

China Expansion Bolsters Chow Tai Fook Revenue



Chow Tai Fook's sales rose in the fiscal first half as the company added a net 933 locations in mainland China during the period.

Retail sales across the group grew 5% year on year to HKD 46.54 billion (\$5.95 billion) during the six months ending September 30, the Hong Kong-based jeweler reported Thursday.

Revenue was boosted by strong demand for gold as prices of the yellow metal dropped, and the government eased restrictions in Hong Kong. Sales in the municipality also benefited from the distribution of government consumption vouchers to support the economy, the company noted. Profit fell 8% to HKD 3.39 billion (\$433.5 million).

Same-store sales — at branches that were open during the same period last year — slipped 8% in China, as the first quarter was “significantly impacted” by the pandemic, but they bounced back during the second quarter. In Hong Kong and Macau, same-store

sales increased 1.3%, supported by stable local demand.

“Despite the macroeconomic challenges and pandemic-led business disruptions, the group’s business demonstrated resilience, supported by favorable store-opening momentum in mainland China and strength in gold jewelry and products,” Chow Tai Fook said. “We remain positive on the mid- to long-term growth prospects of the mainland’s economy and jewelry market.... Our retail network in the mainland is expected to reach 7,000 points of sale by the end of the fiscal year.”

During the start of the fiscal third quarter, from October 1 to November 18, retail sales decreased 2.3% across the group. The figure grew 11% in Hong Kong and Macau but fell 4% in China. Same-store sales in Hong Kong gained 19% and fell 21% on the mainland. The downturn in China comes as the government tightens social-distancing measures amid another wave of the Covid-19 virus. In Hong Kong, restrictions are easing, as is the quarantine period for tourists, who comprise a large portion of luxury purchasers in the municipality.

Image: A Chow Tai Fook store in Shenzhen, China. (Shutterstock)