

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 FY2021 Interim Results and The Unaudited Key Operational Data from 1 October to 18 November 2020

Financial Highlights

For the six months ended 30 September	2020 HK\$ million	2019 HK\$ million	YoY Change
Revenue	24,673	29,533	-16.5%
Gross profit	8,143	8,147	0.0%
<i>Gross profit margin</i>	33.0%	27.6%	
<i>Adjusted gross profit margin⁽¹⁾</i>	35.1%	30.7%	
Core operating profit ⁽²⁾	4,078	3,527	+15.6%
<i>Core operating profit margin⁽²⁾</i>	16.5%	11.9%	
Profit before taxation	3,284	2,200	+49.3%
Profit attributable to shareholders of the Company	2,232	1,533	+45.6%
Earnings per share – Basic (HK\$)	0.22	0.15	+45.6%
Interim dividend per share ⁽³⁾ (HK\$)	0.16	0.12	N/A

⁽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 adjusted gross profit and other income, less selling and distribution costs and general and administrative expenses (“SG&A”), 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 dividend payout ratio for 1HFY2021 is approximately 71.7%*

(Hong Kong, 24 November 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 interim results for the six months ended 30 September 2020 (“1HFY2021”).

The Group’s revenue declined by 16.5% to HK\$24,673 million in 1HFY2021 (1HFY2020: HK\$29,533 million). Gross profit remained stable at HK\$8,143 million (1HFY2020: HK\$8,147 million). Adjusted gross profit margin was lifted to 35.1% in 1HFY2021, thanks to the improvement in like-for-like gross profit margin of gold products resulted from the surge of international gold price. Core operating profit benefitted from the adjusted gross profit margin improvement with core operating profit margin widened to 16.5% in 1HFY2021. The Group’s profit before taxation increased by 49.3% to HK\$3,284 million (1HFY2020: HK\$2,200 million).

Profit attributable to shareholders of the Company increased by 45.6% to HK\$2,232 million (1HFY2020: HK\$1,533 million) mainly benefitted from our like-for-like gross profit margin improvement, one-off government subsidies and rent concession, plus foreign exchange gain, netting off impairment on assets. Basic earnings per share were reported at HK\$0.22 (1HFY2020: HK\$0.15). The Board has declared an interim dividend of HK\$0.16 per share. The payout ratio approximates 71.7% in 1HFY2021.

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Business Review

While business in Mainland China witnessed a steady recovery on the back of the easing COVID-19 situation in 2QFY2021, performance in Hong Kong, Macau and other markets remained lackluster. Thus, Same Store Sales (“SSS”) in Mainland China stayed flat in 1HFY2021 supported by a positive Same Store Sales Growth (“SSSG”) in 2QFY2021 as business activities and consumer sentiment revived. In Hong Kong and Macau, SSS was down by 65.7% during the period as customer traffic remained stagnant.

The Group’s retail network expanded to 4,153 POS, with a net addition of 303 POS as at 30 September 2020. During the period, we continued our expansion strategy in Mainland China and opened a net of 286 CHOW TAI FOOK JEWELLERY POS in franchised format, among which approximately 51% were located in Tier III, IV and other cities. Retail Sales Value (“RSV”) growth in Tier III, IV and other cities outpaced Tier I and II cities during the period, largely attributable to the new openings. While in Hong Kong and Macau, the Group had a net closing of 5 POS in touristic areas. A net of 2 POS in other markets were closed as their business operations were also affected by the pandemic.

To meet today’s ever-changing customer expectations, our differentiation strategy continues to make inroads into diverse customer segments. During 1HFY2021, CTF • HUÁ Collection received buoyant demand. Its contribution to our gold jewellery and products RSV in Mainland China further expanded to 35.6% during the period.

T MARK, the Group’s diamond ingredient brand recorded a RSV growth of 29.1% year-on-year in Mainland China while a drop of 57.9% in Hong Kong and Macau during the period. T MARK products accounted for 22.3% and 27.1% of the diamond products RSV in Mainland China and Hong Kong and Macau, respectively. An AI Diamond Grading Certificate powered by artificial intelligence (“AI”) and blockchain technology will be first available for the diamonds (0.30 carat or below) of T MARK in the Hong Kong market in the first half of 2021. The Certificate offers a highly consistent and truthful diamond grading standard plus an extra natural diamond quality assurance to customers.

During the period, we kept on exploring and improving our e-commerce business and online-to-offline (“O2O”) retailing. Our e-commerce included major platforms such as Chow Tai Fook eShop, Tmall, JD.com, Vipshop, while our O2O related business covered O2O distribution (i.e. routing online orders to POS for delivery service), CloudSales 365 and Cloud Kiosk. RSV of the Group’s e-commerce and O2O related business in Mainland China surged by 21.8% in 1HFY2021, contributing to 5.6% of RSV and 14.3% of retail sales volume in Mainland China.

In 1HFY2021, we used CloudSales 365 to cultivate our own private domain and the performance was outstanding. Through this tool, we have reached over two million customers, of which approximately 50% who made a purchase through the tool were new customers. We also noticed that average selling price and sales conversion rate sold through the tool were generally higher than those from e-commerce platforms. Cloud Kiosk allowed customers to enjoy a shorter transaction time and wider product selection. There were over 1,000 spots, primarily at our POS in Mainland China as of 30 September 2020.

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Prospects and Strategies

Chow Tai Fook Jewellery Group Chairman Dr. Henry Cheng remarked, “Despite the challenges posed by the evolving situation of COVID-19 and uncertainties in the global economy, the Group pressed ahead during 1HFY2021. The Group will continue to adapt to the ever-changing business environment, allowing us to mitigate risks and overcome challenges through innovations.”

With a solid foundation that has already been built through our “Smart+ 2020” strategic framework, we are pleased to move forward with our Dual Force Strategy. On one hand, we continue to expand our footprint in an agile way. On the other hand, we focus on digital empowerment in order to deliver exceptional customer experience that creates long-term brand differentiation and loyalty.

We believe that our Dual Force Strategy will guide us in successfully navigating challenges ahead and enable our customers to experience a blissful fulfillment through jewellery. We are also delighted to report that we are steadily moving towards our four long-term goals, namely, (1) to strengthen our market leader as we seek further market penetration; (2) to develop a comprehensive jewellery ecosystem; (3) to be a tech-savvy jewellery company by harnessing innovation and technology; and (4) to improve operational efficiency through digital transformation.

The Unaudited Key Operational Data from 1 October to 18 November 2020

From 1 October up to 18 November 2020, the year-on-year changes of RSV and SSS are as follows:

(% change compared to the same period last year)

	Group	
RSV growth	+17.7%	
	Mainland China	Hong Kong, Macau and other markets
RSV growth	+25.7%	-11.1%
Contribution to Group RSV	83.6%	16.4%
	Mainland China	Hong Kong and Macau
SSSG	+12.0%	-24.3%
SSS volume growth	-10.7%	-28.1%
SSSG by product		
— Gem-set / Platinum / K-gold jewellery	-6.2%	+39.1%
— Gold jewellery and products	+13.3%	-49.5%

Remark: The unaudited key operational data from 1 October 2020 to 18 November 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.

- End -

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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’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 differentiation strategy continues to make inroads into diverse customer segments by catering to a bespoke experience for different lifestyles and personalities, as well as customers’ different life stages. 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’s commitment to sustainable growth is anchored in its customer-centric focus and strategies, which are in place to promote long-term innovation in 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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