these precious stones, enhancing consumers desirability for natural diamonds. Following the successful and well-received launch in Hong Kong, we will be bringing our diamond-themed exhibition to Beijing in December 2023 with an aim to connect with our broader base of customers in the Mainland.

### **Enhancing Store Productivity and Customer Experience for Earnings Quality Growth**

The Group is taking a targeted and strategic approach to expansion by opening new stores in locations with strong local market demand, focusing on enhancing store productivity and customer experience. We are also reviewing our store segmentation strategy at our store fronts as part of our brand revamp initiatives. The Group's retail network expanded to 7,838 POS as at 30 September

2023. In 1HFY2024, we opened a net of 189 CHOW TAI FOOK JEWELLERY POS in the Mainland. In Hong Kong and Macau, we refined our store locations and net opened 1 POS during the period. In other markets, we opened 5 stores, including 3 duty-free shops in the Mainland and 2 POS in Thailand and Canada to capture the emerging opportunities from the retail market growth there.

### **Business Outlook**

We continue to expect FY2024 to be a year of gradual recovery and normality driven by steady improvement of RSV and overall profitability.

The government's focus on domestic consumption will support retail and economic activity in the Mainland, as well as Hong Kong and Macau. We were encouraged to witness a steady recovery in our key markets, where jewellery industry sales outpaced overall retail sales growth in April to September 2023 in the Mainland and Hong Kong. This underpins our confidence with the sustained recovery trajectory and we expect SSS to resume growth in the Mainland, Hong Kong and Macau.

In the Mainland, the government continues to reiterate the importance of expanding domestic demand and improving employment through economic policy adjustments. While we expect a gradual and uneven recovery in the Mainland amid uncertain global economic conditions, we remain confident in the mid- to long-term growth prospects of the Mainland jewellery market and the economy.

In Hong Kong and Macau, the improved inbound tourism and labour market conditions continue to support consumption demand and growth. With the improvement in foot traffic thus far and the push from these favourable initiatives, we expect to continuously benefit from increased operating leverage.

In other markets, the increased mobility of Mainland travellers is expected to further stimulate tourism spending. The ASEAN markets are expected to be supported by travel consumption and robust local demand due to the economic recovery across the region. We are evaluating and exploring opportunities in markets with strong retail demand.

Despite the market uncertainties and externalities beyond our control, we maintain a bottom-up approach and will continue to focus on executing the five strategic priorities to sustain our growth trajectory. This strengthens our competitive edge as we transition into a new phase of higher value growth, focused on enhancing earnings quality and returns to equity and capital.

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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. 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 heritage. Underpinning this success are our long-held core values of “Sincerity • Eternity”.

The Group’s differentiation strategy continues to make inroads into diverse customer segments by catering to a bespoke experience for different lifestyles and personalities, as well as customers’ different life stages. Offering a wide variety of products, services and channels, the Group’s brand portfolio comprises the CHOW TAI FOOK flagship brand with curated retail experiences, and other individual brands including HEARTS ON FIRE, ENZO, SOINLOVE and MONOLOGUE.

The Group’s commitment to sustainable growth is anchored in its customer-centric focus and strategies, which are in place to promote long-term innovation in 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 China, Japan, Korea, Southeast Asia, the United States and Canada, as well as a fast-growing smart retail business, the Group is implementing effective online-to-offline (“O2O”) strategies to succeed in today’s omni-channel retail environment.

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