

# 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 Annual Results and The Unaudited Key Operational Data from 1 April to 31 May 2021

#### Financial Highlights

For the year ended 31 March	2021 HK\$ million	2020 HK\$ million	YoY Change
<b>Revenue</b>	<b>70,164</b>	56,751	23.6%
<b>Gross profit</b>	<b>20,075</b>	16,096	24.7%
<i>Gross profit margin</i>	<b>28.6%</b>	28.4%	
<i>Adjusted gross profit margin<sup>(1)</sup></i>	<b>28.2%</b>	29.6%	
<b>Core operating profit<sup>(2)</sup></b>	<b>8,630</b>	5,687	51.7%
<i>Core operating profit margin<sup>(2)</sup></i>	<b>12.3%</b>	10.0%	
<b>Profit attributable to shareholders of the Company</b>	<b>6,026</b>	2,901	107.7%
<b>Earnings per share (HK\$)</b>	<b>0.60</b>	0.29	107.7%
<b>Dividend per share<sup>(3)</sup> (HK\$)</b>	<b>0.40</b>	0.24	

- (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 administration expenses, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its businesses*
- (3) *The proposed final dividend of HK\$0.24 per share is subject to the approval of shareholders at the forthcoming annual general meeting. Dividend payout ratio for FY2021 is approximately 66.4% on a full year basis*

(Hong Kong, China, 8 June 2021) 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 2021 (“FY2021”).

The Group’s revenue was up by 23.6% to HK\$ 70,164 million in FY2021 (FY2020: HK\$56,751 million). Versus FY2019, revenue was up by 5.3% on a two-year basis. Gross profit amounted to HK\$20,075 million (FY2020: HK\$16,096 million). Adjusted gross profit margin slightly reduced to 28.2% in FY2021 (FY2020: 29.6%), mainly due to a higher sales contribution from wholesale business, gold jewellery and products and watches in retail business as compared with FY2020. Core operating profit margin increased to 12.3%, thanks to our well contained SG&A and operating leverage. In FY2021, the Group’s core operating profit increased by 51.7% year-on-year.

Profit attributable to shareholders of the Company grew by 107.7% to HK\$6,026 million (FY2020: HK\$2,901 million). Earnings per share were reported at HK\$0.60 (FY2020: HK\$0.29). The Board has

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proposed a final dividend of HK\$0.24 per share; full year dividend amounted to HK\$0.40. Full year dividend payout ratio is approximately 66.4% in FY2021.

## **Business Review**

In Mainland China, Same Store Sales (“SSS”) revived and turned positive in 2QFY2021 amid an easing pandemic situation there. Coupled with the resilient demand and an exceptionally low base of comparison, Same Store Sales Growth (“SSSG”) accelerated to 141.2% in 4QFY2021. As a result, SSS in Mainland China increased by 31.9% during FY2021 while Same Store Average Selling Price continued an upward trend in all product categories during FY2021. In Hong Kong, China and Macau, China, a muted customer traffic led to a 41.3% drop in SSS during FY2021. Yet, SSS rose 31.2% in 4QFY2021 attributable to a recovery of local consumption.

The Group’s retail network expanded to 4,591 POS as at 31 March 2021, with a net addition of 741 POS during FY2021. In Mainland China, the Group opened a net of 746 POS during FY2021, among which 669 were CHOW TAI FOOK JEWELLERY POS. Approximately half of these openings of CHOW TAI FOOK JEWELLERY POS in FY2021 were located in Tier III, IV and other cities. These cities achieved stronger RSV growth than Tier I and II cities during the financial year, mainly driven by new openings. As at 31 March 2021, approximately 65% of our CHOW TAI FOOK JEWELLERY POS in Mainland China were in franchised format.

In Hong Kong, we consolidated our retail network and closed a net of 5 POS in FY2021, mainly in touristic areas such as Tsim Sha Tsui and Causeway Bay. In other markets, we opened 5 duty free POS in Hainan and closed a net of 5 POS in other locations. Retail Sales Value (“RSV”) decline in other markets was softer than that in Hong Kong and Macau, thanks to the robust performance of duty free POS in Hainan.

In FY2021, CTF • HUÁ Collection contributed to 39.5% of our gold jewellery and products RSV and T MARK products accounted for 24.7% of the RSV of our diamond products in Mainland China.

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 in FY2021. The Dual-Force Strategy consists of retail expansion and smart retail, two major drivers of our future growth. On one hand, we implement our retail expansion strategy to get closer to our customers. To that end, we continue to strengthen our brands and product offerings, and grow through opening POS in Mainland China. On the other hand, we carry out our smart retail strategy. It centers on digital empowerment, allowing us to cater to customers’ needs as we continue to streamline our order fulfilment process. We will leverage smart retail applications and smart manufacturing to offer services from the heart and speed to customers.

We continued to bring customers closer to us through various smart retail applications, such as CloudSales 365 and D-ONE. In FY2021, more than 40,000 staff in our self-operated and franchised stores used CloudSales 365 to reach more than 3.7 million customers. Not only did it attract new customers, the tool’s ASP and sales conversation rate were about 80% higher than and around 10 times the e-commerce platforms’ performance respectively.

Furthermore, we introduced various brands and products to our digital jewellery customisation platform D-ONE, where customers may now order their own diamond jewellery such as HEARTS ON FIRE and T MARK. In February 2021, we have also launched CHOW TAI FOOK TIAN HUANG DI LAO Collection on D-ONE, featuring rings that transform the reflection of light into personalised

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messages using the innovative laser diffraction technology. In FY2021, we recorded a RSV of HK\$133 million for D-ONE, and the ASP of these customised products was more than double the gem-set jewellery ASP at Same Store level in Mainland China.

With strong sales on our O2O platforms, e-commerce and O2O related business recorded a RSV growth of 91.8% in FY2021, contributing to 7.1% of RSV and 14.7% of retail sales volume in Mainland China.

As at 31 March 2021, there were over 3 million members in Mainland China, with around a 29.4% repeat purchase as a percentage of respective RSV. In Hong Kong and Macau, the number of members reached over 1.2 million and the repeat purchase as a percentage of respective RSV was 44.1%.

### **Prospects and Strategies**

In FY2021, despite a challenging business environment brought about by the pandemic, our Mainland China business continued to deliver strong growth performance. “Market volatilities in the past year presented opportunities for innovators to maintain competitive advantage,” said Dr. Henry Cheng, Chairman of Chow Tai Fook Jewellery Group. “In pursuit of long-term and steady business development, the Group accelerated digital transformation efforts in the smart retail arena and expanded its retail network across online and offline channels.”

With the Chinese government’s “dual circulation” strategy, we believe that jewellery industry could benefit from the growth in domestic consumption. As we are optimistic about the mid-to long-term growth in the Mainland China market, we will focus on our Mainland China’s business development in the coming future. On one hand, we will continue our retail expansion strategy through penetrating into lower tier cities and leveraging franchisees’ local knowledge. On the other hand, we would push forward our smart retail strategy through enhancing the retail experience and focusing on O2O channel integrations to take advantage of digital transformation.

Though Hong Kong and Macau markets are facing multiple challenges currently, we believe that the domestic market has bottomed out as the pandemic situation is expected to become more stable. When the major border crossings reopen, the number of visits made and retail market would recover gradually.

For other markets, we will focus on countries with a higher domestic consumption, and continue our expansion strategy when international travel resumes.

Going forward, we believe that our Dual-Force Strategy will enable our customers to experience a blissful fulfilment through jewellery.

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### **The Unaudited Key Operational Data from 1 April to 31 May 2021**

From 1 April up to 31 May 2021, the year-on-year changes of RSV and SSS are as follows:

(% change compared to the same period last year)

Group RSV growth	77.0%	
	<b>Mainland China</b>	<b>Hong Kong, Macau and other markets</b>
RSV growth	74.7%	98.5%
Contribution to Group RSV	89.1%	10.9%
	<b>Mainland China</b>	<b>Hong Kong and Macau</b>
SSSG	49.3%	159.7%
SSS volume growth	32.2%	125.9%
SSSG by product		
— Gem-set, Platinum and K-gold jewellery	4.0%	110.8%
— Gold jewellery and products	73.6%	219.5%

*Remark: The unaudited key operational data from 1 April 2021 to 31 May 2021 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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