

CHOW TAI FOOK JEWELLERY GROUP LIMITED

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

FOR IMMEDIATE RELEASE

Chow Tai Fook Jewellery Reports Resilient Operating Profit as it Grows to HK\$6.8 billion in 1HFY2025 Amid Challenging Market Environment

Results Highlights

- Our brand transformation journey, aimed at elevating brand desirability, gained strong momentum during the first half of FY2025 ("1HFY2025"). The Group's operating profit grew 4.0% to HK\$6,776 million with a 400-basis-point expansion in operating profit margin to 17.2%. Coupled with the benefits from the gold price increase, gross profit margin improved considerably by 650 basis points to 31.4% during the period. Yet, in face of the challenging market environment, our revenue decreased 20.4% to HK\$39,408 million in 1HFY2025
- The use of exquisite craftsmanship with a meticulous blend of different precious materials in our fixed-price gold jewellery sustained good sales momentum and traction with customers in 1HFY2025. During the period, we launched various product offerings of different value propositions to meet customer preferences
- Our signature CTF Rouge Collection continued to receive a strong response from customers, exceeding HK\$1.5 billion Retail Sales Value ("RSV") during this period since its launch in April
- Our first new concept store in Central, Hong Kong has received positive feedback since its grand opening in September
- As part of the Group's commitment to enhancing total shareholder returns, the Board has proposed an interim dividend of HK\$0.20 per share (payout ratio of approximately 78.9%) for 1HFY2025 and announced a proposed share buy-back with a total amount of not exceeding HK\$2 billion
- We stay confident in the long-term prospects of the industry and will diligently execute our five strategic priorities to further reinforce our market leadership, positioning for sustainable growth in the future and creating long-term value for our stakeholders

Financial Summary

For the six months ended 30 September	2024 HK\$ million	2023 HK\$ million	YoY Change
Revenue	39,408	49,526	-20.4%
Gross profit ⁽¹⁾	12,378	12,311	
Gross profit margin	31.4%	24.9%	
Operating profit ⁽²⁾	6,776	6,514	+4.0%
Operating profit margin	17.2%	13.2%	
Profit attributable to shareholders of the Company ⁽³⁾	2,530	4,551	-44.4%
Earnings per share (HK\$)	0.25	0.46	-44.3%
Interim dividend per share ⁽⁴⁾ (HK\$)	0.20	0.25	N/A

(1) Gold loan impact was reclassified from cost of goods sold ("COGS") to "other gains and losses" for 1HFY2024 and before

(2) Aggregate of gross profit and other income, less selling and distribution costs and general and administrative expenses

(3) The decreased was mainly due to the loss arising from the revaluation of gold loan contracts amid considerable volatility in international gold prices during the period, while there was a gain from the revaluation of gold loans for the same period last year

(4) The payout ratio for 1HFY2025 approximated 78.9%

(Hong Kong, China, 26 November 2024) **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 2024 ("1HFY2025").

Focus on Higher Earnings Quality with Improved Operating Profitability

Although the macro-economic externalities and high gold price volatility weighed on consumer demand in our key markets in the first half of the financial year, the diligent execution of our five strategic priorities sustained the Group's momentum towards quality earnings and enhanced efficiency, positively impacting our performance.

Despite a 20.4% decrease in revenue to HK\$39,408 million in 1HFY2025 (1HFY2024: HK\$49,526 million), our operating profitability remained resilient. With ongoing disciplined cost management, operating profit grew 4.0% to HK\$6,776 million (1HFY2024: HK\$6,514 million) while the operating profit margin improved 400 basis points to 17.2% during the period. Gross profit margin improved by 650 basis points to 31.4% during the period, thanks to the improved retail like-for-like margin amid the gold price surge and a higher contribution from fixed-price gold products. This is a testament to our focus on higher earnings quality.

The Board has proposed an interim dividend of HK\$0.20 per share (1HFY2024: HK\$0.25), reflecting our commitment to sustainable value creation for all our stakeholders. The payout ratio was approximately 78.9% in 1HFY2025. The Board has also proposed share buy-back with a total amount of not exceeding HK\$2 billion from internal resources. This takes into careful consideration the capital requirements of the business to invest in growth and our commitment to enhance total shareholder returns. This also reflects our confidence in the long-term business prospects.

Dr. Henry Cheng, Chow Tai Fook Jewellery Group Chairman, said, "As we continue to navigate the complexities of an ever-evolving market environment, we remain committed to driving the sustainable growth and long-term resilience of Chow Tai Fook Jewellery. By prioritising our brand transformation, we are enhancing our competitiveness to capitalise on emerging opportunities in China and beyond."

Differentiated Product Offerings to Suit Customer Preferences

The Group remains agile, proactively adapting product and pricing strategy to align with customer demand. The use of exquisite craftsmanship with a meticulous blend of precious materials, and designs that embrace Chinese culture in our fixed-price gold jewellery generated good sales momentum and traction with customers in 1HFY2025. With product offerings featuring diverse value propositions, we delivered strong sales performance in fixed-price gold products, with the sales mix in gold jewellery and products RSV doubling year-on-year to 14.2% during the period. The successful launch of our signature CTF Rouge Collection generated remarkable sales during the period, exceeding HK\$1.5 billion RSV since its launch in April.

During the period, we also released the Chow Tai Fook Palace Museum Collection and CTF Bond Collection. The former is a unique representation of Chinese heritage and craftsmanship while the latter is inspired by the olive tree as a symbol of eternity with the highlight being the elegant 2-Prong Bond Ring. These new collections validate the Group's pivot in product and pricing strategy in response to market dynamics, providing a differentiated offering to customers.

Same Store Sales Declined Narrowed Sequentially

In 1HFY2025, both Mainland and Hong Kong and Macau registered Same Store Sales ("SSS") declined. Yet, in Mainland China, the magnitude of the SSS decline narrowed sequentially from the first quarter to the second quarter.

SSS of our self-operated points of sales ("POS") in the Mainland fell 25.4% in 1HFY2025. Separately, sales of franchised POS calculated on same store basis was down 19.6% during the period, due to the higher proportion of newer stores. In Hong Kong and Macau, SSS was down 31% in the period. SSS in Hong Kong declined 27.6% while that in Macau fell 40.7%.

Other markets continued to grow, with a 8.5% increase of RSV, excluding China Duty Free stores. Key markets including Singapore, Malaysia, Thailand and Japan all delivered positive RSV growth thanks to the resurgence of travel retail and robust domestic demand for jewellery products, as we proactively seek new growth opportunities in overseas markets.

Effective POS management to Maximise Capital Efficiency and Productivity

With an emphasis on improving earnings quality, our current priorities are to sustain our market leadership and maximise the overall financial health of our retail network. We have been optimising our POS network and streamlining underperforming POS with a focus on store productivity.

As of September this year, we had almost 7,000 CHOW TAI FOOK JEWELLERY POS in the Mainland, a net closing of 239 stores during the period. Meanwhile, we are preparing for the launch of a new five-storey store in Shanghai in 2025, which will be the Group's first flagship store in Mainland China. We will also continue to open new stores on a selective basis, adopting a data-driven approach that also takes into consideration industry trend. In Hong Kong and Macau, we closed a net of 3 POS in 1HFY2025. In other markets, we opened 3 stores, including 1 duty-free shop in the Mainland and 2 POS in Japan to capitalise the emerging opportunities from retail demand in these markets.

During the period, Chow Tai Fook Jewellery opened our first new concept store in Central, Hong Kong, representing a significant milestone in the brand's transformation journey. Showcasing jewellery collections in a gallery-like setting, this reimagined store embodies refreshed standard operating procedures and enhanced store ambience that resonates with the brand essence. Moving forward, we will efficiently deploy resources for a progressive rollout of refreshed stores over the next five years, calibrated and aligned with market conditions.

Business Outlook

We stay nimble and vigilantly monitor market dynamics and consumption trends which will inform the ongoing calibration of our growth strategy amidst market uncertainty. This also sees us prioritising financial and operational resources in strengthening business resilience and competitiveness.

Based on our current observations and expectation of a narrowing Same Store Sales decline and moderated POS closure rate for 2HFY2025, business fundamentals should improve sequentially from 1HFY2025, barring market externalities and unforeseen circumstances.

We will continue to focus on the overall financial health of our retail network to ensure margin resilience and maintain financial discipline in cost management and capital expenditure to deliver high earnings quality.

Going forward, we stay confident in the long-term prospects of the industry. We will diligently execute our five strategic priorities to further reinforce our market leadership, positioning for sustainable growth in the future and creating long-term value for our stakeholders.

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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 celebrates its 95th anniversary this year and forges ahead into a new chapter of success, guided by a vision: "To be the leading global jewellery brand that is a trusted lifetime partner for every generation".

Founded in 1929, the Group's iconic brand "CHOW TAI FOOK" has become an emblem of tradition, celebrated for its bold designs and an unwavering attention to detail. Building upon a rich heritage and a foundation of trust, the Group is not only widely recognised for honouring traditions but also for fostering deep, meaningful connections with a diverse customer base through its exquisite jewellery. The Group's long-standing commitment to innovation and craftsmanship has been integral to its success over time and has become synonymous with excellence, value and authenticity.

As a leading Chinese jeweller, the Group believes in blending contemporary cutting-edge designs with traditional techniques to create jewellery that can be passed down from generation to generation. Every collection is thoughtfully conceived and crafted to reflect the stories of our customers, celebrating the special moments in their lives. Committed to growing alongside our customers, the Group embraces a spirit that aspires to inspire and captivate generations to come, weaving the story of CHOW TAI FOOK into the fabric of their lives.

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 is committed to delivering sustainable long-term value creation for its stakeholders by enhancing the quality of earnings and driving higher value growth. With an extensive retail network of around 7,500 stores across China as well as multiple locations globally, and a growing e-commerce business, the Group is implementing targeted online-to-offline ("O2O") strategies to strengthen its competitiveness in today's omni-channel retail environment.

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