

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 Remarkable FY2019 Annual Results

Solid Revenue Growth Fuelled by POS Openings and Strong Performance of Gold Products

Financial Highlights

For the year ended 31 March	2019 (HK\$ million)	2018 (HK\$ million)	YoY change
Revenue	66,661	59,156	+12.7%
Gross profit	18,602	16,213	+14.7%
<i>Gross profit margin</i>	27.9%	27.4%	
<i>Adjusted gross profit margin⁽¹⁾</i>	27.9%	27.2%	
Core operating profit⁽²⁾	6,972	5,606	+24.4%
<i>Core operating profit margin⁽²⁾</i>	10.5%	9.5%	
Profit attributable to shareholders of the Company	4,577	4,095	+11.8%
Earnings per share – Basic (HK\$)	0.46	0.41	+11.8%
Dividend per share⁽³⁾ (HK\$)	0.65	0.57	
<i>Full year dividend (HK\$)</i>	0.35	0.27	
<i>Special dividend (HK\$)</i>	0.30	0.30	

⁽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 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

⁽³⁾ The proposed final and special dividends of HK\$0.20 and HK\$0.30 per share are subject to the approval of shareholders at the forthcoming annual general meeting. Dividend payout ratio for FY2019, excluding special dividend, is approximately 76.5% on a full year basis

(Hong Kong, China, 6 June 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 annual results for the year ended 31 March 2019 (“FY2019”).

The Group recorded a revenue of HK\$66,661 million for FY2019 (FY2018: HK\$59,156 million), representing a year-on-year increase of 12.7%. Gross profit amounted to HK\$18,602 million (FY2018: HK\$16,213 million). Adjusted gross profit margin was up by 70 bps to 27.9% in FY2019. Core operating profit surged by 24.4% to HK\$6,972 million (FY2018: HK\$5,606 million), thanks to an increase in adjusted gross profit margin and the benefit of operating leverage. Core operating profit margin improved by 100 bps to 10.5%.

Profit attributable to shareholders of the Company rose 11.8% to HK\$4,577 million (FY2018: HK\$4,095 million). Basic earnings per share were reported at HK\$0.46 (FY2018: HK\$0.41). The Board has proposed a final dividend of HK\$0.20 per share and a special dividend of HK\$0.30 per share. Dividend per share for the year amounted to HK\$0.65. Excluding special dividend, payout ratio approximates 76.5% in FY2019.

Business Review

FY2019 marked another year of growth for the Group's business. All product categories exhibited positive growth in FY2019, among which gold products demonstrated a relatively stronger performance. Revenue contribution of gold products increased by 170 bps to 61.1%. The recovery track of Same Store Sales Growth ("SSSG") in both Mainland China and Hong Kong, China and Macau, China, commenced since 2HFY2017, extended into 1HFY2019. Yet, a weaker performance amongst both markets was seen during 2HFY2019 against volatile macro backdrop. SSSG in Mainland China was 3.4% in FY2019, thanks to an uplift in Average Selling Price ("ASP") supported by an increase in the average weight per gold product sold and the success of CTF • HUÁ Collection. Backed by both ASP and volume growth, Hong Kong and Macau delivered a SSSG of 8.7% during the financial year.

The Group's POS amounted to 3,134 as at 31 March 2019. In FY2019, net openings in Mainland China reached 539 POS in which a majority was franchised, echoing the Group's effort to deepen the penetration into the lower tier cities. CHOW TAI FOOK JEWELLERY POS, which contributed approximately 90% of the Retail Sales Value ("RSV") in Mainland China, reached 2,803 POS as at 31 March 2019 with net openings of 486 POS during FY2019. In Hong Kong and Macau, retail network of CHOW TAI FOOK JEWELLERY was stable at 99 POS. The first T MARK specialty store, HEARTS ON FIRE POS and ARTRIUM showroom were opened in Hong Kong during FY2019. The Group also opened a net of 8 POS in other markets including its first store in Cambodia and Vietnam, respectively.

The Group's multi-brand strategy has been making good progress over the past few years. Across the Group's established CHOW TAI FOOK JEWELLERY retail network, selective POS were rolled out and upgraded to JEWELRIA and ARTRIUM, targeting sophisticated customers seeking international luxury jewellery selections and unique experiences. Experience shops with thematic layouts were also opened in selective locations in Mainland China following the success of those in Hong Kong last year. Each experience shop is infused with its respective local culture to create a unique blend for each market.

T MARK, the Group's proprietary diamond brand with a unique traceability feature, penetrates quickly in Mainland China primarily in the form of counter-in-shop ("CIS"). As at 31 March 2019, there were 500 CIS in Mainland China and 43 CIS in Hong Kong and Macau distributing T MARK diamond products. Five specialty stores were also opened during the financial year. In FY2019, T MARK recorded an impressive RSV growth of 75.8% in Mainland China and 72.8% in Hong Kong and Macau. Sales of T MARK products accounted for 19.4% and 25.9% of the RSV of our diamond products in Mainland China and Hong Kong and Macau, respectively.

HEARTS ON FIRE, a premium diamond brand with delicate cutting and polishing skills, is also rolled out in relatively mature markets in the form of SIS and CIS, leveraging the strength of the Group's existing network. There were 18 POS, 186 shop-in-shop ("SIS") and CIS as at 31 March 2019.

SOINLOVE and MONOLOGUE were successfully marketed to younger customers through revolving interactions between online and offline platforms. Targeting to be a top of mind jewellery gifting product of millennial women, SOINLOVE opened 18 POS in FY2019, bringing the total number of POS to 27 as at 31 March 2019. MONOLOGUE, a stylish fashion jewellery brand for young generation, opened a net of 27 POS during the year, resulting in a total of 38 POS.

E-commerce business recorded a RSV growth of 13.2% in FY2019, contributing to 4.8% of RSV and 13.6% 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 approximately 7 million.

As at 31 March 2019, there were 2,200,000 members in Mainland China, with a repeat purchase of 22.2%. In Hong Kong and Macau, the number of members reached 1,050,000 and the repeat purchase ratio increased to 34.5%.

Business Outlook and Strategies

In light of the macro headwinds and a tough comparison base as we head into 1HFY2020, the Group is cautiously optimistic for FY2020. The US-China trade talks may take some time to settle in our view. Nonetheless, with the stimulus measures from the Chinese government such as lowering reserve requirement ratio, various tax cuts, spurring lending, particularly to small and medium-sized companies and enlarging infrastructure spending, we believe these would help to mitigate the impact on the economy and consumer sentiment. As to grab a greater market share and optimise the Group's brand competence in Mainland China, we will continue to deepen our market penetration strategically in lower tier and county-level cities in Mainland China in the next three to five years.

Chow Tai Fook Jewellery Group Chairman Dr. Henry Cheng remarked, "This year marks a significant moment for the Group, a time in history which we are proud to have reached. Drawing on our passion for "Sincerity • Eternity", Chow Tai Fook shaped the course of history with amazing innovations along the way."

The Group's "Smart+ 2020" three-year strategic framework, launched since FY2018, serves as the backbone for its business development and transformation. The Group would continue its efforts with focus on these four key areas: (1) Implementing multi-brand strategy and enriching retail experience to breakthrough customers' inherent expectations on jewellery store; (2) Reinforcing customer experience with personalised engagement in the manufacturing process through the customer-led C2M business model; (3) Building up of effective operation models by deriving useful insights from big data analytics; and (4) Incubating talents internally within the Group and externally for the jewellery industry by promoting the innovative and entrepreneurial culture and providing broader horizons to unleash their creativity and talents.

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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 ARTRIUM, 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.

Media Enquiries:

Chow Tai Fook Jewellery Group Limited

Danita On
Director, Investor Relations and
Corporate Communications
Tel: (852) 2138 8501
Email: danitaon@chowtaifook.com

Peony Sze
Senior Manager, Investor Relations and
Corporate Communications
Tel: (852) 2138 8337
Email: peonysze@chowtaifook.com