

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 FY2020 Annual Results and The Unaudited Key Operational Data from 1 April to 31 May 2020

Financial Highlights

For the year ended 31 March	2020 HK\$ million	2019 HK\$ million	YoY Change
Revenue	56,751	66,661	-14.9%
Gross profit	16,096	18,602	-13.5%
<i>Gross profit margin</i>	28.4%	27.9%	
<i>Adjusted gross profit margin⁽¹⁾</i>	29.6%	27.9%	
Core operating profit⁽²⁾	5,687	6,972	-18.4%
<i>Core operating profit margin⁽²⁾</i>	10.0%	10.5%	
Profit attributable to shareholders of the Company	2,901	4,577	-36.6%
Earnings per share (HK\$)	0.29	0.46	-36.6%
Dividend per share⁽³⁾ (HK\$)	0.24	0.65	
<i>Full year dividend (HK\$)</i>	0.24	0.35	
<i>Special dividend (HK\$)</i>	—	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 administration 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 business*
- (3) *The proposed final dividend of HK\$0.12 per share is subject to the approval of shareholders at the forthcoming annual general meeting. Dividend payout ratio for FY2020 is approximately 82.7% on a full year basis*

(Hong Kong, 11 June 2020) 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 over 90 years of heritage, today announces its annual results for the year ended 31 March 2020 (“FY2020”).

The Group’s revenue declined by 14.9% to HK\$56,751 million in FY2020 (FY2019: HK\$66,661 million), mainly attributable to the COVID-19 epidemic in 4QFY2020, a surge in international gold price that dampened the retail demand for gold products, and a weak performance in Hong Kong. Gross profit amounted to HK\$16,096 million (FY2019: HK\$18,602 million). Adjusted gross profit margin increased to 29.6% in FY2020, thanks to an improvement in gross profit margin by product in both retail and wholesale businesses. Core operating profit plunged by 18.4% year-on-year due to revenue decline, yet core operating profit margin managed to stay at 10.0% despite a very challenging environment surrounding the Group’s key operations.

11 June 2020

Profit attributable to shareholders of the Company decreased by 36.6% to HK\$2,901 million (FY2019: HK\$4,577 million). Earnings per share were reported at HK\$0.29 (FY2019: HK\$0.46). The Board has proposed a final dividend of HK\$0.12 per share. Full year dividend payout ratio approximates 82.7% in FY2020.

Business Review

The epidemic and volatile macro environment inevitably affected our businesses, in particular during 4QFY2020. As a result, Same Store Sales (“SSS”) in Mainland China dropped by 15.1% during FY2020 while Same Store Average Selling Price stayed on a favourable trend with 11.7% increment; whereas SSS in Hong Kong and Macau decreased by 38.7% in FY2020 due to the sluggish business environment in Hong Kong.

The Group’s retail network expanded to 3,850 POS as at 31 March 2020, with a net addition of 716 POS during FY2020. In Mainland China, the Group opened a net of 711 POS during FY2020, among which 623 were CHOW TAI FOOK JEWELLERY POS. Approximately 53% of the net openings of CHOW TAI FOOK JEWELLERY POS in FY2020 were located in Tier III, IV and other cities. These cities achieved stronger growth than Tier I and II cities during the financial year, mainly driven by the new openings. As at 31 March 2020, 56.5% of our CHOW TAI FOOK JEWELLERY POS in Mainland China were in franchised format.

In Hong Kong and Macau, the Group had a net of 4 POS openings in FY2020, including 1 net opening of CHOW TAI FOOK JEWELLERY POS, and 2 MONOLOGUE POS and 1 SOINLOVE POS under our multi-brand strategy. In other markets, a net of 1 POS was opened in FY2020, including 6 CHOW TAI FOOK JEWELLERY net openings in neighboring countries such as Korea, the Philippines, Singapore and Thailand.

Under the Group’s multi-brand strategy, we continued to diversify our product portfolio and tap into different market segments. In FY2020, the Group acquired ENZO, which enabled us to further venture into the coloured gemstone market. As at 31 March 2020, there were 59 ENZO POS in Mainland China.

T MARK recorded Retail Sales Value (“RSV”) decline of 9.2% year-on-year in Mainland China and a drop of 41.0% in Hong Kong and Macau. Its contribution to our diamond product RSV maintained at 19.3% in Mainland China and edged up to 27.8% in Hong Kong and Macau. As at 31 March 2020, there were 3 POS and 865 counter-in-shop (“CIS”) in Mainland China, as well as 1 POS and 64 CIS in Hong Kong, Macau and other markets distributing T MARK products.

Thanks to the Group’s “Smart+ 2020” strategic framework launched since FY2018, this three-year strategic plan enabled us to focus on enhancing customer experience. Our focus on developing omni-channel capabilities has been proven right during the COVID-19 epidemic, we managed to keep our customers closer by leveraging “CloudSales 365” and livestreaming. “CloudSales 365”, a mini-programme built upon WeChat Work platform that connects our eShop and equips our staff with easier customer management tools. It provides our customers and staff a one-stop experience anytime and anywhere on their mobile devices. We also leverage livestreaming to drive real-time customer interactions. The collaborative event with Austin Li, a renowned key opinion leader in Mainland China, received an overwhelming response with around 5,000 pieces of products sold within 30 seconds for charity purpose.

11 June 2020

E-commerce business recorded a RSV growth of 3.4% in FY2020, contributing to 5.2% of RSV and 14.4% of retail sales volume in Mainland China.

As at 31 March 2020, there were 2.49 million members in Mainland China, with around a 24.9% repeat purchase as a percentage of respective RSV. In Hong Kong and Macau, the number of members reached 1.18 million and the repeat purchase as a percentage of respective RSV was 35.5%.

Prospects and Strategies

FY2020 was a challenging year, especially in 4QFY2020. The Hong Kong and Macau market will remain challenging in the foreseeable future. While in Mainland China, we have seen signs of recovery as business resumes. For April to May 2020, SSS in Mainland China gradually recovered and SSS decline narrowed to a negative growth of 15.4%. During this period, the Group RSV dropped by 22.6% and Mainland China's contribution to the Group RSV was 89.4%. We remain cautiously optimistic about the short-term business outlook but stay optimistic about the mid-to long-term prospects of the jewellery market in Mainland China.

In Hong Kong and Macau, we shall continue to consolidate our retail network, rationalise cost structure and refine our business strategies. We shall also place emphasis on transforming our current business model through innovation and technology to enhance retail experience, improve operation efficiency and strengthen our market leadership position.

On the other hand, we shall maintain our Mainland China expansion plan through franchise model as the situation stabilises and the online-offline integrations to take advantage of the digital trends. Customer experiences shall be further diversified through channel innovation and our multi-brand strategy.

Going forward, we shall keep on implementing our customer-centric strategy with the vision of achieving our four long-term goals to: 1) be the market leader through further market expansion, 2) develop a comprehensive jewellery ecosystem, 3) be a tech-savvy jewellery company through harnessing innovation and technology, 4) improve operational efficiency through digital transformation. The tasks will center on improving business model agility and organisational structure through technology and employee empowerment, which will allow us to respond rapidly to market changes, strengthen supply-chain capabilities through streamlining the processes, automation and data analytics and enhance our competitive edge to achieve long-term sustainable growth.

Chow Tai Fook Jewellery Group Chairman Dr. Henry Cheng remarked, "In the years ahead, more comprehensive strategies will be formulated and executed, to further our fruitful journey towards sustainability. We will introduce novel ideas and promote inquisitive minds that deliver customer-centric solutions, enhance the Group's value creation capability and help realise our vision to become the most trusted jewellery group in the world."

11 June 2020

The Unaudited Key Operational Data from 1 April to 31 May 2020

From 1 April up to 31 May 2020, the year-on-year changes of RSV and SSS are as follows:

(% change compared to the same period last year)

Group RSV growth	-22.6%	
	Mainland China	Hong Kong, Macau and other markets
RSV growth	-3.2%	-71.2%
Contribution to Group RSV	89.4%	10.6%
	Mainland China	Hong Kong and Macau
SSSG	-15.4%	-80.2%
SSS volume growth	-25.5%	-77.3%
SSSG by product		
— Gem-set jewellery	-7.9%	-78.4%
— Gold products	-25.2%	-86.0%

Remark: The unaudited key operational data from 1 April 2020 to 31 May 2020 was prepared based on the latest available management accounts and the information currently available to the Group. The position remains to be reviewed by the Company's auditor, its audit committee and the Board.

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11 June 2020

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

The Group’s multi-brand strategy comprises the CHOW TAI FOOK core brand with its offerings of different retail experiences including ARTRIUM, JEWELRIA, Experience Shop and CTF WATCH, in addition to other brands including HEARTS ON FIRE, T MARK, ENZO, SOINLOVE and MONOLOGUE to address the diversifying needs of our customers.

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 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.

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