



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

**FOR IMMEDIATE RELEASE**

**Chow Tai Fook Jewellery Group Announces Encouraging FY2019 Interim Results**

*Improving Consumer Sentiment Drives Robust Sales Growth*

**Financial Highlights**

<b>For the six months ended 30 September</b>	<b>2018</b>	<b>2017</b>	<b>YoY</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>Change</b>
<b>Revenue</b>	<b>29,703</b>	24,754	+20.0%
<b>Gross profit</b>	<b>8,529</b>	7,166	+19.0%
<i>Gross profit margin</i>	<b>28.7%</b>	28.9%	
<i>Adjusted gross profit margin <sup>(1)</sup></i>	<b>28.1%</b>	28.7%	
<b>Core operating profit <sup>(2)</sup></b>	<b>2,989</b>	2,396	+24.7%
<i>Core operating profit margin <sup>(2)</sup></i>	<b>10.1%</b>	9.7%	
<b>Profit attributable to shareholders of the Company</b>	<b>1,936</b>	1,779	+8.8%
<b>Earnings per share – Basic (HK\$)</b>	<b>0.19</b>	0.18	+8.8%
<b>Interim dividend per share <sup>(3)</sup> (HK\$)</b>	<b>0.15</b>	0.12	

<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, 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 1HFY2019 is approximately 77.5%

(Hong Kong, China, 29 November 2018) **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 89 years of heritage, today announces its interim results for the six months ended 30 September 2018 (“1HFY2019”).

The Group recorded a revenue of HK\$29,703 million for 1HFY2019 (1HFY2018: HK\$24,754 million), representing a year-on-year increase of 20.0%, thanks to the stabilising consumer demand and reviving Mainland visitation which fuelled the jewellery market. Gross profit amounted to HK\$8,529 million (1HFY2018: HK\$7,166 million). Adjusted gross profit margin was down by 60 bps to 28.1%, mainly due to a higher sales contribution from gold products and wholesales business. Core operating profit surged by 24.7% year-on-year. Core operating profit margin increased slightly to 10.1%.

Profit attributable to shareholders of the Company increased by 8.8% to HK\$1,936 million (1HFY2018: HK\$1,779 million) amid Renminbi depreciation which led to a net foreign exchange loss of HK\$326 million (1HFY2018: a net foreign exchange gain of HK\$115 million). Basic earnings per share were reported at HK\$0.19 (1HFY2018: HK\$0.18). The Board has declared an interim dividend of HK\$0.15 per share. The payout ratio approximates 77.5% in 1HFY2019.

## **Business Review**

The jewellery retail landscape exhibited positive momentum in Greater China during the period, thanks to steady economic recovery and improving consumer sentiment. The Group's operations in Hong Kong, China and Macau, China grew robustly in 1HFY2019 due to reviving local consumer consumption demand and recovering tourism from Mainland China. Same Store Sales Growth ("SSSG") of Hong Kong and Macau accelerated to 24.4% during 1HFY2019, bolstered by both vibrant ASP and volume growth. While in Mainland China, Same Store Sales rose by 4.9% in 1HFY2019, primarily driven by an increase of Average Selling Price ("ASP").

In 1HFY2019, the Group opened a net of 237 POS, bringing the total number of POS to 2,822 as at 30 September 2018. In Mainland China, in order to gauge market potential in lower tier cities and shopping malls, net openings amounted to 233 POS in 1HFY2019, reaching 2,682 POS; while retail network footprint remained stable at 99 POS in Hong Kong and Macau as at 30 September 2018. During the period, the Group also opened 4 POS in other markets including Korea, Japan, Malaysia and Singapore.

Over the past few years, the Group has made sound progress in developing the multi-brand strategy to cater to different customer segments and deliver experience-driven retail offering. For its iconic brand CHOW TAI FOOK JEWELLERY, the Group has revamped selective POS and upgraded with differentiated store layouts and product offerings. In 1HFY2019, the Group continued its differentiation in store layout and launched ARTRIUM which focuses on artisan jewellery pieces with meticulous craftsmanship. Two ARTRIUM POS in Changsha and Shanghai were rolled out during the period. JEWELRIA which provides international jewellery product offerings, had 18 POS either newly opened or upgraded during 1HFY2019, bringing the total POS to 25 across Mainland China as at 30 September 2018.

T MARK, the Group's disruptive diamond brand in pursuit of true diamond authenticity and traceability, recorded an impressive Retail Sales Value ("RSV") growth of 134.8% year-on-year in Mainland China and 156.7% year-on-year in Hong Kong and Macau. Sales of T MARK products accounted for 18.6% and 25.2% of the RSV of diamond products sold in Mainland China and Hong Kong and Macau, respectively. As at 30 September 2018, there were 405 counter-in-shop ("CIS") in Mainland China and 51 CIS in Hong Kong, Macau and other markets distributing T MARK products. Two specialty stores were also opened in Hong Kong and Shanghai in 1HFY2019.

For HEARTS ON FIRE, there were 21 POS, 192 shop-in-shop ("SIS") and CIS and over 500 retailer locations globally, as at 30 September 2018. During 1HFY2019, the first HEARTS ON FIRE POS in Hong Kong was opened. Targeting to be a top of mind jewellery gifting product of millennial girls, SOINLOVE opened six POS in 1HFY2019, bringing the total number of POS to 15 as at 30 September 2018. MONOLOGUE, a stylish fashion jewellery brand for young generation, opened a net of five POS in 1HFY2019, bringing the total number of POS to 16.

E-commerce business recorded a RSV growth of 12.7% in 1HFY2019, contributing to 5.1% of RSV and 14.0% of retail sales volume in Mainland China. Average daily online traffic reached 405,000 unique visitors. The number of followers on official Sina Weibo, Tencent Weibo and WeChat accounts also increased to approximately 4.9 million.

As at 30 September 2018, there were 1,744,000 members in Mainland China, with a repeat purchase of 22.3%. In Hong Kong and Macau, the number of members reached 932,000 and the repeat purchase ratio steadied at 32.6%.

## **Prospects and Strategies**

The Group's robust sales growth in 1HFY2019 is a testament to both improving consumer sentiment and the continued efforts in executing the strategic priorities. Nevertheless, such growth momentum is expected to be moderated in 2HFY2019, as the escalating comparison base, rising US-China trade tensions and foreign exchange fluctuations could cloud the performance. In light of the macro headwinds, however, the Chinese government has ramped up efforts in deploying a series of measures to stimulate domestic consumption and counteract slowing economy. As such, the Group is cautiously optimistic about the prospect of the jewellery market in Greater China for the foreseeable future.

Chow Tai Fook Jewellery Group Chairman Dr. Henry Cheng remarked, "Growing in a time of change, the Group has always poised to inject vitality in people, products and operations through our persistent investment in innovation and technology that allows us to formulate and execute a winning customer experience strategy. At all events, we remain optimistic about the mid-to long-term prospects of the jewellery market, on the back of the continuing changes undergoing in Mainland China."

In this context, the Group remains vigilant and strives for excellence in customer experience via the faithful execution of its "Smart+ 2020" strategic framework, with focuses on 1) the rollout of multi-brand strategy and innovative retail experience; 2) the conversion to an agile Customer-to-Manufactory ("C2M") business model to enable customer engagement along the supply chain; 3) the investment in data analytics to drive insights and values along business operations; and 4) the incubation of innovative and entrepreneurial culture across the Group and the jewellery industry.

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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 Group's iconic brand "CHOW TAI FOOK" has been widely recognised for its trustworthiness and authenticity, and is renowned for its product design, quality and value. The success of the Group and its iconic brand is rooted in innovation, craftsmanship and heritage. The Group also holds other jewellery brands including T MARK, HEARTS ON FIRE, MONOLOGUE and SOINLOVE, which are the first examples of a long term multi-brand strategy rollout.

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 vertically integrated business model. This supports the Group by fostering excellence and extending opportunities along the entire value chain to communities and industry partners.

With an extensive retail network in Greater China, Korea, Japan, Singapore, Malaysia 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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