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## CHOW TAI FOOK JEWELLERY GROUP LIMITED

### 周大福珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1929

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021 AND THE UNAUDITED KEY OPERATIONAL DATA FROM 1 APRIL TO 31 MAY 2021

- The Group's revenue was up by 23.6% in FY2021, driven by our retail expansion in Mainland China and a solid recovery there in 2HFY2021. Versus FY2019, revenue was up by 5.3% on a two-year basis.
- Same Store Sales<sup>(1)</sup> ("SSS") in Mainland China increased by 31.9% whereas Hong Kong and Macau recorded a decline of 41.3% during the year.
- Core operating profit<sup>(2)</sup> increased by 51.7% year-on-year. Core operating profit margin<sup>(2)</sup> increased to 12.3%, thanks to our well contained SG&A and operating leverage.
- Profit attributable to shareholders increased by 107.7% in FY2021, mainly benefitted from one-off rent concession, unrealised gain on gold loans plus foreign exchange gain, netting off impairment on assets and goodwill.
- Retail network expanded to 4,591 POS as at 31 March 2021, with a net addition of 741 POS in FY2021.
- 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. Our Dual-Force Strategy will steer us towards the continual expansion of physical footprint and digital empowerment in order to continue delivering exceptional customer experience that creates long-term brand differentiation and loyalty.

## FINANCIAL HIGHLIGHTS

For the year ended 31 March	2021 HK\$ million	2020 HK\$ million	YoY change
Revenue	70,164	56,751	23.6%
Gross profit	20,075	16,096	24.7%
Gross profit margin	28.6%	28.4%	
Adjusted gross profit margin <sup>(3)</sup>	28.2%	29.6%	
Core operating profit <sup>(2)</sup>	8,630	5,687	51.7%
Core operating profit margin <sup>(2)</sup>	12.3%	10.0%	
Profit attributable to shareholders of the Company	6,026	2,901	107.7%
Earnings per share (HK\$)	0.60	0.29	107.7%
Dividend per share <sup>(4)</sup> (HK\$)	0.40	0.24	

(1) "Same Store Sales" for FY2021 is the Retail Sales Value ("RSV") from the self-operated points of sale ("POS") of CHOW TAI FOOK JEWELLERY existing as at 31 March 2021 and which have been opened prior to 1 April 2019. RSV from franchised POS and other channels are not included

(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 ("SG&A"), which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its businesses

(3) 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

(4) 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

## ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board of directors (the “Board” or “Directors”) of Chow Tai Fook Jewellery Group Limited (the “Company”, “we” or “Chow Tai Fook”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2021 (“FY2021”), together with comparative figures for the year ended 31 March 2020 (“FY2020”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$ million</i>	<b>2020</b> <i>HK\$ million</i>
Revenue	2	<b>70,163.8</b>	56,750.8
Cost of goods sold		<b>(50,089.1)</b>	(40,654.6)
<b>Gross profit</b>		<b>20,074.7</b>	16,096.2
Other income	3	<b>691.7</b>	436.6
Selling and distribution costs		<b>(8,634.9)</b>	(8,689.7)
General and administrative expenses		<b>(3,213.7)</b>	(2,867.1)
Other gains and losses	4	<b>430.8</b>	(147.1)
Other expenses	5	<b>(664.1)</b>	(146.3)
Share of profits of an associate		<b>4.6</b>	3.5
Interest income		<b>81.5</b>	78.0
Finance costs		<b>(376.0)</b>	(559.6)
<b>Profit before taxation</b>	6	<b>8,394.6</b>	4,204.5
Taxation	7	<b>(2,218.5)</b>	(1,221.4)
<b>Profit for the year</b>		<b>6,176.1</b>	2,983.1

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 March 2021

	Note	2021 HK\$ million	2020 HK\$ million
<b>Other comprehensive income/(expense)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
— remeasurement of defined benefit scheme		<u>18.1</u>	<u>(24.0)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— exchange differences arising on translation of foreign operations		<u>1,235.1</u>	<u>(980.6)</u>
<b>Other comprehensive income/(expense) for the year</b>		<u>1,253.2</u>	<u>(1,004.6)</u>
<b>Total comprehensive income for the year</b>		<u><u>7,429.3</u></u>	<u><u>1,978.5</u></u>
<b>Profit for the year attributable to:</b>			
Shareholders of the Company		<u>6,026.4</u>	<u>2,901.0</u>
Non-controlling interests		<u>149.7</u>	<u>82.1</u>
		<u><u>6,176.1</u></u>	<u><u>2,983.1</u></u>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders of the Company		<u>7,223.8</u>	<u>1,937.2</u>
Non-controlling interests		<u>205.5</u>	<u>41.3</u>
		<u><u>7,429.3</u></u>	<u><u>1,978.5</u></u>
<b>Earnings per share — Basic and Diluted</b>	8	<u><u>HK60.3 cents</u></u>	<u><u>HK29.0 cents</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK\$ million	2020 HK\$ million
<b>Non-current assets</b>			
Property, plant and equipment		4,614.6	4,641.3
Right-of-use assets		1,792.8	2,288.0
Investment properties		214.9	225.4
Goodwill		–	231.5
Other intangible assets		158.0	207.6
Jewellery collectibles		1,520.1	1,520.1
Prepayment and deposits		229.8	248.3
Financial assets at fair value through profit or loss		22.0	21.0
Investments in associates		23.8	11.7
Amounts due from associates		51.1	57.5
Loan receivables		11.8	15.6
Deferred tax assets		426.3	570.1
		<b>9,065.2</b>	<b>10,038.1</b>
<b>Current assets</b>			
Inventories	10	43,011.4	42,538.4
Trade and other receivables	11	6,180.4	5,340.8
Amounts due from associates		4.6	–
Loan receivables		8.9	7.9
Taxation recoverable		5.8	99.0
Cash and cash equivalents		6,031.9	7,219.2
		<b>55,243.0</b>	<b>55,205.3</b>
<b>Current liabilities</b>			
Trade and other payables	12	17,240.0	12,430.0
Amounts due to non-controlling shareholders of subsidiaries		66.0	97.9
Taxation payable		721.8	388.6
Bank borrowings		4,619.0	10,533.0
Gold loans		5,725.4	11,280.4
Lease liabilities		770.0	896.8
		<b>29,142.2</b>	<b>35,626.7</b>
<b>Net current assets</b>		<b>26,100.8</b>	<b>19,578.6</b>
<b>Total assets less current liabilities</b>		<b>35,166.0</b>	<b>29,616.7</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2021

	2021 HK\$ million	2020 HK\$ million
<b>Non-current liabilities</b>		
Bank borrowings	1,798.9	897.5
Lease liabilities	726.0	900.3
Retirement benefit obligations	238.8	260.2
Deferred tax liabilities	764.0	505.1
Other liabilities	70.7	62.8
	<u>3,598.4</u>	<u>2,625.9</u>
<b>Net assets</b>	<u><b>31,567.6</b></u>	<u><b>26,990.8</b></u>
<b>Share capital</b>	<b>10,000.0</b>	10,000.0
<b>Reserves</b>	<u><b>20,767.1</b></u>	<u>16,343.3</u>
<b>Equity attributable to shareholders of the Company</b>	<b>30,767.1</b>	26,343.3
<b>Non-controlling interests</b>	<u><b>800.5</b></u>	<u>647.5</u>
	<u><b>31,567.6</b></u>	<u><b>26,990.8</b></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

## 1. BASIS OF PREPARATION

### New and amended standards adopted by the Group

The Group has applied the following standards and amendments which are first effective for their annual reporting period commencing 1 April 2020.

IFRS 3 (Amendments)	Definition of a Business
IAS 1 and IAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of the above new and amended IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### *New standards, amendments and improvements to existing standards*

Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>
IFRS 3, IAS 16 and IAS 37 (Amendments)	Narrow-scope amendments <sup>1</sup>
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>2</sup>
IFRS 17	Insurance Contracts <sup>2</sup>
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2022

<sup>2</sup> Effective for accounting periods beginning on or after 1 January 2023

<sup>3</sup> Effective for accounting periods beginning on or after a date to be determined

## 2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services provided less returns and net of trade discounts.

For the purposes of resource allocation and performance assessment, information reported to the chief operating decision maker (the "CODM"), which comprises executive directors of the Company, mainly focuses on the location of management. Revenue derived from each location of management is further analysed into those from retail and wholesale markets when reviewed by the CODM. The Group's reportable and operating segments for the years ended 31 March 2021 and 2020 included two segments, namely (i) business in the Mainland China and (ii) business in Hong Kong, Macau and other markets.

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

### (a) Analysis of the Group's revenue and results by reportable segment

For the year ended 31 March

	Mainland China		Hong Kong, Macau and other markets		Total	
	2021	2020	2021	2020	2021	2020
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue						
External sales						
— Retail	35,716.1	26,796.0	9,122.8	14,875.3	44,838.9	41,671.3
— Wholesale (note i)	23,982.1	13,966.8	1,342.8	1,112.7	25,324.9	15,079.5
Segment/Group revenue	59,698.2	40,762.8	10,465.6	15,988.0	70,163.8	56,750.8
Inter-segment sales (note ii)	—	—	2,772.8	2,126.3	2,772.8	2,126.3
	59,698.2	40,762.8	13,238.4	18,114.3	72,936.6	58,877.1
Adjusted gross profit (before elimination)	16,710.9	12,432.2	2,743.5	4,244.3	19,454.4	16,676.5
Inter-segment eliminations	—	—	332.2	130.5	332.2	130.5
Adjusted gross profit	16,710.9	12,432.2	3,075.7	4,374.8	19,786.6	16,807.0
Other income	425.6	279.4	266.1	157.2	691.7	436.6
Selling and distribution costs and general and administrative expenses	(8,910.3)	(7,615.7)	(2,938.3)	(3,941.1)	(11,848.6)	(11,556.8)
Core operating profit (segment result)	8,226.2	5,095.9	403.5	590.9	8,629.7	5,686.8
Unrealised gain/(loss) on gold (note iii)					288.1	(710.8)
Others (note iv)					(228.7)	(289.9)
Interest income					81.5	78.0
Finance costs					(376.0)	(559.6)
Profit before taxation					8,394.6	4,204.5
Other segment information included in measurement of core operating profit (segment result):						
Concessionaire fees	1,990.5	1,583.3	0.3	1.4	1,990.8	1,584.7
Operating lease rentals in respect of rented premises	145.9	135.6	155.7	116.0	301.6	251.6
Staff costs	3,454.5	3,027.7	1,185.2	1,532.8	4,639.7	4,560.5
Depreciation and amortisation	1,036.3	964.2	1,082.8	1,405.7	2,119.1	2,369.9

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

### (a) Analysis of the Group's revenue and results by reportable segment (Continued)

Notes:

- (i) Wholesale revenue represents revenue from jewellery trading, sales to franchisees and retailers and provision of services to franchisees.
- (ii) Inter-segment sales are charged at a price mutually agreed by both parties.
- (iii) A fair value gain of HK\$288.1 million (2020: loss of HK\$710.8 million) has not yet been realised due to timing difference in the recognition of the impact of changes in gold price between gold loans (short position) and gold inventories (long position).
- (iv) Others represent other gains and losses, other expenses and share of profits of an associate.

Adjusted gross profit represents the gross profit generated from each segment without allocation of unrealised (loss)/gain on gold. Core operating profit represents the profit generated from each segment without allocation of unrealised (loss)/gain on gold, other gains and losses, other expenses, share of profits of an associate, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### (b) Analysis of the Group's assets and liabilities by reportable segment

As at 31 March

#### Segment assets

	Mainland China		Hong Kong, Macau and other markets		Total	
	2021	2020	2021	2020	2021	2020
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property, plant and equipment	3,603.0	3,437.8	1,011.6	1,203.5	4,614.6	4,641.3
Right-of-use assets	634.2	589.5	1,158.6	1,698.5	1,792.8	2,288.0
Investment properties	17.7	17.2	197.2	208.2	214.9	225.4
Goodwill	–	193.3	–	38.2	–	231.5
Other intangible assets	111.8	142.8	37.3	47.6	149.1	190.4
Jewellery collectibles	–	–	1,520.1	1,520.1	1,520.1	1,520.1
Prepayment and deposits	97.9	96.5	131.9	151.8	229.8	248.3
Inventories	26,681.8	24,547.8	16,329.6	17,990.6	43,011.4	42,538.4
Trade and other receivables	5,538.7	4,698.2	641.7	642.6	6,180.4	5,340.8
Taxation recoverable	–	–	5.8	99.0	5.8	99.0
<b>Total segment assets</b>	<b>36,685.1</b>	<b>33,723.1</b>	<b>21,033.8</b>	<b>23,600.1</b>	<b>57,718.9</b>	<b>57,323.2</b>
Unallocated:						
Other intangible assets					8.9	17.2
Financial assets at fair value through profit or loss					22.0	21.0
Investments in associates and amounts due from associates					79.5	69.2
Loan receivables					20.7	23.5
Deferred tax assets					426.3	570.1
Cash and cash equivalents					6,031.9	7,219.2
<b>Total assets</b>					<b>64,308.2</b>	<b>65,243.4</b>



## 2. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Analysis of the Group's assets and liabilities by reportable segment (Continued)

As at 31 March

#### Segment liabilities

	Mainland China		Hong Kong, Macau and other markets		Total	
	2021	2020	2021	2020	2021	2020
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Trade and other payables	(15,891.4)	(11,338.5)	(1,348.6)	(1,091.5)	(17,240.0)	(12,430.0)
Taxation payables	(554.6)	(227.9)	(167.2)	(160.7)	(721.8)	(388.6)
Lease liabilities	(500.4)	(472.3)	(995.6)	(1,324.8)	(1,496.0)	(1,797.1)
<b>Total segment liabilities</b>	<b>(16,946.4)</b>	<b>(12,038.7)</b>	<b>(2,511.4)</b>	<b>(2,577.0)</b>	<b>(19,457.8)</b>	<b>(14,615.7)</b>
Unallocated:						
Amount due to non-controlling shareholders of subsidiaries					(66.0)	(97.9)
Bank borrowings					(6,417.9)	(11,430.5)
Gold loans					(5,725.4)	(11,280.4)
Retirement benefits obligations					(238.8)	(260.2)
Deferred tax liabilities					(764.0)	(505.1)
Other liabilities					(70.7)	(62.8)
<b>Total liabilities</b>					<b>(32,740.6)</b>	<b>(38,252.6)</b>

### (c) Analysis of the Group's assets by geographical area

The Group's non-current assets, excluding loan receivables, deposits, amounts due from associates, financial assets at fair value through profit or loss and deferred tax assets, by geographical areas are as follows:

As at 31 March

	2021	2020
	HK\$ million	HK\$ million
Mainland China	4,843.8	4,853.9
Hong Kong, Macau and other markets	3,528.8	4,331.4
	<b>8,372.6</b>	<b>9,185.3</b>

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

### (d) Disaggregation of revenue

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major product categories:

*For the year ended 31 March*

	2021 HK\$ million	2020 HK\$ million
<b>At a point in time</b>		
Retail sales of		
— Gem-set, Platinum and K-gold jewellery	11,213.9	11,596.8
— Gold jewellery and products	28,320.0	26,661.4
— Watches	5,305.0	3,413.1
	44,838.9	41,671.3
Wholesale to franchisees/retailers	24,449.8	14,578.9
Jewellery trading	575.8	245.2
<b>Over time</b>		
Service income from franchisees	299.3	255.4
	<b>70,163.8</b>	<b>56,750.8</b>

No individual customer contributed over 10% of the total revenue of the Group in both years.

## 3. OTHER INCOME

	2021 HK\$ million	2020 HK\$ million
Commission income	69.2	111.9
Government grants (note)	353.7	81.0
Other income from franchisees	109.5	67.3
Rental income	34.6	35.3
Interest income from trade receivables	57.4	56.0
Interest income from loan receivables	2.3	4.8
Others	65.0	80.3
	<b>691.7</b>	<b>436.6</b>

*Note:* Under Anti-Epidemic Fund launched by the Hong Kong SAR government, wage subsidies of HK\$159.6 million related to the Employment Support Scheme and subsidies of HK\$3.2 million related to the one-off Retail Sector Subsidy Scheme were recognised in the year ended 31 March 2021. Other government subsidies of HK\$1.0 million (2020:HK\$0.6 million) were granted to subsidiaries in Hong Kong.

Government subsidies of HK\$185.3 million (2020: HK\$80.4 million) granted to subsidiaries in Mainland China and government subsidies of HK\$4.6 million granted to subsidiaries in other jurisdictions were recognised in the year ended 31 March 2021.

#### 4. OTHER GAINS AND LOSSES

	2021 HK\$ million	2020 HK\$ million
Net foreign exchange gain/(loss)	336.4	(234.0)
Loss on disposal of property, plant and equipment	(32.3)	(37.7)
Gain on surrender of right-of-use assets	1.8	78.8
COVID-19-related rent concession	127.6	16.2
Gain on acquisition of subsidiaries	–	18.0
Others	(2.7)	11.6
	<b>430.8</b>	<b>(147.1)</b>

#### 5. OTHER EXPENSES

	2021 HK\$ million	2020 HK\$ million
Donation	11.3	20.1
Amortisation of other intangible asset	39.8	36.3
Impairment of amount due from an associate	–	0.2
Impairment of goodwill	231.5	26.3
Impairment of property, plant and equipment	66.6	13.0
Impairment of right-of-use assets	314.9	50.4
	<b>664.1</b>	<b>146.3</b>

#### 6. PROFIT BEFORE TAXATION

	2021 HK\$ million	2020 HK\$ million
Profit before taxation has been arrived at after charging/(crediting):		
Directors' remuneration	87.5	97.1
Staff's retirement benefits scheme contributions	497.1	606.2
Staff costs	4,055.1	3,857.2
	<b>4,639.7</b>	<b>4,560.5</b>
Cost of inventories recognised as expenses	48,702.8	38,333.7
Concessionaire fees	1,990.8	1,584.7
Operating lease rentals in respect of rented premises	301.6	251.6
Depreciation of property, plant and equipment	1,024.1	975.0
Depreciation of right-of-use assets	1,033.5	1,337.5
Depreciation of investment properties	11.9	11.3
Amortisation of other intangible assets ( <i>note</i> )	49.6	46.1
Recognition/(utilisation) of allowances on inventories (included in cost of goods sold)	21.5	(24.1)
Loss allowance recognised /(written back) on trade and other receivables	149.7	(3.2)
Fair value loss arising from gold loans (included in cost of goods sold)	168.4	2,803.8
Gain on acquisition of ENZO (included in other gains and losses)	–	18.0
Donations (included in other expenses)	11.3	20.1
Auditors' remuneration for the Company's auditor		
— audit and related services	6.3	6.2
— non-audit services	2.1	2.2
Auditor's remuneration for other auditors		
— audit and related services	6.6	3.9

*Note:* Amortisation of HK\$39.8 million (2020: HK\$36.3 million) related to HEARTS ON FIRE was included in note 5 "Other Expenses" and the remaining amount was included in general and administrative expenses.

## 7. TAXATION

	2021 <i>HK\$ million</i>	2020 <i>HK\$ million</i>
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax (“EIT”) in Mainland China	1,314.5	789.9
Hong Kong Profits Tax	163.1	129.8
Macau complementary tax	5.0	31.6
Taxation in other jurisdictions	3.6	3.3
	<u>1,486.2</u>	<u>954.6</u>
Under/(over) provision in prior years:		
EIT in Mainland China	42.4	(6.8)
Hong Kong Profits Tax	21.5	0.1
Taxation in other jurisdictions	3.4	1.5
	<u>67.3</u>	<u>(5.2)</u>
Deferred tax charge	<u>526.4</u>	<u>149.3</u>
Withholding tax*	<u>138.6</u>	<u>122.7</u>
	<u><u>2,218.5</u></u>	<u><u>1,221.4</u></u>

\* Withholding tax mainly represents withholding tax on intra-group licence income and interest income from Mainland China subsidiaries.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Enterprise Income Tax Law (the “EIT Law”) of the People’s Republic of China (“PRC”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25.0% for both years.

For certain subsidiaries of the Company in Mainland China, they are entitled to the tax incentives in connection with the development of the western part of Mainland China. The applicable tax rate is 15.0% for both years.

Macau complementary tax is calculated at the maximum progressive rate of 12.0% on the estimated assessable profit for both years.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the consolidated profit attributable to shareholders of the Company for the year and on the number of 10,000,000,000 (2020: 10,000,000,000) shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there was no potential ordinary share dilution during both years.

## 9. DIVIDENDS

	2021		2020	
	<i>HK cents per share</i>	<i>HK\$ million</i>	<i>HK cents per share</i>	<i>HK\$ million</i>
Dividends paid and recognised as distribution during the year				
For current year:				
— Interim dividends	16.0	1,600.0	12.0	1,200.0
For prior year:				
— Final dividends	12.0	1,200.0	20.0	2,000.0
— Special dividends	—	—	30.0	3,000.0
		<u>2,800.0</u>		<u>6,200.0</u>

Subsequent to the end of the reporting period, a final dividend of HK24.0 cents (2020: HK12.0 cents) per share, totalling HK\$2,400.0 million (2020: HK\$1,200.0 million) in respect of the year ended 31 March 2021 have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

## 10. INVENTORIES

	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Raw materials for:		
Gem-set, Platinum and K-gold jewellery	7,627.5	7,252.3
Gold jewellery and products	3,017.5	2,114.6
	<u>10,645.0</u>	<u>9,366.9</u>
Finished goods:		
Gem-set, Platinum and K-gold jewellery	16,004.1	16,374.2
Gold jewellery and products	14,376.9	14,963.6
Watches	1,765.5	1,638.7
	<u>32,146.5</u>	<u>32,976.5</u>
Packaging materials	<u>219.9</u>	<u>195.0</u>
	<u>43,011.4</u>	<u>42,538.4</u>

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$4,580.6 million (2020: HK\$2,744.8 million) and the aging by invoice date is as follows:

	<b>2021</b> <i>HK\$ million</i>	<b>2020</b> <i>HK\$ million</i>
0 to 30 days	<b>4,380.6</b>	2,206.8
31 to 90 days	<b>79.7</b>	382.4
91 to 180 days	<b>22.2</b>	54.2
Over 180 days	<b>98.1</b>	101.4
	<b>4,580.6</b>	<b>2,744.8</b>

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$819.4 million (2020: HK\$253.4 million) and the aging by invoice date is as follows:

	<b>2021</b> <i>HK\$ million</i>	<b>2020</b> <i>HK\$ million</i>
0 to 30 days	<b>800.6</b>	200.7
31 to 90 days	<b>12.0</b>	36.9
91 to 180 days	<b>0.4</b>	12.6
Over 180 days	<b>6.4</b>	3.2
	<b>819.4</b>	<b>253.4</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## PERFORMANCE REVIEW

### Overview

The business environment was challenging in FY2021 amid the pandemic and macroeconomic uncertainties. Yet, the Group's business maintained a steady and healthy growth, driven by our retail expansion in Mainland China with net openings of 746 POS and a solid recovery there backed by an improving consumer sentiment and softened gold price in 2HFY2021. Our strategic steps on smart retail also helped us achieve better customer engagement and boosted our e-commerce and online-to-offline ("O2O") related sales in Mainland China during the financial year. On the other hand, business in Hong Kong, Macau and other markets was stagnant as major border crossings remained closed.

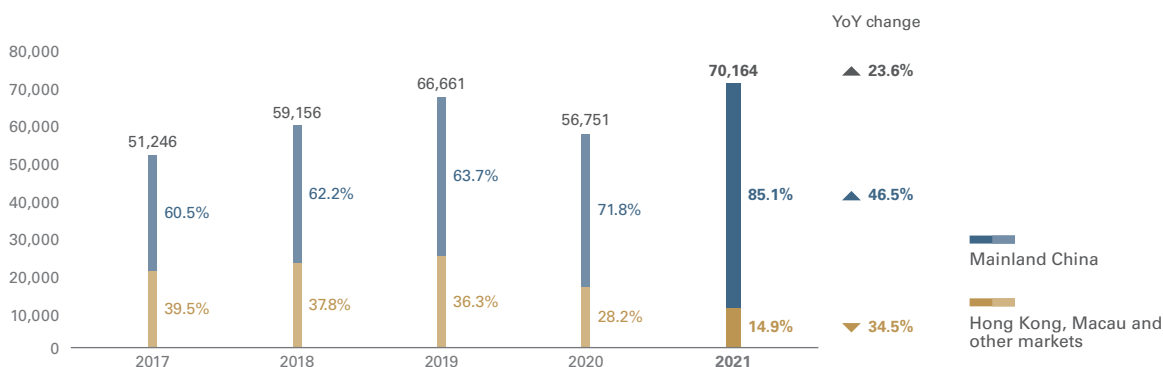
The Group's adjusted gross profit margin was benefitted during 1HFY2021 as gold price surged, yet, such effect faded in 2HFY2021. Coupled with a higher sales contribution from wholesale business in Mainland China and a less favourable product mix, adjusted gross profit margin declined year-on-year during the financial year. Nevertheless, thanks to our well contained SG&A, operating leverage and government subsidies and reliefs granted, the Group's core operating profit increased by 51.7% year-on-year in FY2021.

With the COVID-19 related rent concession, unrealised gain on gold loans as well as foreign exchange gain, netting off impairment on assets and goodwill, profit attributable to shareholders was elevated by 107.7% compared to the low base in FY2020 while comparing to FY2019, it rose by 31.3% on a two-year basis.

### Revenue

#### Revenue by reportable segment

For the year ended 31 March  
(HK\$ million)

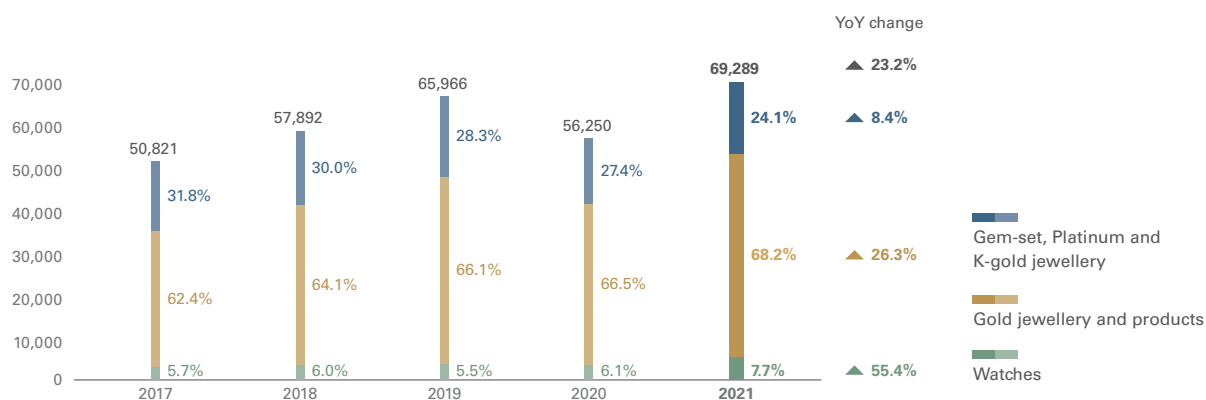


Revenue (HK\$ million)	1HFY2020	2HFY2020	1HFY2021	2HFY2021	1HFY YoY change	2HFY YoY change
Mainland China	20,224	20,539	21,216	38,482	▲ 4.9%	▲ 87.4%
Hong Kong, Macau and other markets	9,309	6,679	3,457	7,009	▼ 62.9%	▲ 4.9%
Overall	29,533	27,218	24,673	45,491	▼ 16.5%	▲ 67.1%

- The Group's revenue was up by 23.6% to HK\$70,164 million in FY2021. Versus FY2019, revenue was up by 5.3% on a two-year basis.
- Revenue from Mainland China jumped 46.5% during the financial year, supported by new openings, improving consumer sentiment and a softened gold price in 2HFY2021 as well as a low base of comparison. Its contribution to the Group's revenue was 85.1% in the financial year.
- In Hong Kong, Macau and other markets, revenue shrank 34.5% year-on-year as the challenging macros, pandemic and closure of major border crossings weighed on consumer spending.

*Revenue by product<sup>(1)</sup> (excluding jewellery trading and service income from franchisees)*

For the year ended 31 March  
(HK\$ million)



% of Revenue	1HFY2020	2HFY2020	1HFY2021	2HFY2021
Gem-set, Platinum and K-gold jewellery	29.1%	25.5%	30.1%	20.9%
Gold jewellery and products	64.5%	68.7%	60.9%	72.2%
Watches	6.4%	5.7%	9.0%	6.9%

- Revenue of gold jewellery and products was up by 26.3% in FY2021. Despite that international gold price hike deterred retail demand during 1HFY2021, sales of this product category rebounded and grew at 74.9% in 2HFY2021. Its contribution to the Group's revenue expanded 170 basis points to 68.2% in the financial year. Within the product category, contribution of fixed price gold products was 9.1% (FY2020: 10.9%).

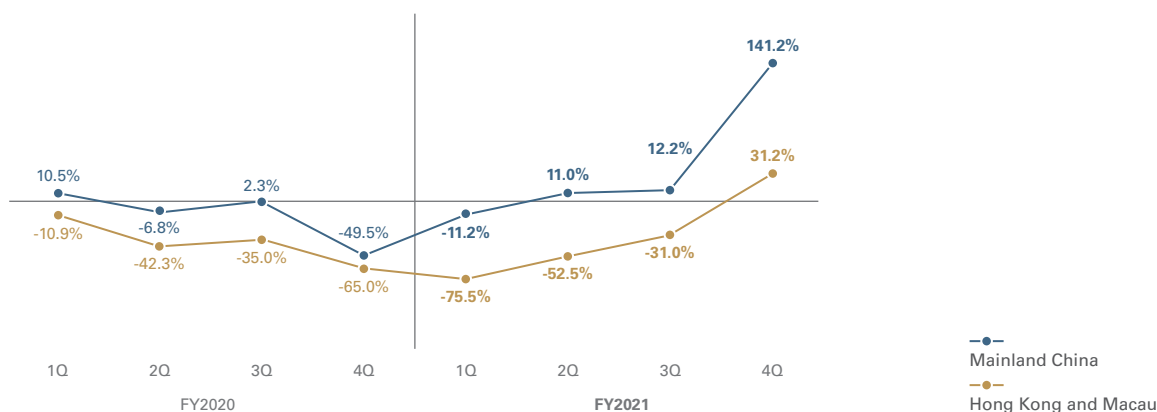


- Watches also registered a strong revenue growth of 55.4% in FY2021, fuelled by a buoyant domestic demand in Mainland China amid the international travel restrictions.

(1) Starting from FY2021, we re-classify our products into 3 categories namely gem-set, platinum and k-gold jewellery, gold jewellery and products, and watches, which the Company believes is appropriate in reflecting its performance

## Same Store Sales Growth (“SSSG”)

SSSG by major market



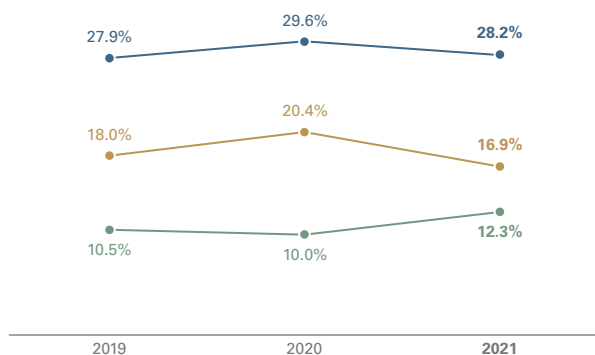
	FY2020	FY2021	
	SSSG	SSSG	SSS volume growth
Mainland China	▼ 15.1%	▲ 31.9%	▲ 8.2%
Hong Kong and Macau	▼ 38.7%	▼ 41.3%	▼ 42.9%

- In Mainland China, 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, SSSG accelerated to 141.2% in 4QFY2021. As a result, SSS in Mainland China increased by 31.9% during FY2021.
- In Hong Kong and Macau, 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.

## Profitability

### Group

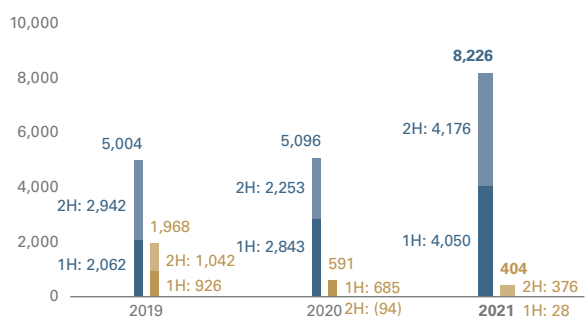
For the year ended 31 March



Adjusted gross profit margin<sup>(1)</sup> Core operating profit margin<sup>(2)</sup>  
Selling and distribution costs and general and administrative expenses ("SG&A") as a % to revenue

### Core operating profit<sup>(2)</sup> by reportable segment

For the year ended 31 March  
(HK\$ million)



Mainland China (2HFY) Hong Kong, Macau and other markets (2HFY)  
Mainland China (1HFY) Hong Kong, Macau and other markets (1HFY)

- (1) Adjusted gross profit and the corresponding 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 SG&A, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its businesses

(HK\$ million)	1HFY2020	2HFY2020	1HFY2021	2HFY2021	YoY change	YoY change
Revenue	29,533	27,218	24,673	45,491	▼ 16.5%	▲ 67.1%
Adjusted gross profit	9,064	7,743	8,660	11,127	▼ 4.5%	▲ 43.7%
Adjusted gross profit margin	30.7%	28.4%	35.1%	24.5%	▲ 4.4% pts	▼ 3.9% pts
Other income	213	224	347	345	▲ 62.7%	▲ 54.4%
SG&A	(5,750)	(5,807)	(4,928)	(6,921)	▼ 14.3%	▲ 19.2%
SG&A as a % to revenue	19.5%	21.3%	20.0%	15.2%	▲ 0.5% pts	▼ 6.1% pts
Core operating profit	3,527	2,160	4,078	4,552	▲ 15.6%	▲ 110.8%
Core operating profit margin	11.9%	7.9%	16.5%	10.0%	▲ 4.6% pts	▲ 2.1% pts

- Adjusted gross profit margin decreased by 140 basis points in FY2021, mainly due to a higher sales contribution from wholesale business, gold jewellery and products and watches in retail business as compared with FY2020.
- Nevertheless, 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.

- Among the two segments, Mainland China continued to be our main profit contributor and accounted for over 95% of the Group's core operating profit in FY2021. Its core operating profit recorded a robust growth of 61.4% during the financial year.
- On the other hand, core operating profit of Hong Kong, Macau and other markets registered a 31.7% decline in FY2021, yet it has demonstrated a recovery trend since 1HFY2021.
- Profit attributable to shareholders increased by 107.7% in FY2021, mainly benefitted from one-off rent concession, unrealised gain on gold loans plus foreign exchange gain, netting off impairment on assets and goodwill. Comparing to FY2019, it rose by 31.3% on a two-year basis.

### Adjusted gross profit margin

- We use adjusted gross profit margin, a non-IFRS measure, for analysis, which represents gross profit margin generated from the business after eliminating the effect of unrealised loss (gain) on gold loans, because this measure better reflects the operational performance of the Group and is useful for understanding the underlying trend of its businesses.

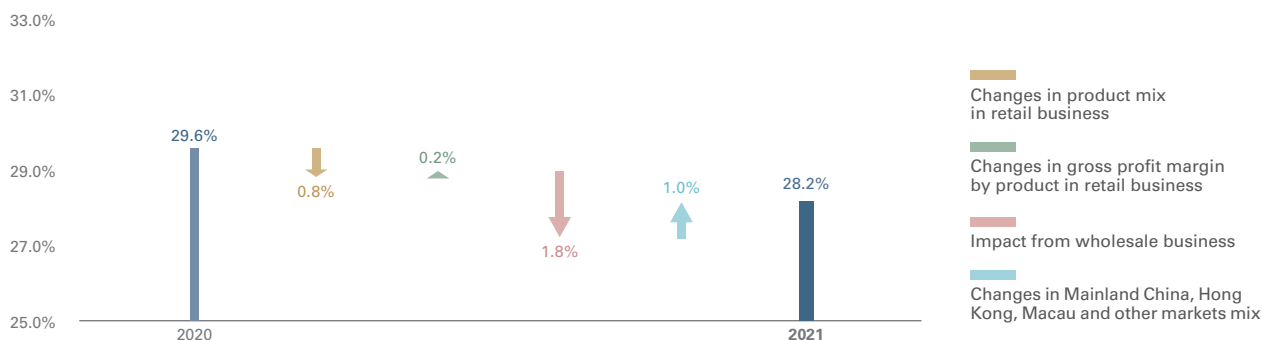
### Unrealised loss (gain)

For the year ended 31 March	2019	2020	2021
Gross profit margin	27.9%	28.4%	28.6%
Unrealised loss (gain) on gold loans	0.0%	1.2%	(0.4)%
Adjusted gross profit margin	27.9%	29.6%	28.2%

- We use gold loans (short position in gold) for economic hedge purpose to mitigate the financial impact of the gold price fluctuations in our gold inventories (long position). The long-term effect of long and short positions in gold is expected to net out each other through the sales of gold inventories. However, when we take a snapshot position, a short-term timing difference may arise. The unsettled gold loan contracts are revalued at market price at the end of the reporting period, while the gold inventories are not revalued as it is measured at weighted average cost, unless an impairment indicator exists.
- As at 31 March 2021, there was an unrealised gain of HK\$288 million arising from such timing difference.

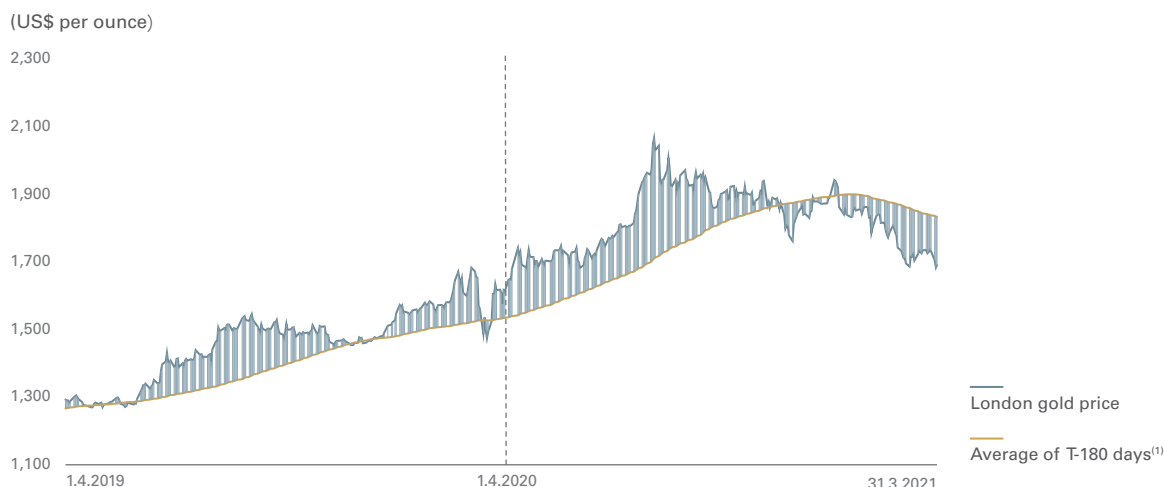
## Movements in adjusted gross profit margin

For the year ended 31 March



- At group level, FY2021 adjusted gross profit margin contracted by 140 basis points year-on-year.
- The higher contribution from our wholesale business and gold jewellery and products and watches in retail business led to the contraction of gross profit margin which was partially offset by the favourable market mix with promising growth in Mainland China.

## London gold price



(1) Average of T-180 days refers to the average gold price of previous 180 days on rolling basis, being a proxy of the average price of our hedged inventories. Average of T-180 days was used for FY2020 and FY2021

FY2021

London gold price

Closing price YoY change

▲ 5.1%

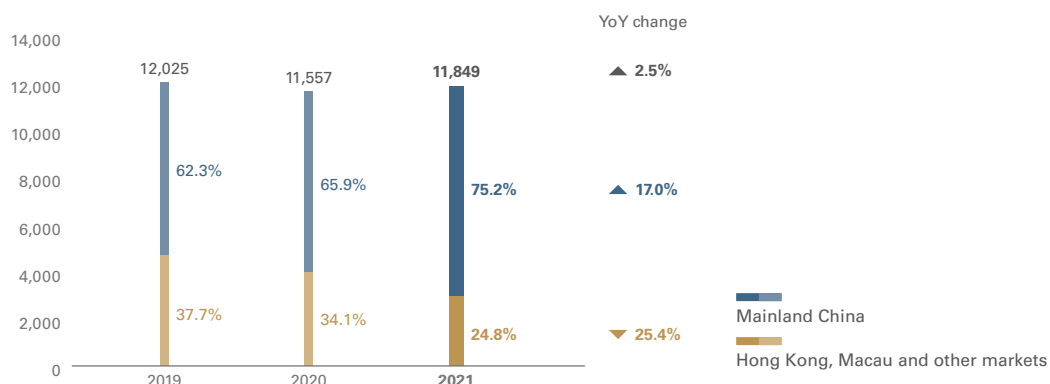
Average price YoY change

▲ 24.6%

## SG&A

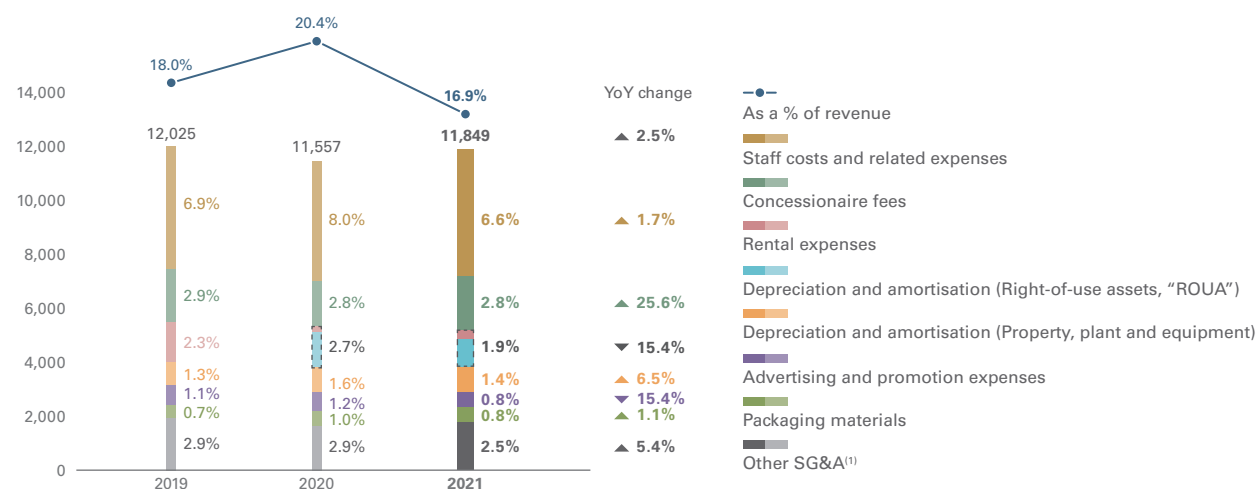
### SG&A by reportable segment

For the year ended 31 March  
(HK\$ million)



### SG&A to revenue ratio

For the year ended 31 March  
(HK\$ million)



(1) Other SG&A mainly represented bank charges incurred for sales transactions settlement, royalty fees for the sales of licensed products, certificate expenses and utilities

- SG&A expenses was well managed to be increased by 2.5% to HK\$11,849 million.
- SG&A ratio contracted by 350 basis points to 16.9% due to operating leverage and our effective cost control. In particular, advertising and promotion expenses was down by 15.4% and packaging materials was almost flat during the year.
- Analyses of the major SG&A components, including staff costs and related expenses, concessionaire fees and lease-related expenses are provided on p. 25 to 26 and 35 to 36 of this announcement.

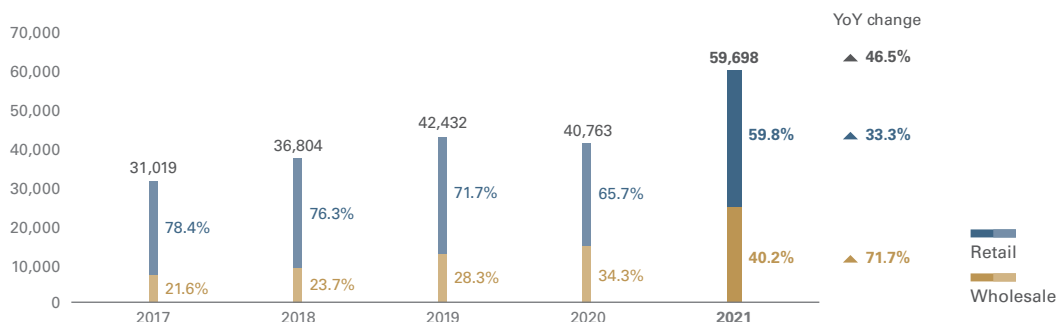
## MAINLAND CHINA

### Revenue

#### *Revenue by operation model*

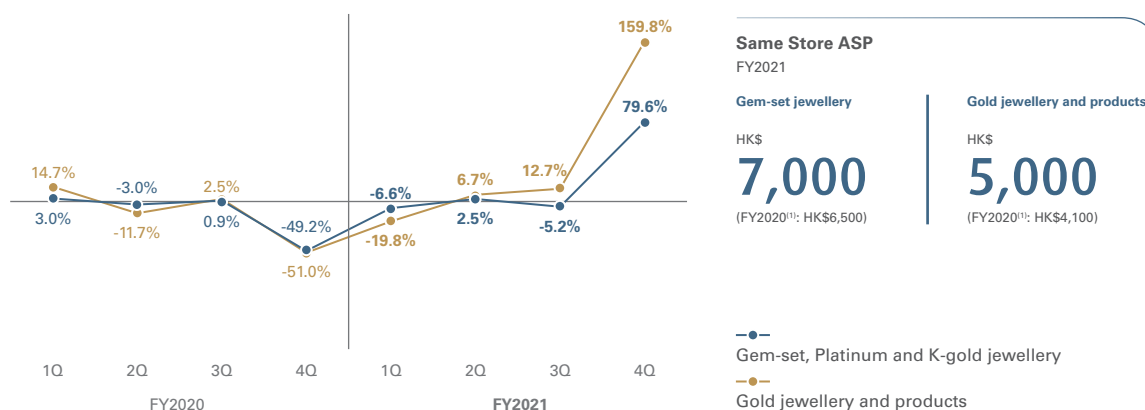
For the year ended 31 March

(HK\$ million)



- In Mainland China, our retail revenue represents sales from self-operated POS, e-commerce and other direct channels, while wholesale revenue mainly represents sales to franchisees and provision of services to franchisees.
- Revenue in Mainland China leaped 46.5% to HK\$59,698 million in FY2021. On a constant exchange rate basis, revenue rose by 44.5% in the financial year.
- Wholesale revenue soared 71.7% during the financial year, boosted by new openings in lower tier and county level cities. Its revenue contribution climbed 590 basis points to 40.2% in the financial year. Share of wholesale revenue in Mainland China was 36.3% and 42.3% in 1HFY2021 and 2HFY2021, respectively.
- As at 31 March 2021, we had 2,659 franchised CHOW TAI FOOK JEWELLERY POS. For majority of these POS, we retain inventory ownership until sales transactions are completed with retail consumers, upon which wholesale revenue is recognised. These POS contributed approximately 64.1% of the wholesale revenue in Mainland China.

## SSSG of major products



	FY2021	
	SSSG	SSS volume growth
Gem-set, Platinum and K-gold jewellery	▲ 11.2%	▲ 0.4%
Gold jewellery and products	▲ 35.3%	▲ 11.3%
Watches	▲ 76.0%	▲ 21.8%
Overall	▲ 31.9%	▲ 8.2%

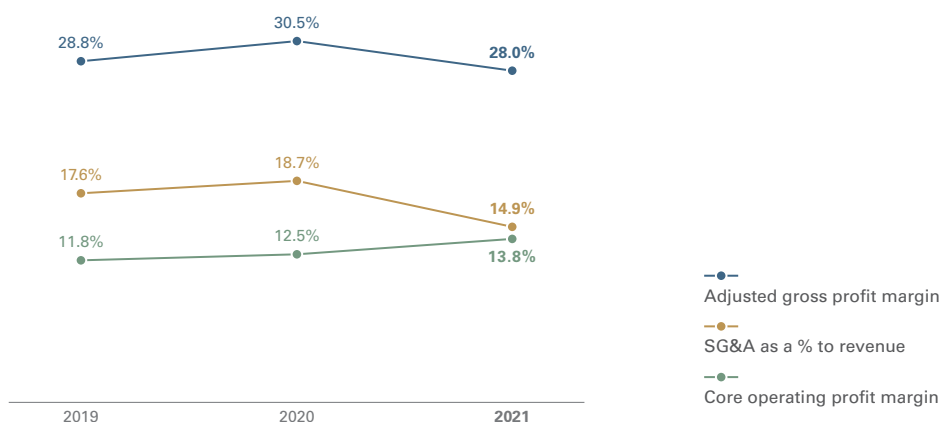
(1) Same Store average selling price ("ASP") on FY2021 Same Store basis

- In Mainland China, Same Store ASP continued an upward trend in all product categories during FY2021.
- Retail demand for gold jewellery and products was sluggish in 1HFY2021. Yet, as gold price softened coupled with a favourable impact from the appreciation of RMB, demand picked up in 2HFY2021. This led to a SSSG of 35.3% for full year. ASP of gold jewellery and products surged from HK\$4,100 in FY2020 to HK\$5,000 in FY2021, mainly thanks to the continual strength in CTF • HUÁ Collection.
- SSS of gem-set, platinum and k-gold jewellery grew 11.2% during the financial year. Gem-set jewellery ASP went up from HK\$6,500 in FY2020 to HK\$7,000 in FY2021.
- Watches witnessed a very strong year and delivered a 76.0% SSSG in FY2021, supported by a buoyant domestic demand.

## Profitability

### Mainland China

For the year ended 31 March



(HK\$ million)	1HFY2020	2HFY2020	1HFY2021	2HFY2021	1HFY YoY change	2HFY YoY change
Revenue	20,224	20,539	21,216	38,482	▲ 4.9%	▲ 87.4%
Adjusted gross profit	6,445	5,988	7,343	9,368	▲ 13.9%	▲ 56.4%
Adjusted gross profit margin	31.9%	29.2%	34.6%	24.3%	▲ 2.7% pts	▼ 4.9% pts
Other income	121	158	197	228	▲ 62.4%	▲ 44.6%
SG&A	(3,724)	(3,892)	(3,491)	(5,420)	▼ 6.2%	▲ 39.2%
SG&A as a % to revenue	18.4%	19.0%	16.5%	14.1%	▼ 1.9% pts	▼ 4.9% pts
Core operating profit	2,843	2,253	4,050	4,176	▲ 42.5%	▲ 85.3%
Core operating profit margin	14.1%	11.0%	19.1%	10.9%	▲ 5.0% pts	▼ 0.1% pts

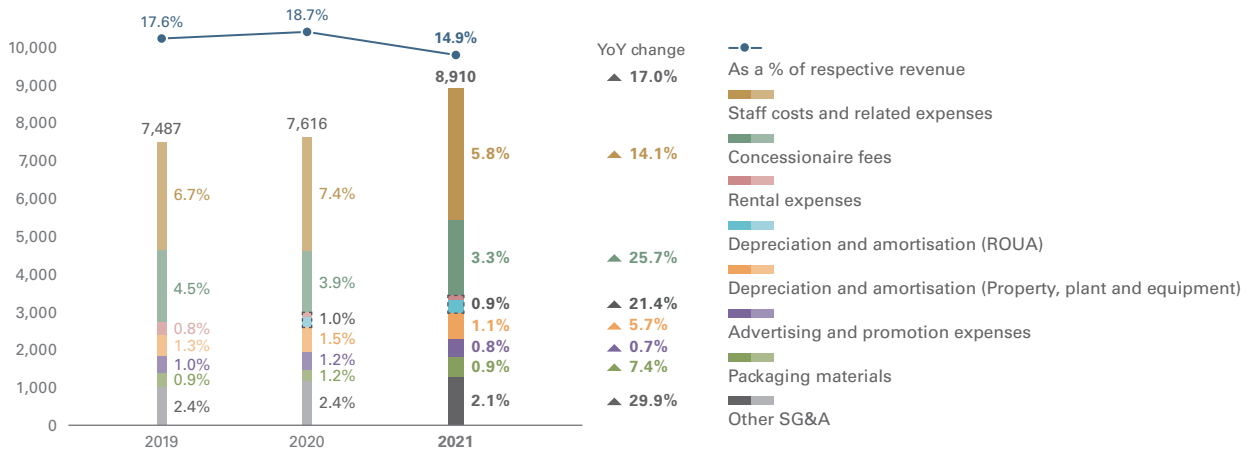
- Adjusted gross profit margin in Mainland China expanded by 270 basis points to 34.6% in 1HFY2021 as like-for-like gross profit margin improved, especially in gold jewellery and products. However, in 2HFY2021, adjusted gross profit margin decreased by 490 basis points to 24.3% as a result of higher contribution of gold jewellery and products and watches in retail business, decline in gross profit margin in gold jewellery and products and impact from wholesale business.
- Yet, core operating profit margin stayed at about 11% in 2HFY2021, similar to 2HFY2020 level.
- Overall, adjusted gross profit margin contracted by 250 basis points to 28.0% in FY2021 as a result of higher sales contribution from wholesale business, gold jewellery and products and watches in retail business as compared with FY2020.
- SG&A ratio decreased by 380 basis points to 14.9% in FY2021, thanks to our cost savings, relief received from government on major expense item and operating leverage.
- Full year core operating profit margin expanded by 130 basis points year-on-year, demonstrating a continuous improvement across the previous three financial years.



## SG&A

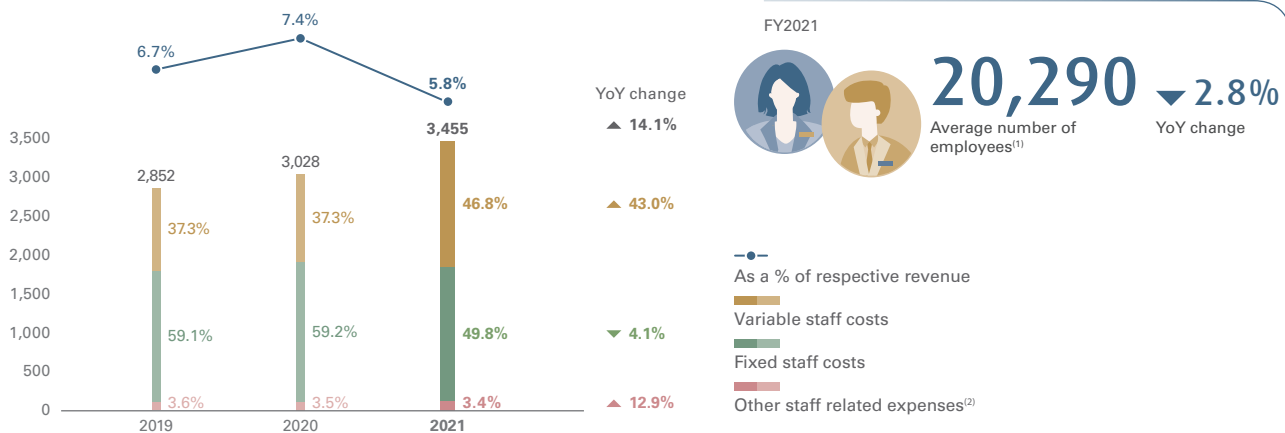
### SG&A to revenue ratio

For the year ended 31 March  
(HK\$ million)



### Staff costs and related expenses

For the year ended 31 March  
(HK\$ million)



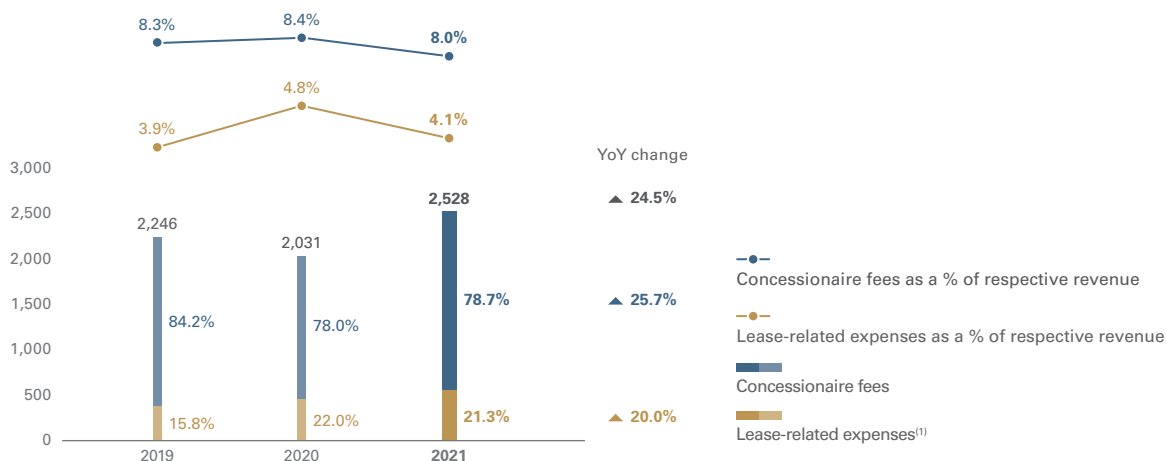
(1) Employees in production function excluded

(2) Other staff related expenses mainly included staff messing, medical care, educational expenses, etc.

- Staff costs and related expenses were up by 14.1% in FY2021. Incremental expenses were mainly attributable to the increase in variable performance based portion which was in line with business growth.
- Fixed costs decreased by 4.1% during the financial year as there was government relief on the social insurance contribution amounted to approximately HK\$40 million due to the COVID-19 situation. In addition, the calculation basis of employer contribution on the social insurance was adjusted down by the government as compared to the prior year.

## Concessionaire fees and lease-related expenses<sup>(1)</sup>

For the year ended 31 March  
(HK\$ million)



- Concessionaire fees rose by 25.7% as retail revenue increased. The concessionaire fees ratio was lowered to 8.0% mainly due to the shift of sales mix towards gold jewellery and products which are generally subject to lower rates.
- Lease-related expenses ratio also went down to 4.1% as a result of operating leverage.

(1) Under IFRS 16 — leases, depreciation and amortisation (ROUA) and finance costs on leases replace the majority of rental expenses and therefore we combined these three elements for the analysis of lease-related expenses

## POS network

### POS movement by store brand<sup>(1)</sup> — Mainland China

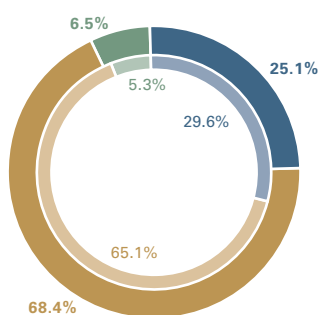
As at	31.3.2019 Total	31.3.2020 Total	During FY2021		Net	31.3.2021 Total
			Addition	Reduction		
CHOW TAI FOOK JEWELLERY <sup>(2)</sup>	2,807	3,429	833	(164)	669	4,098
CTF WATCH	113	116	22	(10)	12	128
HEARTS ON FIRE	3	1	—	—	—	1
ENZO	—	59	25	(9)	16	75
SOINLOVE	27	43	31	(8)	23	66
MONOLOGUE	38	51	34	(8)	26	77

(1) Shop-in-Shop ("SIS") and Counter-in-Shop ("CIS") excluded

(2) CTF WATCH POS excluded

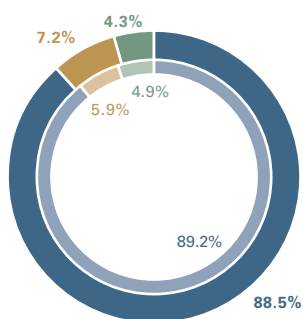
## RSV analysis

### RSV by product



FY2020	FY2021		RSV YoY change
		Gem-set, Platinum and K-gold jewellery	▲ 27.4%
		Gold jewellery and products	▲ 57.7%
		Watches	▲ 84.0%
Overall			▲ 50.1%

### RSV by channel



FY2020	FY2021		RSV YoY change
		CHOW TAI FOOK JEWELLERY	▲ 49.0%
		Other store brands <sup>(1)</sup>	▲ 83.4%
		E-commerce <sup>(2)</sup>	▲ 30.9%
Overall			▲ 50.1%

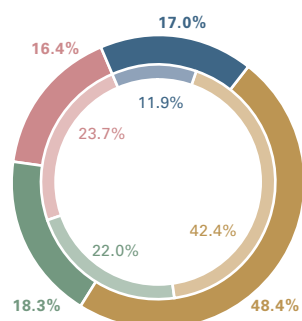
(1) CTF WATCH, HEARTS ON FIRE, ENZO, SOINLOVE and MONOLOGUE included

(2) Major platforms included Chow Tai Fook eShop, Tmall, JD.com, Vipshop; O2O distribution (i.e. routing online orders to POS for delivery service), CloudSales 365 and Cloud Kiosk excluded

The following analyses focus on CHOW TAI FOOK JEWELLERY POS which contributed approximately 90% of the RSV in Mainland China:

### CHOW TAI FOOK JEWELLERY POS

#### RSV and POS by tier of cities<sup>(1)</sup>

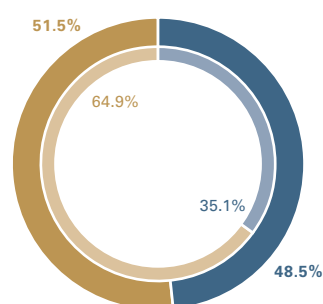


		FY2021	
		RSV YoY change	Net POS movement
<div>■</div> <div>■</div> <div>■</div> <div>■</div>	Tier I cities	▲ 45.4%	▲ 77
	Tier II cities	▲ 47.3%	▲ 268
	Tier III cities	▲ 52.7%	▲ 156
	Tier IV cities and others	▲ 54.1%	▲ 168

(1) As an initiative to better reflect the economic development and strategic significance of cities in Mainland China, we adopt the city-tier ranking published by Yicai Global. New first-tier cities were grouped under Tier II cities in our analysis. Please refer to the ranking released on 29 May 2020

- In FY2021, we opened a net of 669 CHOW TAI FOOK JEWELLERY POS in Mainland China under the continuous execution of our expansion strategy. Approximately half of these openings were located in Tier III, IV and other cities.
- Tier III, IV and other cities achieved stronger RSV growth than Tier I and II cities during the financial year, mainly driven by new openings.

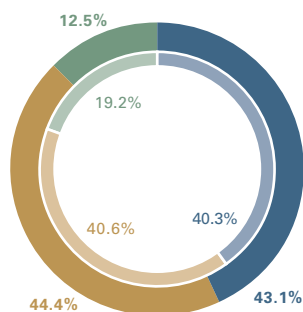
#### RSV and POS by operation model



		FY2021	
		RSV YoY change	Net POS movement
<div>■</div> <div>■</div>	Self-operated	▲ 26.6%	▼ 54
	Franchised	▲ 78.8%	▲ 723

- By operation model, all net openings in FY2021 were in franchised format. As at 31 March 2021, approximately 65% of our POS in Mainland China were in franchised format.
- Franchised POS outpaced self-operated POS in RSV growth and shared 51.5% of RSV in Mainland China during FY2021, underpinned largely by new openings over the past two years. Growth of franchised POS calculated on same store basis was 32.8% in FY2021.
- Sales per store of franchised POS was generally lower than that of self-operated POS located in the same city tier during the financial year.

## RSV and POS by store format

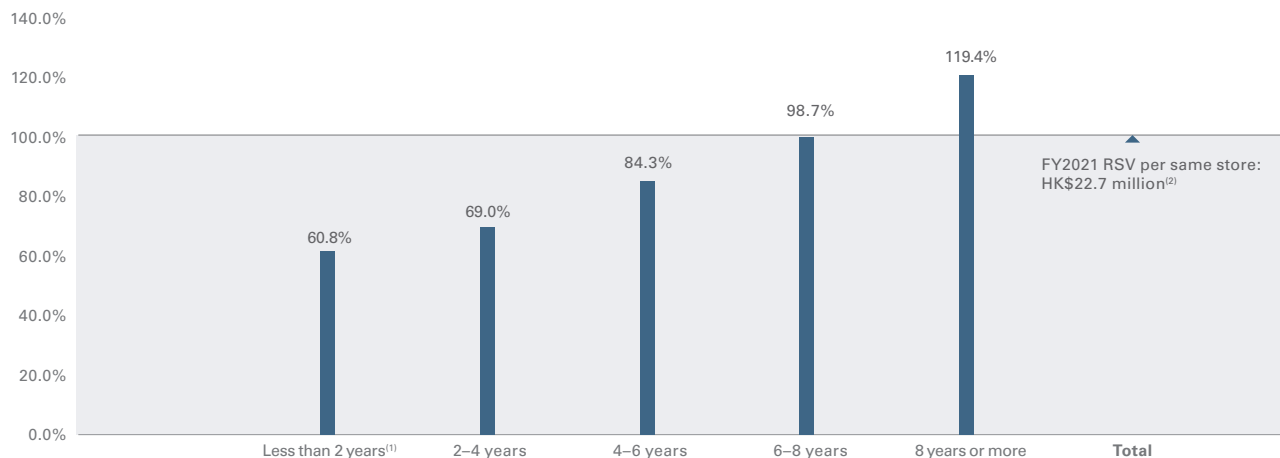


		FY2021	
% of POS	% of RSV	RSV YoY change	Net POS movement
Shopping mall		▲ 62.8%	▲ 301
Department store		▲ 31.0%	▲ 121
Others		▲ 84.9%	▲ 247

- In FY2021, stores at street level and shopping malls continued to have a stronger RSV growth than POS in department stores.

## Self-operated CHOW TAI FOOK JEWELLERY POS

### RSV per store by store age



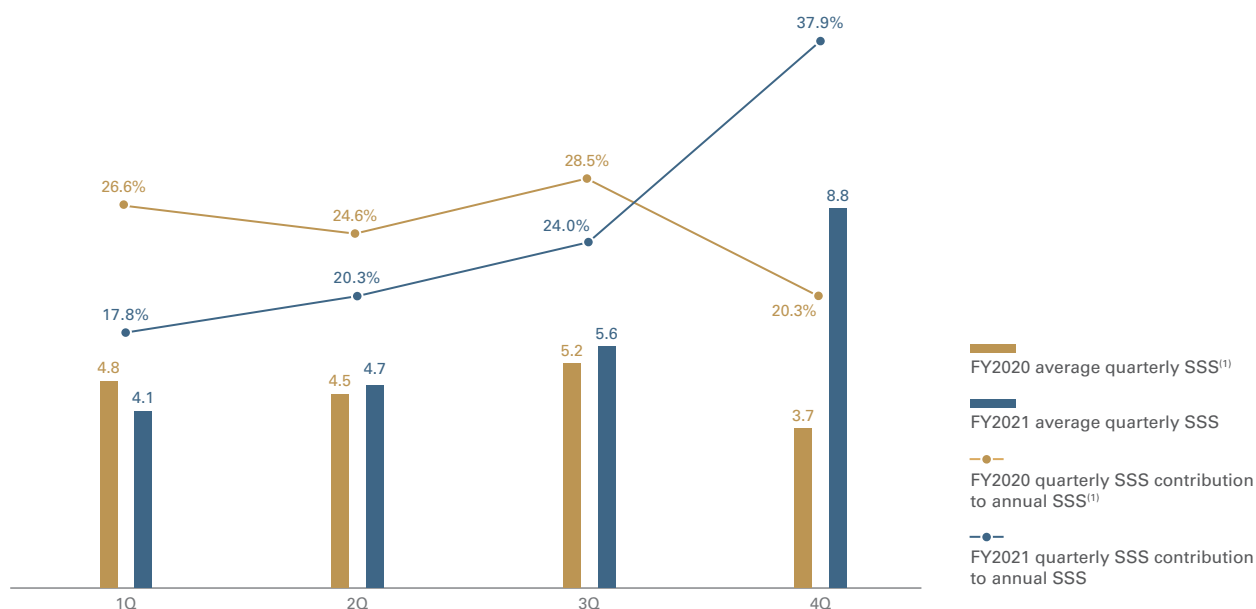
POS opening date	4/2019-3/2021	4/2017-3/2019	4/2015-3/2017	4/2013-3/2015	3/2013 or before	
POS	115	292	205	177	650	1,439
% of POS	8.0%	20.3%	14.2%	12.3%	45.2%	100.0%

Ratio of annual RSV per store to RSV per Same Store

(1) For POS of age less than 1 year, RSV is adjusted on an annualised basis  
(2) Value-added tax ("VAT") included

## Average quarterly sales

(HK\$ million)

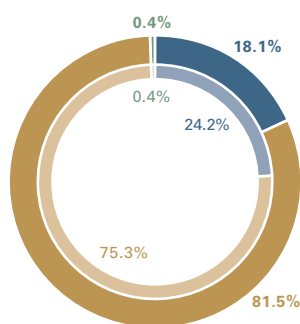


(1) SSS on FY2021 Same Store basis

- As business in 1HFY2021 was still recovering from the COVID-19 pandemic, average SSS contribution in 2HFY2021 reached approximately 62% of full year SSS, slightly higher than our seasonality under normal course of business.
- 4Q, being our peak season as driven by festive occasions such as Chinese New Year and Valentine's Day, usually account for the highest quarterly SSS contribution. However, with the pandemic, the SSS contribution for 4QFY2020 was reduced to 20.3%, resulting in an abnormal seasonality pattern.

## E-commerce<sup>(1)</sup> and O2O related business<sup>(2)</sup>

### RSV by product



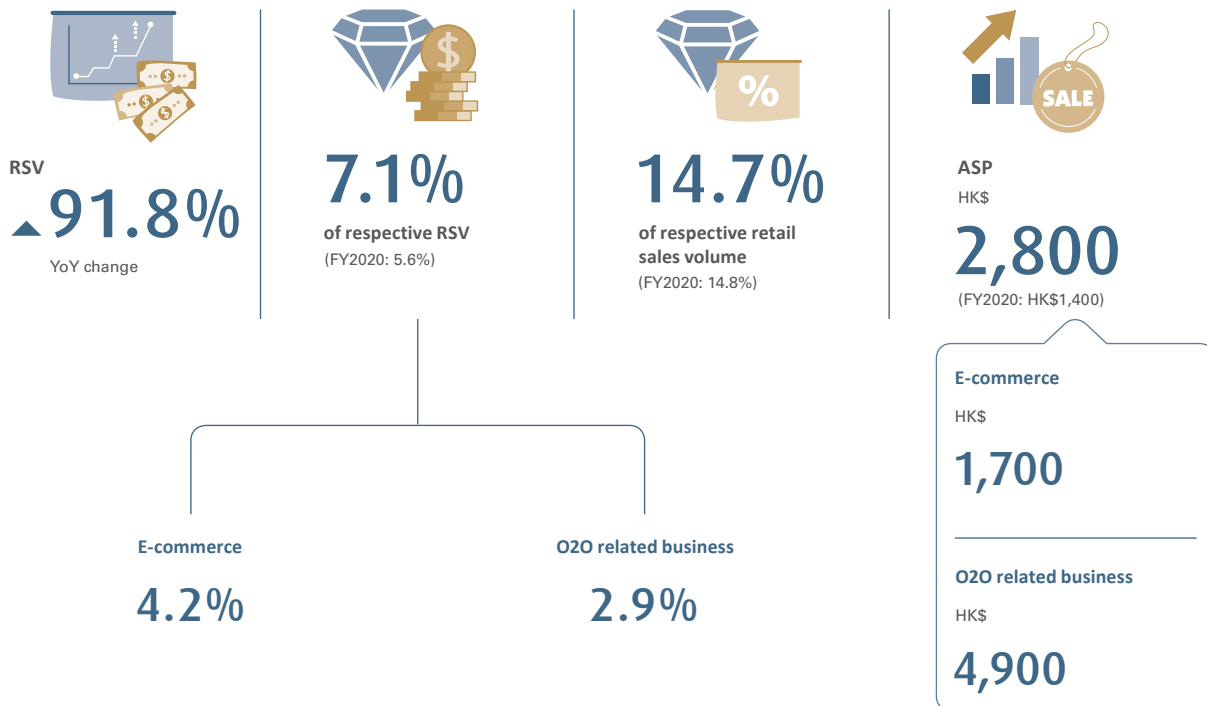
FY2020	FY2021		RSV YoY change
		Gem-set, Platinum and K-gold jewellery	▲ 43.0%
		Gold jewellery and products	▲ 107.4%
		Watches	▲ 95.0%
Overall			▲ 91.8%

(1) Major platforms included Chow Tai Fook eShop, Tmall, JD.com, Vipshop

(2) O2O distribution (i.e. routing online orders to POS for delivery service), CloudSales 365 and Cloud Kiosk included

## E-commerce and O2O related business performance

FY2021



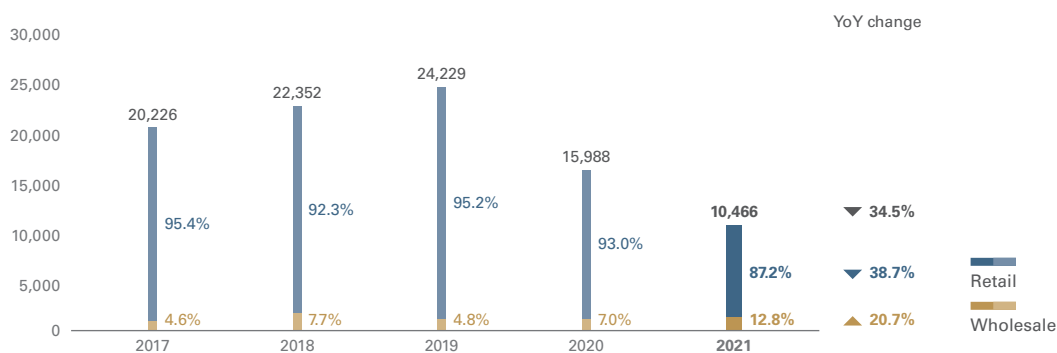
- RSV of our e-commerce and O2O related business grew strongly at 91.8% in FY2021, mainly attributable to our sales on O2O platforms.
- E-commerce and O2O related business contributed 7.1% to the RSV in Mainland China during the financial year, thanks to our private domain smart retail applications. ASP of these applications was three times that of the e-commerce platforms as they enabled a closer connection and a stronger trust with our customers.
- In terms of retail sales volume, share of the e-commerce and O2O related business to the Mainland China's operations stayed similar to previous financial year.

## HONG KONG, MACAU AND OTHER MARKETS

### Revenue

#### *Revenue by operation model*

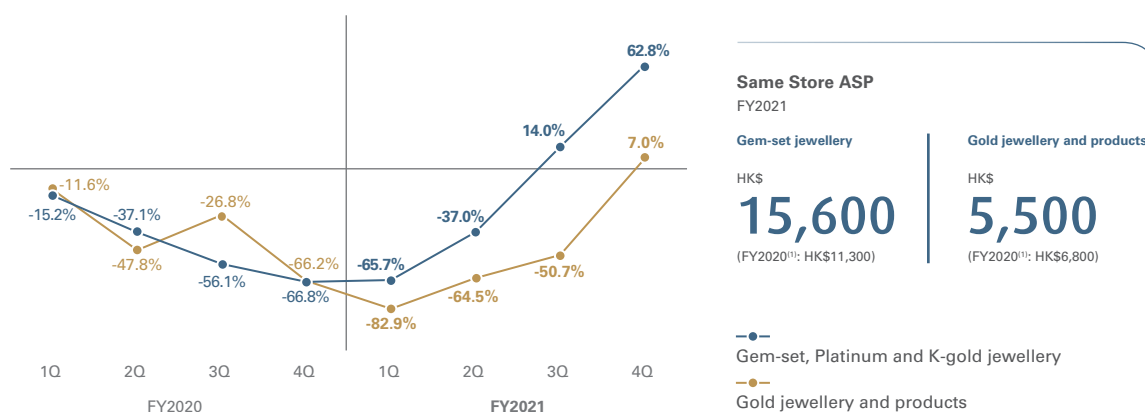
For the year ended 31 March  
(HK\$ million)



- In Hong Kong, Macau and other markets, our retail revenue represents sales from self-operated POS, e-commerce and other direct channels, while wholesale revenue represents sales to franchisees, sales to retailers and sales from jewellery trading.
- Retail revenue declined by 38.7% in FY2021 as customer traffic remained subdued.



## SSSG of major products



	FY2021	
	SSSG	SSS volume growth
Gem-set, Platinum and K-gold jewellery	▼ 19.3%	▼ 38.7%
Gold jewellery and products	▼ 55.7%	▼ 45.0%
Watches	▼ 7.6%	▼ 20.0%
Overall	▼ 41.3%	▼ 42.9%

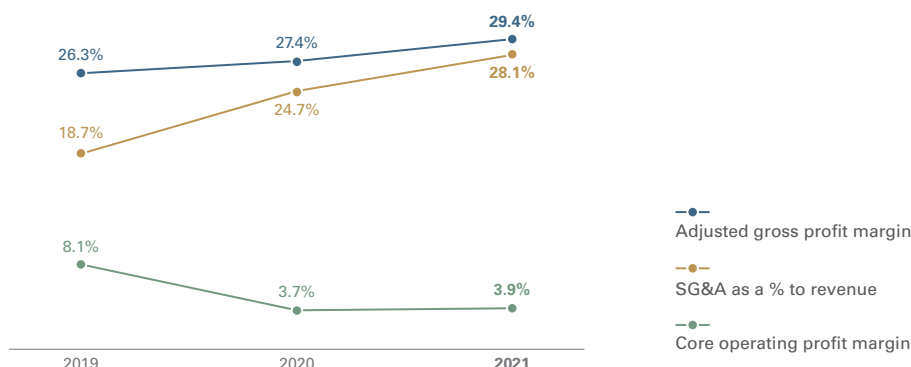
(1) Same Store ASP on FY2021 Same Store basis

- SSS of gold jewellery and products went down by about 56% in FY2021. ASP of the product category reduced from HK\$6,800 in FY2020 to HK\$5,500 as sales mix of fixed price gold products increased.
- Despite the challenging business environment, SSSG of gem-set, platinum and k-gold jewellery was back to a positive level since 3QFY2021, thanks to our promotional efforts. This successfully attracted big ticket transactions, leading to 38.7% increase in ASP of gem-set jewellery during the financial year.

## Profitability

### Hong Kong, Macau and other markets

For the year ended 31 March



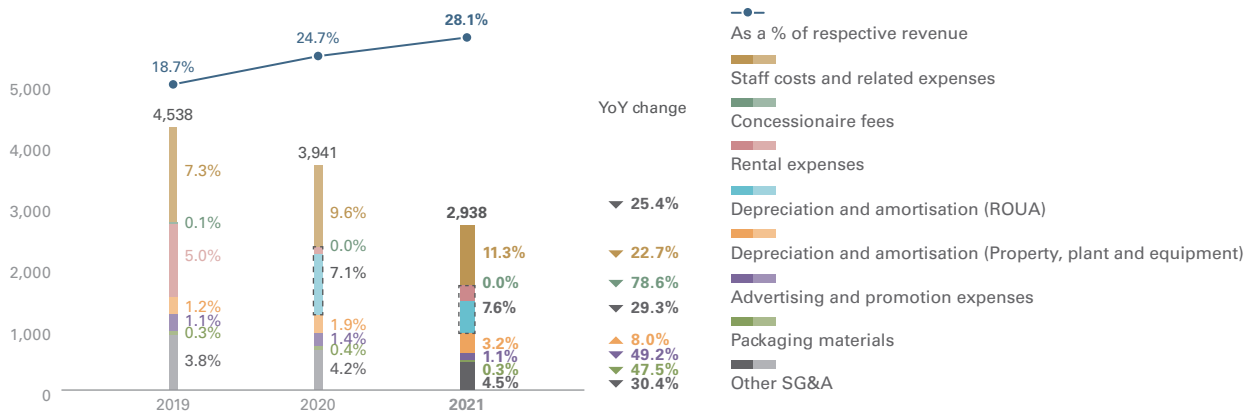
(HK\$ million)	1HFY2020	2HFY2020	1HFY2021	2HFY2021	1HFY YoY change	2HFY YoY change
Revenue	9,309	6,679	3,457	7,009	▼ 62.9%	▲ 4.9%
Adjusted gross profit	2,619	1,756	1,316	1,760	▼ 49.7%	▲ 0.2%
Adjusted gross profit margin	28.1%	26.3%	38.1%	25.1%	▲ 10.0% pts	▼ 1.2% pts
Other income	92	66	149	117	▲ 63.0%	▲ 78.0%
SG&A	(2,026)	(1,915)	(1,437)	(1,501)	▼ 29.1%	▼ 21.6%
SG&A as a % to revenue	21.8%	28.7%	41.6%	21.4%	▲ 19.8% pts	▼ 7.3% pts
Core operating profit	685	(94)	28	376	▼ 95.9%	N/A
Core operating profit margin	7.4%	(1.4)%	0.8%	5.4%	▼ 6.6% pts	N/A

- In 1HFY2021, adjusted gross profit margin improved significantly by 1,000 basis points to 38.1%, driven largely by the surge in gold price and some improvement in gross profit margin of our jewellery trading business. In 2HFY2021, adjusted gross profit margin decreased from 26.3% to 25.1% due to impact from wholesale business which was partially offset by like-for-like margin improvement and a more favourable product mix in retail business.
- As a result, in FY2021, adjusted gross profit margin expanded by 200 basis points to 29.4%.
- SG&A ratio increased by 340 basis points to 28.1% in the financial year due to operating deleverage especially in 1HFY2021, yet thanks to effective cost control, SG&A ratio was back to 21.4% in 2HFY2021.
- Core operating profit dropped significantly by 31.7% in FY2021. Yet, a core operating profit of HK\$376 million was recorded in 2HFY2021, demonstrating a sequential improvement from 2HFY2020 and 1HFY2021. Its corresponding margin was slightly up by 20 basis points to 3.9% during the financial year, benefitted from the government subsidies received which we recorded as other income.

## SG&A

### SG&A to revenue ratio

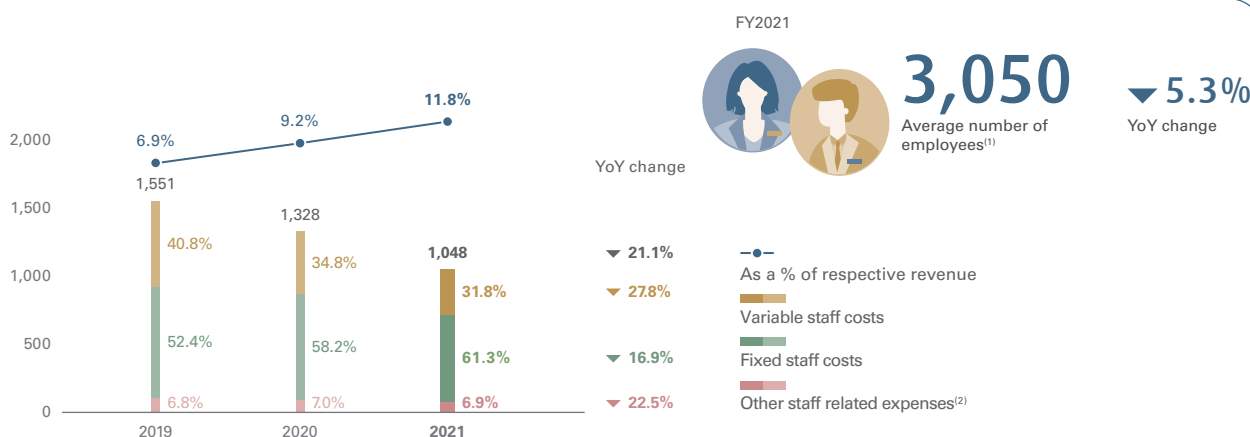
For the year ended 31 March  
(HK\$ million)



## Hong Kong and Macau

### Staff costs and related expenses

For the year ended 31 March  
(HK\$ million)



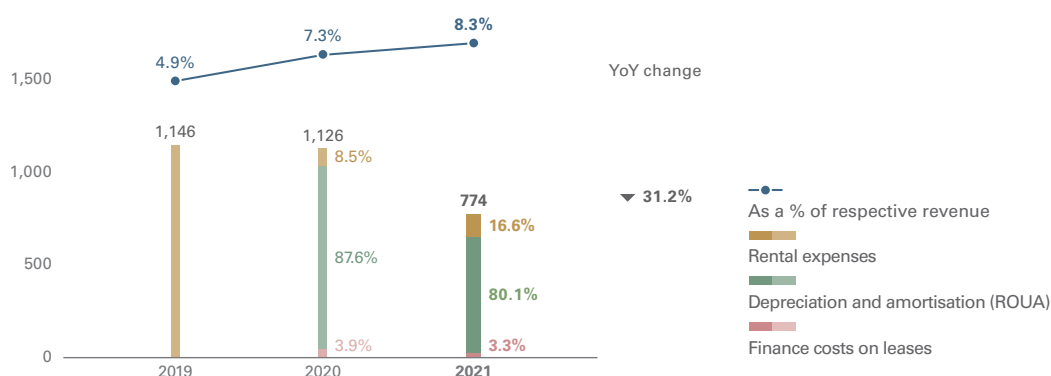
(1) Employees in production function excluded

(2) Other staff related expenses mainly included staff messing, medical care, educational expenses, etc.

- Staff costs and related expenses was down by 21.1%. The variable staff costs shrank by 27.8% year-on-year in FY2021, largely in line with the drop in revenue.
- Fixed staff costs also declined by 16.9% due to attrition and reduction on certain allowances.
- During FY2021, we received HK\$160 million from Employment Support Scheme which was recognised in other income.

### Lease-related expenses<sup>(3)</sup>

For the year ended 31 March  
(HK\$ million)



(3) Under IFRS 16 — leases, depreciation and amortisation (ROUA) and finance costs on leases replace the majority of rental expenses and therefore we combined these three elements for the analysis of lease-related expenses

- Lease-related expenses fell by 31.2% due to consolidation of POS and rental renewal reduction. Yet its corresponding expenses ratio expanded by 100 basis points to 8.3% in FY2021 due to operating deleverage. The average reduction on lease renewal during FY2021 relative to the last leases was around 40%.
- During FY2021, COVID-19-related rent concession of HK\$128 million was recognised in other gains.

### POS network

POS movement by store brand<sup>(1)</sup> — Hong Kong, Macau and other markets

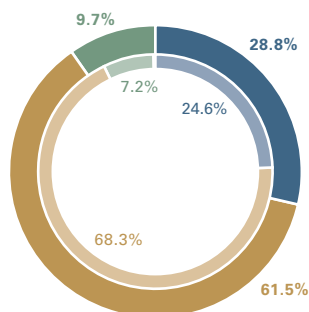
As at	31.3.2019	31.3.2020	During FY2021		31.3.2021	
	Total	Total	Addition	Reduction	Net	Total
CHOW TAI FOOK JEWELLERY	131	138	8	(12)	(4)	134
Hong Kong, China	81	83	3	(7)	(4)	79
Macau, China	19	18	1	(1)	—	18
Other markets	31	37	4	(4)	—	37
HEARTS ON FIRE	15	10	1	(3)	(2)	8
SOINLOVE	—	1	—	—	—	1
MONOLOGUE	—	2	1	—	1	3

(1) SIS and CIS excluded

## RSV analysis

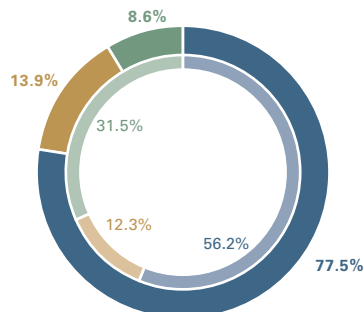
### Hong Kong, Macau and other markets

#### RSV by product



FY2020	FY2021		RSV YoY change
		Gem-set, Platinum and K-gold jewellery	▼ 21.0%
		Gold jewellery and products	▼ 39.3%
		Watches	▼ 8.6%
Overall			▼ 32.6%

#### RSV and POS by geography



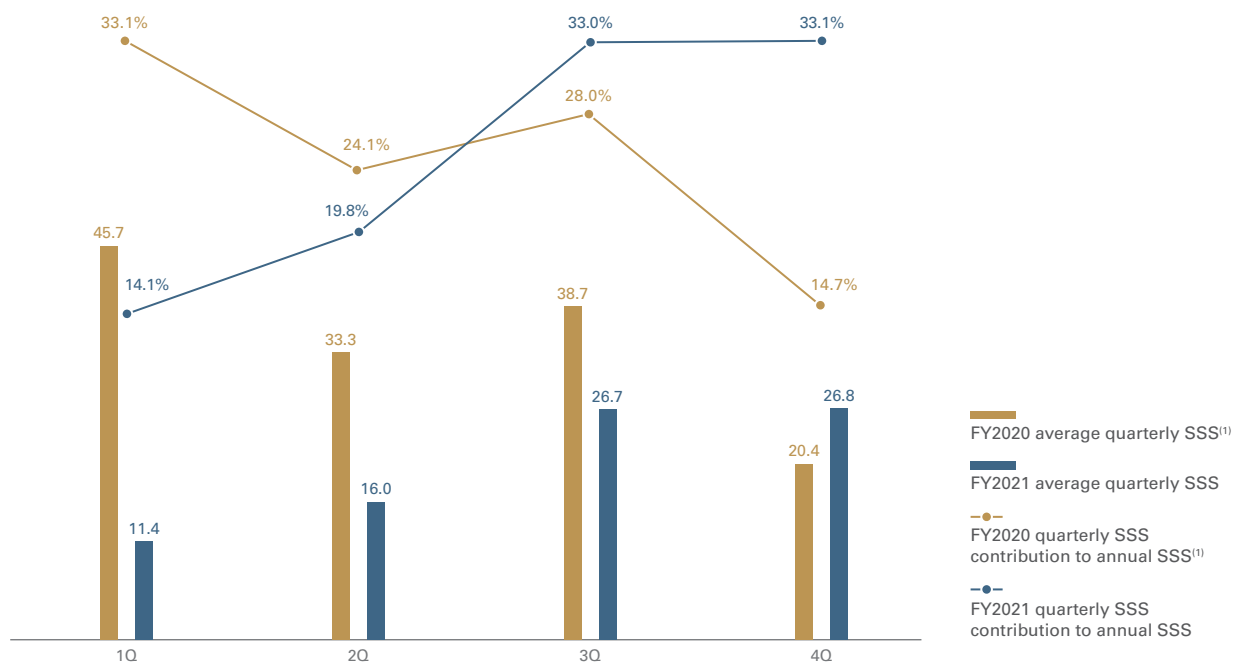
% of POS	% of RSV		FY2021 RSV YoY change	FY2021 Net POS movement
		Hong Kong	▼ 30.9%	▼ 5
		Macau	▼ 47.7%	—
		Other markets	▼ 9.6%	—

- In FY2021, RSV recorded a 32.6% decline in Hong Kong, Macau and other markets as the pandemics weighed on international travel and tourist related consumption.
- Customer traffic at POS in Hong Kong and Macau dropped by 40.3% year-on-year during the financial year. Whereas the percentage of RSV settled by China UnionPay, Alipay, WeChat Pay or RMB to the total RSV of Hong Kong and Macau market dropped to 18.2% in FY2021 from 36.9% in FY2020.
- 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, Mainland China and closed a net of 5 POS in other locations. 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.

## Hong Kong and Macau

### Average quarterly sales

(HK\$ million)



(1) SSS on FY2021 Same Store basis

- 3Q, being the peak season for the industry as driven by Christmas, usually accounted for the highest quarterly SSS contribution and average SSS for our Hong Kong and Macau market.
- Nevertheless, seasonality in both FY2021 and FY2020 deviated from that under our normal course of business. The lingering pandemic severely affected our business in 1HFY2021 whereas our promotional efforts helped boost sales in 2HFY2021, lifting SSS contribution of 2HFY2021 to 66.1% of full year SSS.
- While the situation in Hong Kong since 2QFY2020 and the outbreak of pandemic in 4QFY2020 heavily weighed on our business performance, quarterly SSS contribution skewed towards the first quarter during FY2020.

## OTHER FINANCIAL REVIEW

### Other income, other gains and losses and other expenses

For the year ended 31 March	2019 HK\$ million	2020 HK\$ million	2021 HK\$ million	YoY change
Other income	396	437	692	▲ 58.4%
Other gains and losses	(276)	(147)	431	N/A
Other expenses	(57)	(146)	(664)	▲ 353.9%

- Other income mainly arose from the government grants received in Mainland China and Hong Kong, commission income, other income received from franchisees and other interest income. In FY2021, approximately 34% of other income were one-off in nature.
- Other gains and losses mainly represented a net foreign exchange gain of HK\$336 million (FY2020: loss HK\$234 million) due to the appreciation of RMB, COVID-19-related rent concession of HK\$128 million (FY2020: HK\$16 million) and gain on surrender of ROUA of HK\$2 million (FY2020: HK\$79 million).
- Other expenses mainly represented the assets impairment (including property, plant and equipment and ROUA) of HK\$382 million (FY2020: HK\$63 million), the goodwill impairment of HK\$232 million (FY2020: HK\$26 million) and the amortisation of other intangible assets of approximately HK\$40 million (FY2020: HK\$36 million) arising from the acquisition of Hearts On Fire Company, LLC several years ago. We decided a repositioning on HEARTS ON FIRE so as to maintain the identity and heritage of the brand while better serve the need for us to penetrate into the high-end segment.

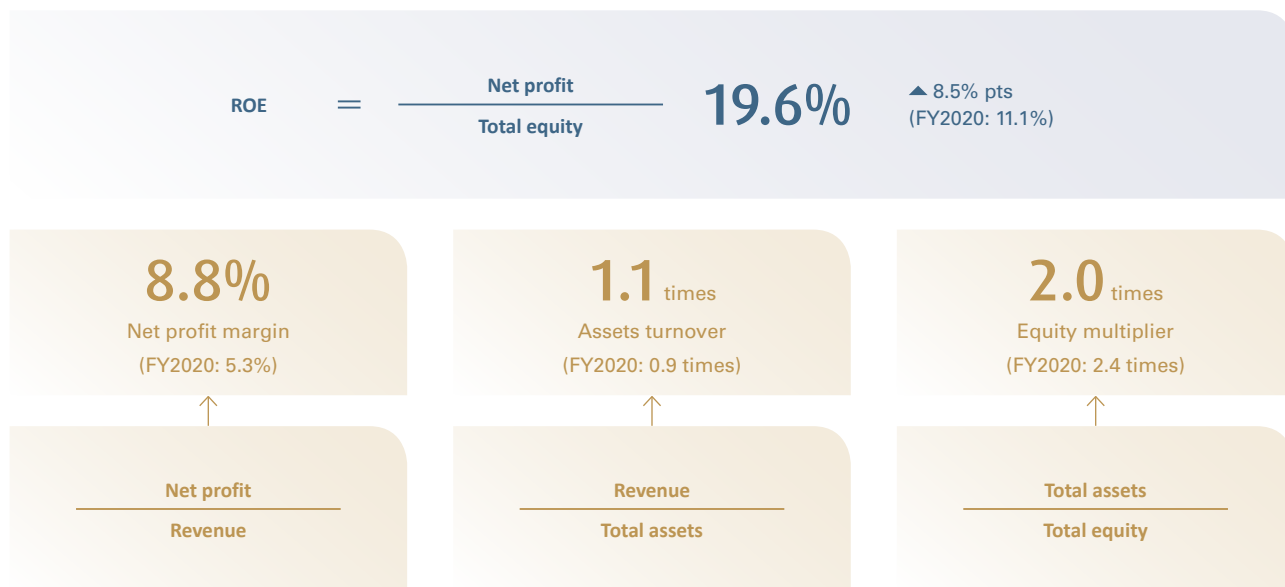
### Interest income, finance costs and taxation

For the year ended 31 March	2019 HK\$ million	2020 HK\$ million	2021 HK\$ million	YoY change
Interest income from banks	83	78	82	▲ 4.5%
Finance costs on bank borrowings	(209)	(284)	(132)	▼ 53.7%
Finance costs on gold loans	(161)	(207)	(197)	▼ 4.6%
Finance costs on lease liabilities	–	(69)	(48)	▼ 30.8%
Taxation	(1,668)	(1,221)	(2,219)	▲ 81.6%

- Finance costs on bank borrowings decreased by 53.7%, mainly due to a relatively lower average bank borrowing interest rate and bank borrowing balance during FY2021.
- Effective tax rate decreased from 29.0% in FY2020 to 26.4% in FY2021 as the profitability of Hong Kong, Macau and other markets segment, which is subject to relatively lower tax rates, improved in FY2021.

## Return on equity

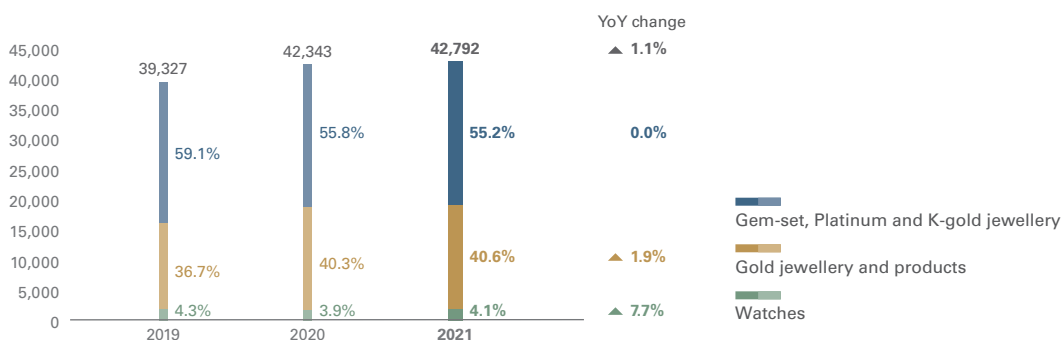
- We use return on equity ("ROE") to measure the efficiency of generating profits from each unit of shareholder equity.
- Net profit margin increased to 8.8%. ROE was up by 850 basis points to 19.6% while the equity multiplier decreased.



## Inventory balances and turnover period

### Inventory balances by product<sup>(1)</sup>

As at 31 March  
(HK\$ million)



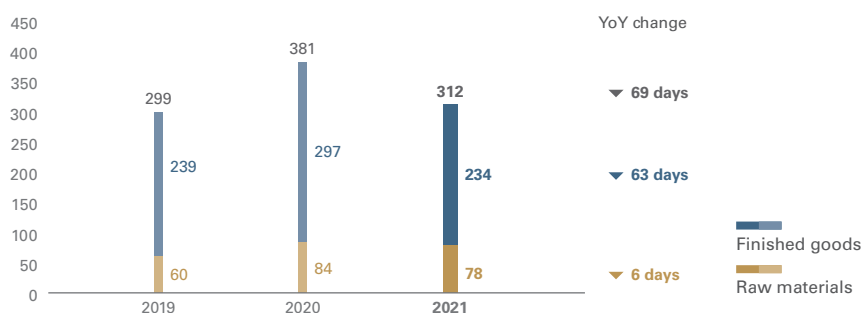
(1) Packaging materials excluded



## Inventory turnover period by category<sup>(2)</sup>

For the year ended 31 March

(Day)



(2) Being inventory balances, excluding packaging materials, at the end of the reporting period divided by cost of goods sold for the year, multiplied by 365 or 366

- Inventory balances, excluding packaging materials, increased by 1.1% and reached HK\$42,792 million as at 31 March 2021.
- Inventory turnover period shortened by 69 days when compared to that of FY2020.
- As at 31 March 2021, approximately HK\$7,280 million or 16.9% of our total inventory balances were held by franchised POS (31 March 2020: approximately HK\$5,440 million or 12.8% were held by franchised POS).
- If the inventory balances held by franchisees were excluded, inventory turnover period in FY2021 would reduce to 259 days (FY2020: 322 days).

## Capital structure

As at	31.3.2020 HK\$ million	% to total equity	31.3.2021 HK\$ million	% to total equity	Increase (decrease) HK\$ million	Denominated currency <sup>(1)</sup>	Interest rate structure <sup>(1)</sup>
Non-current assets	10,038	37.2%	9,065	28.7%	(973)	N/A	N/A
Inventories	42,538	157.6%	43,011	136.3%	473	N/A	N/A
Cash and cash equivalents <sup>(2)</sup>	7,219	26.7%	6,032	19.1%	(1,187)	Mainly HKD, RMB and USD	Mainly variable interest rate
Total borrowings <sup>(3)</sup>	22,711	84.1%	12,143	38.5%	(10,568)		
Bank borrowings	11,431	42.3%	6,418	20.3%	(5,013)	HKD	Variable interest rate
Gold loans	11,280	41.8%	5,725	18.2%	(5,555)	RMB and USD	Fixed interest rate
Net debt <sup>(4)</sup>	15,492	57.4%	6,111	19.4%	(9,381)	N/A	N/A
Working capital <sup>(5)</sup>	19,579	72.5%	26,101	82.7%	6,522	N/A	N/A
Total equity	26,991	100.0%	31,568	100.0%	4,577	N/A	N/A

(1) Information about denominated currency and interest rate structure related to the condition as at 31 March 2021

(2) Bank balances and cash included

(3) As at 31 March 2021, bank borrowings amounted to HK\$4,619 million and all the gold loans would be matured within 12 months while bank borrowings amounted to HK\$1,799 million would be matured in more than 1 year but not exceeding 2 years

(4) Aggregate of bank borrowings, gold loans, net of cash and cash equivalents

(5) Being net current assets

- We principally meet our working capital and other liquidity requirements through a combination of capital contributions, including cash flows from operations, bank borrowings and gold loans. Gold loans are also used for economic hedge purpose to mitigate the financial impact of the price fluctuations in the Group's gold inventories.
- The Group's daily operation was mainly financed by operating cash flows, and mainly relied on short-term borrowings to satisfy inventory financing needs during peak seasons, working capital for future expansion plans and unexpected needs. The Group has not experienced any difficulties in repaying its borrowings.
- The Group's income and expenditure were mostly denominated in HKD and RMB, while its assets and liabilities were mostly denominated in HKD, RMB and USD. No hedging instrument is deployed against RMB fluctuation as most of the daily receipts and payments for our Mainland operations are both made in RMB, which do not pose a substantive currency exposure to our business.

- It is our treasury policy to maintain high liquidity in response to the requirement of operating cash flows; and to upkeep financial prudence by not engaging in highly leveraged or speculative derivative products.

### Effect of RMB fluctuation

- As part of our business operation is in Mainland China, the fluctuation in RMB would post some impact on our performance.
- Transactions entered by the Hong Kong entities but denominated in RMB, including the inter-group transactions with the Mainland China subsidiaries, are converted into HKD, the functional currency of the Group, initially using the spot rate at the date of transaction and the unsettled transactions are retranslated at closing exchange rate at the balance sheet date. Such translation differences between the spot rate and closing exchange rate are recognised in profit or loss, negatively affecting our profit for the year when RMB depreciated.
- Exchange difference also arises when i) incomes and expenses of the Mainland China segment are translated into HKD, the presentation currency of the Group, at the average exchange rate, while the corresponding assets and liabilities are translated at closing exchange rate and ii) change in closing exchange rates at the current financial year of the net assets of the Mainland China segment from the closing rates at the previous financial year. Such differences are recognised in the translation reserve in equity.
- The table below illustrates the fluctuation of RMB and the impact on our financial performance:

FY2021	Closing exchange rate YoY change	Average exchange rate YoY change
RMB to HKD	▲ 8.1%	▲ 1.4%

For the year ended 31 March	2020		2021	
	As reported	Constant exchange rate basis	As reported	Constant exchange rate basis
Revenue YoY change	▼ 14.9%	▼ 12.4%	▲ 23.6%	▲ 22.2%
Core operating profit YoY change	▼ 18.4%	▼ 15.5%	▲ 51.7%	▲ 49.8%
Changes in inventory balances	▲ 7.7%	▲ 11.4%	▲ 1.1%	▼ 3.6%
Changes in cash and cash equivalents	▼ 5.5%	▼ 3.4%	▼ 16.4%	▼ 20.1%

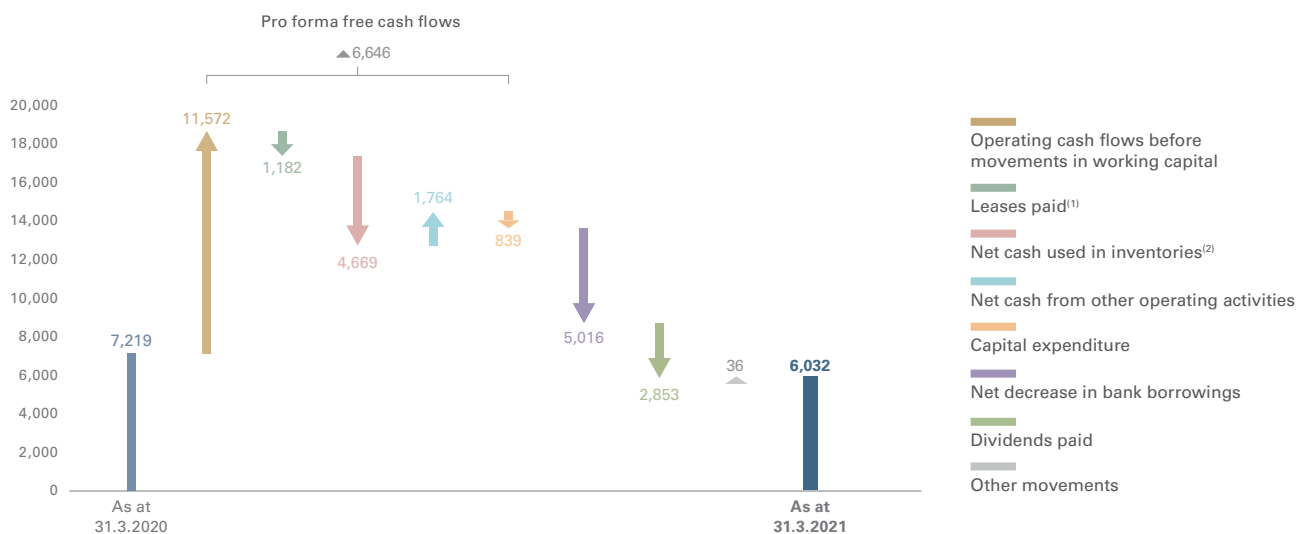
## Cash flows and others

### Cash flows

For the year ended 31 March	2019 HK\$ million	2020 HK\$ million	2021 HK\$ million
Operating cash flows before movements in working capital	7,774	9,912	11,572
Leases paid <sup>(1)</sup>	–	(1,263)	(1,182)
Net cash used in inventories <sup>(2)</sup>	(2,911)	(3,427)	(4,669)
Net cash from other operating activities	629	959	1,764
Capital expenditure	(1,392)	(973)	(839)
<b>Pro forma free cash flows</b>	<b>4,100</b>	<b>5,208</b>	<b>6,646</b>
Net change in bank borrowings	2,133	1,362	(5,016)
Dividends paid	(6,081)	(6,243)	(2,853)
Other movements	(455)	(749)	36
<b>Net decrease in cash and cash equivalents</b>	<b>(303)</b>	<b>(422)</b>	<b>(1,187)</b>

### Major cash flows items for FY2021

(HK\$ million)



<sup>(1)</sup> With adoption of IFRS 16, leases paid was included in financing activities

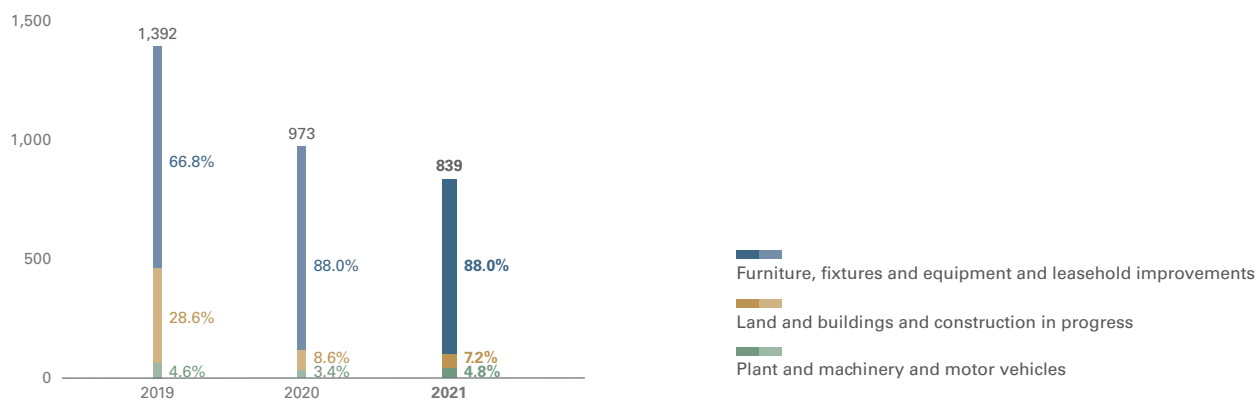
<sup>(2)</sup> Net cash used in inventories included net change in inventories and repayment of gold loans

## Capital expenditure

- The Group's capital expenditure incurred during FY2021 amounted to HK\$839 million (FY2020: HK\$973 million).

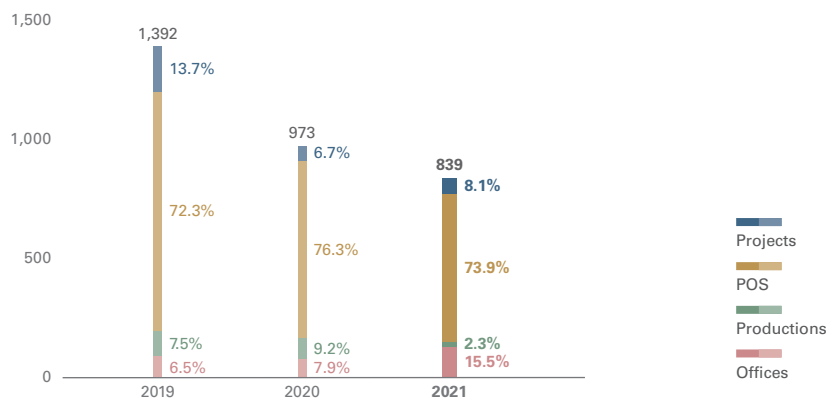
### Capital expenditure by nature

For the year ended 31 March  
(HK\$ million)



### Capital expenditure by function

For the year ended 31 March  
(HK\$ million)



## CORPORATE STRATEGIES

FY2021 is a year full of unprecedented challenges as well as unparalleled opportunities. The outbreak of COVID-19 accelerated the pace of digitalisation at all levels globally and altered consumers' buying habits fundamentally. We believe that physical stores and online platforms should still co-exist to create greater synergy for a more complete and multi-faceted experience for customers.

With a solid foundation that has already been built through our "Smart+ 2020" strategic framework, which emphasised retail experience enhancement through technological innovations, we are pleased to move forward with our Dual-Force Strategy. Our Dual-Force Strategy will steer us towards the continual expansion of physical footprint and digital empowerment in order to continue delivering exceptional customer experience that creates long-term brand differentiation and loyalty.

## MARKET REVIEW

### Mainland China

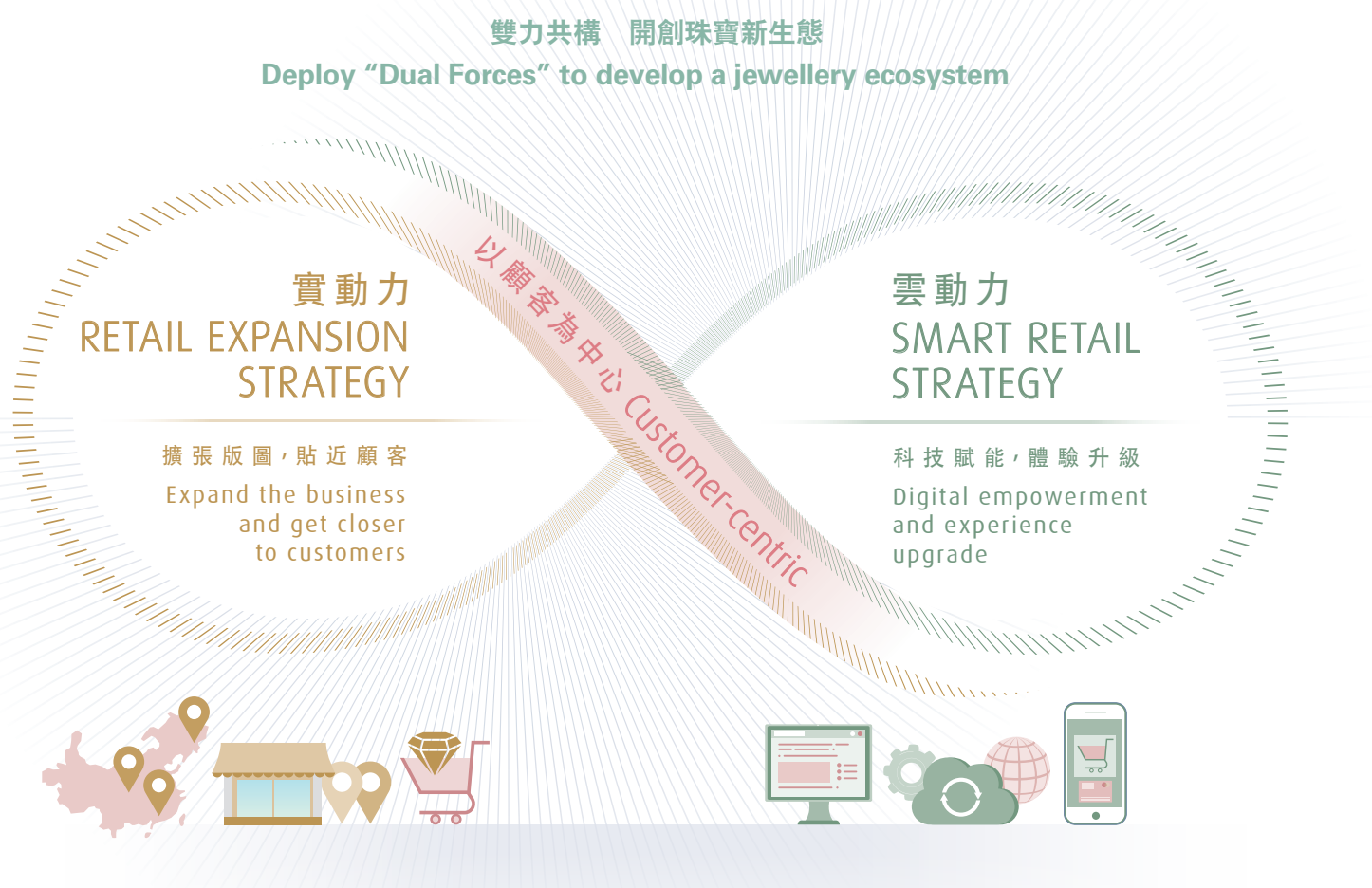
- With the adoption of effective public health measures, China is one of the earliest countries to recover from the impacts of COVID-19.
- According to the National Bureau of Statistics of China, the total retail sales of consumer goods decreased by 3.9% year-on-year in 2020, while the retail sales of gold, silver and jewellery also decreased by 4.7%. Yet, there have been signs of improvement in these categories since August 2020. In the first 3 months of 2021, a strong growth was recorded in both retail sales figures due to the low baseline for 2020. An increment was also recorded as compared to the same period in 2019.
- Against the background of "dual circulation" strategy, the directives of the 14<sup>th</sup> Five-Year Plan, and in particular, the guidance of "stimulation of consumption in all sectors" in the Five-Year Plan, we expect that sales in the consumer market in Mainland China will surge rapidly in coming years.
- Developments in lower tier cities and rural areas are expected to present huge potential as government policies and infrastructure improvements will favour their growth.
- Consumption upgrade is the key driver of growth, and alternative consumption patterns such as livestreaming and online social networking are expected to grow fast. Driven by the new duty-free retail strategy in China, duty-free shopping will also thrive in the coming years.
- With favourable fundamentals including urbanisation, the growth of middle and upper classes, and the support of government policies, the retail and jewellery markets are expected to continue to grow in the coming years.

### Hong Kong, Macau and other markets

- The closure of major border crossings has affected the retail environment of Hong Kong and Macau in FY2021. As shown in industry data, retail sales performance of jewellery industry in Hong Kong recorded a 38.4% decline year-on-year from April 2020 to March 2021.
- We believe that the domestic market has bottomed out as we recorded a better business performance since 2QFY2021. When the major border crossings reopen, the number of visits made and retail market would recover gradually.

- The travel retail business in different Asia-Pacific countries has also been affected throughout the year due to the shutdown of international travel. However, we believe there are great expansion potentials in the region with the Regional Comprehensive Economic Partnership (“RCEP”) between China and a number of Asia-Pacific countries signed in 2020; and the Hong Kong-ASEAN Free Trade Agreement (“FTA”) and Investment Agreement (“IA”) came into full effect in February 2021. We shall monitor the development closely and take timely actions.

## DUAL-FORCE STRATEGY



We will focus more on the Mainland China market. 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 hope that our Dual-Force Strategy will ensure our customers can enjoy a more complete, multi-faceted, and seamless shopping journey and experience a blissful fulfilment through jewellery.

# POS NETWORK

Mainland  
China



4,445  
POS

**Flagship Brand**

CHOW TAI FOOK JEWELLERY

CTF WATCH

4,098  
POS

128  
POS

**Individual Brands**

HEARTS ON FIRE

1  
POS

239  
SIS / CIS

ENZO

SOINLOVE

MONOLOGUE

75  
POS

66  
POS

77  
POS

Hong Kong  
and Macau



100  
POS

**Flagship Brand**

CHOW TAI FOOK JEWELLERY

97  
POS

**Individual Brands**

HEARTS ON FIRE

24  
SIS / CIS

SOINLOVE

MONOLOGUE

1  
POS

2  
POS

Other  
markets



46  
POS

**Flagship Brand**

CHOW TAI FOOK JEWELLERY

37  
POS

**Individual Brands**

HEARTS ON FIRE

MONOLOGUE

8  
POS

1  
POS



## MAINLAND CHINA

### Retail expansion strategy

#### Brands and products

- As Mainland China's jewellery market has been reshaping in recent years, we continue to execute differentiation strategy to make inroads into diverse customer segments.
- We offer curated retail store experiences under our flagship brand, such as CTF JEWELRIA, CTF WATCH and experience stores, to cater to different shopping environment and consumers' needs. Our individual brands including HEARTS ON FIRE, ENZO, MONOLOGUE and SOINLOVE, serve our consumers with different lifestyles and personalities.
- CTF JEWELRIA, one of our initiatives in enhancing store experience, continues to roll out more product offerings from select international designers and jewellery brands on top of its signature collections to cater to more sophisticated customers. In FY2021, CTF JEWELRIA accounted for 6.0% of the RSV of CHOW TAI FOOK JEWELLERY<sup>(1)</sup> in Mainland China. Gem-set jewellery ASP was around HK\$10,000, which was around 40% higher than overall Same Store ASP of gem-set jewellery in Mainland China.
- Apart from enhancing the quality, craftsmanship and innovation of our products, we also strive to promote product collections featured with appealing stories.
- CTF • HUÁ Collection contributed to 39.5% of our gold jewellery and products RSV in FY2021.
- Our Guardian of Life Collection helped us gain market share in the diamond engagement rings market. It contributed to 8.7% of our diamond products RSV in FY2021.
- In FY2021, T MARK products accounted for 24.7% of the RSV of our diamond products and increased by 60.7% in Mainland China. We will distribute more T MARK products in Mainland China for valued customers who embrace authenticity and technology.

(1) CTF Watch excluded

## Retail network

- We strive to gain market share in the Mainland China market. Hence, we focus on implementing our two-pronged strategy.
- Our diversified product offering laid a foundation in expanding our retail network in different cities in Mainland China. Key elements including city's economic indicators, government policy and peers' distribution network are essential in implementing our retail expansion strategy.
- For Tier I and II cities, we continue to offer curated retail experiences through upgrading our stores and enhancing store experiences of our flagship brand to fulfil the needs of more sophisticated customers. We also expand our individual brands in locations that fit the brand image for customers who share the same personalities or values.
- For lower tier and county level cities, we would penetrate further into the market by leveraging our franchisees' local knowledge and access.
- In FY2021, there were 669 net POS openings of CHOW TAI FOOK JEWELLERY<sup>(1)</sup>, of which 64 net POS openings were CTF JEWELRIA.
- In view of the excellent performance of our watch business, which was supported by the strong domestic demand, we will continue to identify opportunities to expand our network in the high premium watch business.

(1) CTF Watch excluded

## Smart retail strategy

Every customer expects nothing less than being treated as the single most important person by us. To that end, our omni-channel retailing aim to offer customers wider array of choices and greater convenience. Our staff provide people-to-people engagement with digital tools and data to engage customers, helping them enjoy their seamless shopping experience.

We also double down on increasing public domain visibility. More contact points, together with a more diversified smart retail experience could bring new customers and business opportunities to us.

Meanwhile, a streamlined supply chain is key to our smart retail strategy. Not only that it improves our customisation capabilities but also drives higher operational efficiency that would differentiate us in the jewellery industry.

## E-commerce

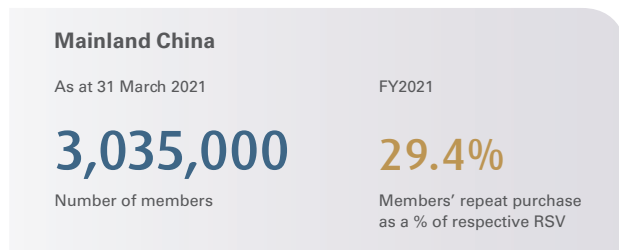
- We continued our close collaboration with various renowned e-commerce platforms in Mainland China, such as Tmall, JD.com and Vipshop, thus gaining more access to our customers. While our e-commerce business is gradually getting more mature in Mainland China's retail landscape, it serves as the main portal for our public domain.

- We ride on current trends, such as direct sales via livestreaming and short videos in third-party marketplaces, such as TikTok, in order to expand and enhance our engagement with customers. This allows us to better understand the customers' needs and preferences on our products as well as their spending pattern, which will be useful for launching more successful products in the future.
- We are actively exploring changes in our sales models to cope with the emerging trend of livestreaming. For example, we introduced jade finished products and customised products livestreaming on e-commerce platforms since December 2020 to meet diversified customer needs.

### Smart retail applications

- Leveraging both our omni-channel capabilities which we actively developed in the past and our extensive retail network, we continue to push forward our smart retail applications.
- Our staff cemented their success with our smart mobile tool, CloudSales 365. 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, CloudSales 365's ASP and sales conversation rate were about 80% higher than and around 10 times the e-commerce platforms' performance respectively.
- As at 31 March 2021, over 40% of our POS in Mainland China have installed Cloud Kiosks. While at a physical store, customers can use Cloud Kiosks to explore or look up a wide product selection online and shorter transaction time. A gamified experience is also offered at the Kiosks.
- We introduced D-ONE, our digital jewellery customisation platform, as one of our Consumer to Manufactory ("C2M") initiatives to cater to the customer demands for customised products and exclusive experiences.
- With D-ONE, most customised products are ready for delivery within 24 hours as committed. Incredible fulfilment speed is the signature of this platform.
- Various brands and products, such as HEARTS ON FIRE and T MARK, were introduced to D-ONE in FY2021. 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 messages, thanks to our use of the innovative laser diffraction technology.
- In FY2021, we recorded a RSV of HK\$133 million through D-ONE. It is encouraging to see that the ASP of these customised products was more than double the gem-set jewellery ASP at Same Store level in Mainland China.
- Together with the initiatives to enhance the automation level of our supply chain and establish various digital platforms, we strive to deliver unparalleled customer experience.

## Customer engagement



- We understand that customer relationship management (“CRM”) is one of the success factors of our businesses.
- Not only did we invest in branding and large-scale product promotion, but we also leveraged the strength of social media influencers – Key Opinion Leaders (“KOL”) and Key Opinion Consumers (“KOC”) to attract our target customers.
- Currently, CloudSales 365 is integrated with our CRM system so that our frontline staff are armed with timely information to offer more targeted services to customers anytime, anywhere.

## HONG KONG, MACAU AND OTHER MARKETS

### Retail expansion strategy

#### Brands and products

- In Hong Kong, Macau and other markets, we shall focus on promoting our services and products through our flagship brand.
- We continue to offer products in different segments and to fulfil customers’ needs throughout their journey. We also bring exclusive products with localised features in order to create product differentiation.
- In FY2021, T MARK products accounted for 31.6% of the RSV of our diamond products and dropped by 13.8% in Hong Kong and Macau.

## Retail network

- In FY2021, we closed a net of 6 CHOW TAI FOOK JEWELLERY POS in tourist areas in the Hong Kong and Macau markets as the number of tourists from Mainland China declined. Further POS consolidation will depend on expected border reopening and the rental market condition of retail real estate. However, we continue to strive to maintain our leadership in both markets. For this reason, we shall not hesitate to expand in strategic locations. For instance, we recently opened our new POS in the Castle of Magical Dreams in Hong Kong Disneyland.
- In FY2021, a net of 4 POS in Asia-Pacific area were closed as business was affected by the pandemic. However, we will continue to identify opportunities in Asia-Pacific and may continue our expansion when international travel resumes.
- Five duty-free POS were opened in Hainan, Mainland China during the financial year in order to serve our travel retail customers who have been affected by the suspension of international travel. We will continue to expand in this market along with the development of duty-free shopping in Mainland China.

## Smart retail strategy

- We will also adjust the implementation strategy of smart retail applications according to different geographic needs.
- In Hong Kong, Macau and other markets, the challenging business environment has prompted us to focus on transforming our current business model through innovation and technology in order to enhance retail experience and improve operational efficiency.
- Approximately 22% of our POS in Hong Kong and Macau installed Cloud Kiosks as at 31 March 2021.
- We are also optimising smart tools in the Hong Kong and Macau markets, hoping that it will help building closer ties between our staff and customers, and increase traffic both online and offline.
- To better cater to the lifestyle and shopping preferences of customers in Hong Kong and Macau, we attempted to place smart vending machines in different shopping malls as a pilot in FY2021 to create unique shopping scenarios and experiences, which was successful in attracting different groups of customers.
- In FY2021, we have also started partnership with K Dollar reward system of New World Development to broaden our customer base and boost recurring spending.

### Hong Kong and Macau

As at 31 March 2021

FY2021

**1,225,000**

Number of members

**44.1%**

Members' repeat purchase  
as a % of respective RSV

## SMART MANUFACTURING

The objective of smart manufacturing is to increase the operational speed of the overall supply chain. To this end, we implement the C2M initiative, so that production can seamlessly be connected with customers and the frontline. Meanwhile, we also focus on enhancing product development capability to better support our retail expansion strategy in the coming years.

### C2M

- We adopt the Industry 4.0 framework to transform the conventional manufacturing model into C2M of which D-ONE is one of our implementation measures.
- We make full use of the Internet of Things (“IoT”) technology in our production processes, such that equipment is interconnected and minimum human involvement is required. We connect our highly automated production lines with customers seamlessly via D-ONE, providing customers speedy services that can fulfil their needs for customised products.
- We also apply the “Digital Twin” model to establish a digital virtual factory through a production simulation system for performing geometric simulations, and in turn identifying the optimum production arrangement and resource allocation. At the same time, we use sensors in each process and equipment in physical factories to control actual production progress against simulated estimates in real time, allowing management personnel to deal with abnormal situations immediately.

### Product development capability

- We value our products and services. We are committed to preserving and reinvigorating traditional craftsmanship. At the same time, we cultivate the artisanal spirit through promoting cross-generational craftsmanship, innovation and new technologies in the industry. With more than 20 years of research and production experience, the craftsmen of Chow Tai Fook’s Master Studio strive for product improvement by combining traditional craftsmanship and innovative technologies.
- C+ Creative Park is designed for startup entrepreneurs to create an environment for business incubation and to explore cooperation opportunities among investors, government and other stakeholders. This incubation space established at Chow Tai Fook Jewellery Park in Wuhan, Mainland China, is to support startups in four major industries, namely, cultural and creative design, e-commerce, innovative technology and materials, and education and training. The Park aims to facilitate development of a jewellery ecosystem and create synergy within it, which in turn will benefit the jewellery industry. Meanwhile, we cooperated with numerous successful startups to adopt their innovative technology products in our operations.

## BUSINESS OUTLOOK AND STRATEGIES

In FY2021, despite a challenging business environment brought about by the pandemic, our Mainland China business continued to deliver strong growth performance.

With the Chinese government's "dual circulation" strategy, we believed 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.

When it comes to smart manufacturing, in order to cope with future development and C2M in particular, we will further enhance our automation levels to meet the product needs. In the future, we will enhance the development of our Wuhan centre to support the rapid development of the frontline as Wuhan's advantageous geographical location can help accelerate the overall logistics.

We are delighted to report that we are moving steadily towards our four long-term goals, namely, (1) to strengthen our market leader position 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.

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

## THE UNAUDITED KEY OPERATIONAL DATA FROM 1 APRIL TO 31 MAY 2021

From 1 April 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%	
	Mainland China	Hong Kong, Macau and other markets
RSV growth	▲ 74.7%	▲ 98.5%
Contribution to Group RSV	89.1%	10.9%
	Mainland China	Hong Kong and Macau
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%

The unaudited key operational data from 1 April 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.



## **FINAL DIVIDEND AND ANNUAL GENERAL MEETING**

The Board recommended the payment of a final dividend of HK\$0.24 per share for FY2021, amounting to approximately HK\$2,400 million (FY2020: a final dividend of HK\$0.12 per share, amounting to approximately HK\$1,200 million). Such payment of dividend will be subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 28 July 2021 and is payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 5 August 2021. It is expected that the proposed final dividend will be paid on or about Friday, 20 August 2021. Notice of the annual general meeting will be published and despatched to shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for FY2021.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 March 2021, the Company was in full compliance with all applicable principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code and the Company’s code of conduct during FY2021.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Friday, 23 July 2021 to Wednesday, 28 July 2021, both days inclusive, during which period no transfer of share of the Company will be registered. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 22 July 2021.

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed on Thursday, 5 August 2021 and no transfer of share of the Company will be registered on that day. All transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 4 August 2021.

For and on behalf of the Board  
**Dr. Cheng Kar-Shun, Henry**  
Chairman

Hong Kong, 8 June 2021

*As at the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Mr. Chan Sai-Cheong, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Ms. Cheng Chi-Man, Sonia, Mr. Cheng Kam-Biu, Wilson, Mr. Cheng Ping-Hei, Hamilton, Mr. Suen Chi-Keung, Peter and Mr. Liu Chun-Wai, Bobby; and the independent non-executive directors are Dr. Fung Kwok-King, Victor, Dr. Or Ching-Fai, Raymond, Mr. Kwong Che-Keung, Gordon, Mr. Cheng Ming-Fun, Paul, Mr. Lam Kin-Fung, Jeffrey, Mr. Chia Pun-Kok, Herbert and Ms. Cheng Ka-Lai, Lily.*