

# 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 FY2022 Annual Results and The Unaudited Key Operational Data from 1 April to 31 May 2022

### Financial Highlights

| For the year ended 31 March                               | 2022<br>HK\$ million | 2021<br>HK\$ million | YoY<br>Change |
|---|----------------------|----------------------|---------------|
| <b>Revenue</b>  | <b>98,938</b>        | 70,164               | +41.0%        |
| <b>Gross profit</b>                                       | <b>22,340</b>        | 20,075               | +11.3%        |
| <i>Gross profit margin</i>                                | <b>22.6%</b>         | 28.6%                |               |
| <i>Adjusted gross profit margin<sup>(1)</sup></i>         | <b>23.4%</b>         | 28.2%                |               |
| <b>Core operating profit<sup>(2)</sup></b>                | <b>10,002</b>        | 8,630                | +15.9%        |
| <i>Core operating profit margin<sup>(2)</sup></i>         | <b>10.1%</b>         | 12.3%                |               |
| <b>Profit attributable to shareholders of the Company</b> | <b>6,712</b>         | 6,026                | +11.4%        |
| <b>Earnings per share (HK\$)</b>                          | <b>0.67</b>          | 0.60                 | +11.4%        |
| <b>Dividend per share<sup>(3)</sup> (HK\$)</b>            | <b>0.50</b>          | 0.40                 | 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 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\$0.28 per share is subject to the approval of shareholders at the forthcoming annual general meeting. Dividend payout ratio for FY2022 is approximately 74.5% on a full year basis*

(Hong Kong, China, 9 June 2022) Chow Tai Fook Jewellery Group Limited (“Chow Tai Fook Jewellery Group”, “the Group” or “the Company”; SEHK stock code: 1929), today announces its annual results for the year ended 31 March 2022 (“FY2022”).

The Group’s revenue increased by 41.0% to HK\$98,938 million in FY2022 (FY2021: HK\$70,164 million). Versus FY2019, revenue grew at a compound annual growth rate (“CAGR”) of approximately 14%. Gross profit increased by 11.3% to HK\$22,340 million (FY2021: HK\$20,075 million). Adjusted gross profit margin declined to 23.4% in FY2022 (FY2021: 28.2%), mainly attributable to a higher sales contribution from wholesale business, as well as gold jewellery and products. Thanks to our favourable operating leverage, core operating profit margin was 10.1% in FY2022 while the core operating profit rose by 15.9% year-on-year to HK\$10,002 million.

9 June 2022

Profit attributable to shareholders of the Company increased by 11.4% to HK\$6,712 million (FY2021: HK\$6,026 million). Earnings per share was reported at HK\$0.67 (FY2021: HK\$0.60). The Board has proposed a final dividend of HK\$0.28 per share, bringing the full-year dividend to HK\$0.50. Dividend payout ratio approximated 74.5% in FY2022.

## **Business Review**

A positive growth momentum sustained in Mainland China, as well as in Hong Kong and Macau of China during the first three quarters of FY2022. In Mainland China, full year Same Store Sales (“SSS”) registered a decent growth of 11.1% while in Hong Kong and Macau, SSS leaped by 24.7% in FY2022. SSS in Hong Kong was up by 7.0% in the financial year despite that the epidemic situation has worsened since February 2022. In Macau, SSSG was strong at 96.9% during FY2022, driven by a recovering tourist spending and a stable local consumption.

In FY2022, we further implemented the Group’s Dual-Force Strategy. For retail expansion strategy, we continued to branch out further in Mainland China while improving in-store ambience and product differentiation. The Group’s retail network expanded to 5,902 POS as at 31 March 2022. In Mainland China, the Group opened a net of 1,361 CHOW TAI FOOK JEWELLERY POS in FY2022. As at 31 March 2022, approximately 74% 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 6 POS in FY2022. We opened a net of 5 POS in other markets with stronger local retail growth potential, including Malaysia and Singapore. We also focused on strengthening our duty-free retail network in Hainan to enhance our services to domestic visitors impacted by international travel restrictions.

For smart retail strategy, our focus has been on exploring new online channels, introducing hot-selling products and e-commerce exclusive products collections, and cultivating a stronger private domain ecosystem to deliver a better customer experience. During this financial year, we ventured into new channels, such as Douyin and Pinduoduo. Our smart retailing tool CloudSales 365 has successfully connected with over 8 million customers as at 31 March 2022. Driven by both e-commerce and smart retail applications businesses, the RSV of our smart retail business rose 62.7% in FY2022. Its contribution to the Mainland’s RSV further expanded to 8.6% from 7.2% a year ago.

Meanwhile, the Group has ramped up its capacity for smart manufacturing and promoted digitalisation to facilitate our rapid business growth. We managed to raise the automation rate of our production lines from about 14% in FY2020 to 35% this financial year, which was a significant boost to production efficiency. Production capacity per craftsman also increased by approximately 40% year-on-year.

As the demands of jewellery market evolved in recent years, we continue to execute differentiation strategy to make inroads into diverse customer segments. Given the rising demand among customers for highly personalised jewellery customisation service, we added a private customisation service, named “T MARK PRIVATE”, on our digital jewellery customisation platform D-ONE in the Mainland. This exclusive feature is offered with limited availability, allowing customers to personalise the serial numbers on their T MARK diamonds for a unique meaning.

For HEARTS ON FIRE, known for its exceptional and consistent diamond cuts, we will continue to grow and build it as a global luxury jewellery brand. In FY2022, we embarked on a global brand renewal programme and focused on strengthening our foundation and re-energising the brand.

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## **Business Outlook and Strategies**

Despite the lingering effects of the pandemic and global economic uncertainties, the Group remained cautiously optimistic while moving forward steadfastly with its Dual-Force Strategy. There would be possible short-term disruptions to the Mainland economy, but we expect the Mainland market will remain resilient over the mid- to long-term under the support of the Central Government's policies in promoting rural revitalisation and common prosperity. To this end, we will strengthen our collaborations with franchisees to tap further into the lower tier markets, and work towards greater product differentiation in order to build a more diverse customer base.

In Hong Kong, operation will take time to normalise and POS development will be dependent on the sales performance and leasing status of each store. For Macau, overall retail sales of watches and jewellery largely returned to pre-pandemic level as the local pandemic situation remained relatively under control. Nonetheless, we will keep a close watch on future developments of the epidemic and navigate our business strategies agilely. Meanwhile, we will focus on improving customer engagement through various events. By optimising the use of our smart retail applications in all markets we operate in, we strive to curate extraordinary customer experience and stay up to date with consumer needs through data insights.

In view of the changing market conditions and consumer needs, the Group will take further steps to strengthen our competitiveness and maintain our market-leading position following our three key action areas, namely branding, corporate culture and intellectual capital, and sustainability. Firstly, we will undergo a brand revamp based on our DNA to develop CHOW TAI FOOK JEWELLERY as an iconic jewellery brand for the next generation.

Secondly, we will cultivate a greater sense of identity with the corporate culture and develop ourselves further into a learning organisation with innovative talent development initiatives.

Thirdly, on sustainability, we are committed to upholding good corporate governance and enhance effectiveness of governance and accountability. These are the cornerstones to build business resilience as the group grows and develops. Moreover, we shall fulfil our social responsibilities in different aspects of our operations and assume leading roles in industry coalitions and partnerships to promote best practices for a better future of mankind and the planet.

"Amid an ever-changing business environment, we are ready to take our business to the next level, leveraging on the foundation we have built together over time," said Dr. Henry Cheng, Chairman of Chow Tai Fook Jewellery Group. "In order to better lead and carry out a holistic transformation strategy and implementation plans for all areas of the Group's operations, Mr. Cheng Chi-Heng, Conroy and Ms. Cheng Chi-Man, Sonia, both being executive directors, have been appointed as Vice-chairmen to bring new thoughts on innovation management to the Board. They will have greater involvement in the Group's strategic direction and transformation initiatives to support the sustainable development of the Group."

*9 June 2022*

**The Unaudited Key Operational Data from 1 April to 31 May 2022**

From 1 April up to 31 May 2022, the year-on-year changes of RSV and SSS are as follows:

**(% change compared to the same period last year)**

|   | <b>Group</b>          |   |
|---|-----------------------|---|
| RSV growth                                  | -13.0%                |   |
|   | <b>Mainland China</b> | <b>Hong Kong &amp; Macau<br/>of China and other markets</b> |
| RSV growth                                  | -12.8%                | -14.2%  |
| Contribution to Group RSV                   | 89.2%                 | 10.8%   |
|   | <b>Mainland China</b> | <b>Hong Kong &amp; Macau<br/>of China</b>                   |
| SSSG  | -28.2%                | -5.9%   |
| SSS volume growth                           | -29.5%                | -7.6%   |
| SSSG by product                             |                       |   |
| — Gem-set, Platinum and K-gold<br>jewellery | -24.5%                | -17.3%  |
| — Gold jewellery and products               | -25.1%                | -0.3%   |

*Remark: The unaudited key operational data from 1 April 2021 to 31 May 2022 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 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 China, Japan, Korea, Southeast Asia and the United States, and a fast-growing smart retail business, the Group is implementing effective online-to-offline (“O2O”) strategies to succeed in today’s omni-channel retail environment.

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