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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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020 AND THE UNAUDITED KEY OPERATIONAL DATA FROM 1 OCTOBER TO 18 NOVEMBER 2020

- Revenue declined by 16.5% in 1HFY2021. Business in Mainland China witnessed a steady recovery on the back of the easing COVID-19 situation in 2QFY2021, whereas performance in Hong Kong, Macau and other markets remained lackluster.
- Same Store Sales⁽¹⁾ (“SSS”) in Mainland China stayed flat and Hong Kong and Macau was down by 65.7% during the period.
- Core operating profit⁽²⁾ rose by 15.6%, benefitted from the adjusted gross profit margin improvement as international gold price surged. Core operating profit margin⁽²⁾ widened to 16.5% in 1HFY2021.
- Retail network expanded to 4,153 POS as at 30 September 2020, with a net addition of 303 POS in 1HFY2021.
- 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. It will steer us towards the continual expansion of footprint and digital empowerment in order to continue to deliver exceptional customer experience that creates long-term brand differentiation and loyalty.

FINANCIAL HIGHLIGHTS

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

(1) “Same Store Sales” for 1HFY2021 is the RSV from the self-operated points of sale (“POS”) of CHOW TAI FOOK JEWELLERY existing as at 30 September 2020 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 administrative expenses (“SG&A”), which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its core businesses

(3) 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 dividend payout ratio for 1HFY2021 is approximately 71.7%

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

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 unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2020 (“1HFY2021”), together with comparative figures for the six months ended 30 September 2019 (“1HFY2020”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
	Notes	2020 HK\$ million (unaudited)	2019 HK\$ million (unaudited)
Revenue	2	24,673.4	29,533.2
Cost of goods sold		(16,530.8)	(21,386.7)
Gross profit		8,142.6	8,146.5
Other income		346.5	213.0
Selling and distribution costs		(3,643.0)	(4,318.4)
General and administrative expenses		(1,284.9)	(1,431.1)
Other gains and losses		189.5	(142.0)
Other expenses		(296.0)	(52.2)
Share of profits of an associate		1.3	2.0
Interest income		31.2	37.0
Finance costs		(203.4)	(255.1)
Profit before taxation	3	3,283.8	2,199.7
Taxation	4	(989.4)	(620.3)
Profit for the period		2,294.4	1,579.4
Other comprehensive income / (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		613.6	(798.0)
Other comprehensive income / (expense) for the period		613.6	(798.0)
Total comprehensive income for the period		2,908.0	781.4

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

For the six months ended 30 September 2020

		Six months ended 30 September	
	<i>Notes</i>	2020 HK\$ million (unaudited)	2019 HK\$ million (unaudited)
Profit for the period attributable to:			
Shareholders of the Company		2,232.0	1,532.6
Non-controlling interests		62.4	46.8
		<u>2,294.4</u>	<u>1,579.4</u>
Total comprehensive income for the period attributable to:			
Shareholders of the Company		2,819.5	766.7
Non-controlling interests		88.5	14.7
		<u>2,908.0</u>	<u>781.4</u>
Earnings per share — Basic and Diluted	5	<u>HK22.3 cents</u>	<u>HK15.3 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)
Non-current assets			
Property, plant and equipment		4,557.9	4,641.3
Right-of-use assets		1,924.5	2,288.0
Investment properties		217.9	225.4
Goodwill		231.5	231.5
Other intangible assets		182.8	207.6
Jewellery collectibles		1,520.1	1,520.1
Prepayment and deposits		214.7	248.3
Financial assets at fair value through profit or loss		21.8	21.0
Investments in associates		19.7	11.7
Amounts due from associates		53.0	57.5
Loan receivables		15.7	15.6
Deferred tax assets		399.5	570.1
		9,359.1	10,038.1
Current assets			
Inventories	7	43,409.7	42,538.4
Trade and other receivables		6,101.5	5,340.8
Loan receivables		8.1	7.9
Amount due from an associate		4.2	–
Taxation recoverable		159.1	99.0
Cash and cash equivalents		7,332.7	7,219.2
		57,015.3	55,205.3
Current liabilities			
Trade and other payables		14,556.5	12,430.0
Amounts due to non-controlling shareholders of subsidiaries		69.1	97.9
Taxation payable		722.1	388.6
Bank borrowings		6,928.6	10,533.0
Gold loans		10,539.7	11,280.4
Lease liabilities		802.3	896.8
		33,618.3	35,626.7
Net current assets		23,397.0	19,578.6
Total assets less current liabilities		32,756.1	29,616.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2020

	At 30 September 2020	At 31 March 2020
<i>Notes</i>	<i>HK\$ million (unaudited)</i>	<i>HK\$ million (audited)</i>
Non-current liabilities		
Bank borrowings	2,397.0	897.5
Lease liabilities	831.2	900.3
Retirement benefit obligations	255.5	260.2
Deferred tax liabilities	552.7	505.1
Other liabilities	63.1	62.8
	4,099.5	2,625.9
Net assets	28,656.6	26,990.8
Share capital	10,000.0	10,000.0
Reserves	17,962.8	16,343.3
	27,962.8	26,343.3
Equity attributable to shareholders of the Company	27,962.8	26,343.3
Non-controlling interests	693.8	647.5
	28,656.6	26,990.8

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except that certain financial instruments and liabilities, which are measured at fair values, and in accordance with the International Financial Reporting Standards (“IFRSs”).

The accounting policies adopted are consistent with those set out in the Group’s annual consolidated financial statements for the year ended 31 March 2020. A number of amendments to standards have been issued and are effective from 1 April 2020. The Group applies these amendments for the first time in the current period, but do not have a material impact on the interim financial statements of the Group.

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 CODM. The Group’s reportable and operating segments for the six months ended 30 September 2020 and 2019 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 six months ended 30 September (unaudited)

	Mainland China		Hong Kong, Macau and other markets		Total	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Revenue						
External sales						
— Retail	13,516.0	13,765.4	3,159.6	8,803.8	16,675.6	22,569.2
— Wholesale (note i)	7,700.0	6,458.7	297.8	505.3	7,997.8	6,964.0
Segment / group revenue	21,216.0	20,224.1	3,457.4	9,309.1	24,673.4	29,533.2
Inter-segment sales (note ii)	—	—	591.9	1,506.8	591.9	1,506.8
	21,216.0	20,224.1	4,049.3	10,815.9	25,265.3	31,040.0
Adjusted gross profit (before elimination)	7,343.4	6,444.6	949.1	2,610.7	8,292.5	9,055.3
Inter-segment eliminations	—	—	367.0	8.4	367.0	8.4
Adjusted gross profit	7,343.4	6,444.6	1,316.1	2,619.1	8,659.5	9,063.7
Other income	197.2	121.4	149.3	91.6	346.5	213.0
Selling and distribution costs and general and administrative expenses	(3,490.8)	(3,723.5)	(1,437.1)	(2,026.0)	(4,927.9)	(5,749.5)
Core operating profit (segment result)	4,049.8	2,842.5	28.3	684.7	4,078.1	3,527.2
Unrealised loss on gold (note iii)					(516.9)	(917.2)
Others (note iv)					(105.2)	(192.2)
Interest income					31.2	37.0
Finance costs					(203.4)	(255.1)
Profit before taxation					3,283.8	2,199.7
Other segment information included in measurement of core operating profit (segment result):						
Concessionaire fees	791.6	865.0	0.1	0.7	791.7	865.7
Operating lease rentals in respect of rented premises	35.3	76.8	56.4	41.1	91.7	117.9
Staff costs	1,407.5	1,476.3	553.0	814.6	1,960.5	2,290.9
Depreciation and amortisation	518.8	452.5	622.2	693.5	1,141.0	1,146.0

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 loss arising from gold loans of HK\$1,465.0 million (2019: HK\$1,944.1 million) was recorded, as disclosed in note 3 of which HK\$516.9 million (2019: HK\$917.2 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 on gold. Core operating profit represents the profit generated from each segment without allocation of unrealised loss 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

Segment assets

	Mainland China		Hong Kong, Macau and other markets		Total	
	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)
Property, plant and equipment	3,479.4	3,437.8	1,078.5	1,203.5	4,557.9	4,641.3
Right-of-use assets	585.5	589.5	1,339.0	1,698.5	1,924.5	2,288.0
Investment properties	15.3	17.2	202.6	208.2	217.9	225.4
Goodwill	193.3	193.3	38.2	38.2	231.5	231.5
Other intangible assets	127.3	142.8	42.4	47.6	169.7	190.4
Jewellery collectibles	–	–	1,520.1	1,520.1	1,520.1	1,520.1
Prepayment and deposits	98.4	96.5	116.3	151.8	214.7	248.3
Inventories	26,432.8	24,547.8	16,976.9	17,990.6	43,409.7	42,538.4
Trade and other receivables	5,376.4	4,698.2	725.1	642.6	6,101.5	5,340.8
Taxation recoverable	–	–	159.1	99.0	159.1	99.0
Total segment assets	36,308.4	33,723.1	22,198.2	23,600.1	58,506.6	57,323.2

2. REVENUE AND SEGMENT INFORMATION (Continued)

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

Segment liabilities

	Mainland China		Hong Kong, Macau and other markets		Total	
	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)
Trade and other payables	(13,191.0)	(11,338.5)	(1,365.5)	(1,091.5)	(14,556.5)	(12,430.0)
Taxation payables	(512.2)	(227.9)	(209.9)	(160.7)	(722.1)	(388.6)
Lease liabilities	(453.3)	(472.3)	(1,180.2)	(1,324.8)	(1,633.5)	(1,797.1)
Total segment liabilities	(14,156.5)	(12,038.7)	(2,755.6)	(2,577.0)	(16,912.1)	(14,615.7)

(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:

	At 30 September 2020 HK\$ million (unaudited)	At 31 March 2020 HK\$ million (audited)
Mainland China	4,875.8	4,853.9
Hong Kong, Macau and other markets	3,839.7	4,331.4
	8,715.5	9,185.3

2. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Disaggregation of revenue from contracts with customers

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:

	Six months ended 30 September	
	2020 <i>HK\$ million</i> (unaudited)	2019 <i>HK\$ million</i> (unaudited)
At a point in time		
Retail sales of		
— Gem-set / Platinum / K-gold jewellery	5,069.5	6,592.4
— Gold jewellery and products	9,414.6	14,104.9
— Watches	2,191.5	1,871.9
	<u>16,675.6</u>	<u>22,569.2</u>
Wholesale to franchisees / retailers	7,759.1	6,750.2
Jewellery trading	92.7	102.7
	<u>146.0</u>	<u>111.1</u>
Over time		
Service income from franchisees	146.0	111.1
	<u>24,673.4</u>	<u>29,533.2</u>

3. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020 <i>HK\$ million</i> (unaudited)	2019 <i>HK\$ million</i> (unaudited)
Profit before taxation has been arrived at after charging / (crediting):		
Staff costs	1,960.5	2,290.9
Concessionaire fees	791.7	865.7
Operating lease rentals in respect of rented premises	91.7	117.9
Depreciation of property, plant and equipment	525.4	473.1
Depreciation of investment properties	8.1	5.5
Depreciation of right-of-use assets	582.7	642.7
Amortisation of other intangible assets	24.8	24.7
Impairment of goodwill (included in other expenses)	—	26.3
Impairment of amount due from an associate	—	4.8
Recognition / (utilisation) of allowances on inventories (included in cost of goods sold)	1.2	(45.9)
Write off of inventories (included in cost of goods sold)	11.6	5.1
Loss allowance written back on trade and other receivables	(9.6)	(5.9)
Fair value loss arising from gold loans (included in cost of goods sold)	1,465.0	1,944.1
	<u>1,465.0</u>	<u>1,944.1</u>

4. TAXATION

	Six months ended 30 September	
	2020	2019
	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (unaudited)
The taxation charge comprises:		
Current tax:		
Enterprise Income Tax (“EIT”) in Mainland China	607.6	520.1
Hong Kong Profits Tax	20.1	65.6
Macau complementary tax	–	19.5
Taxation in other jurisdictions	1.2	0.8
	628.9	606.0
Under / (over) provision in prior years:		
EIT in Mainland China	41.1	(9.5)
Taxation in other jurisdictions	3.4	–
	44.5	(9.5)
Deferred tax charged / (credited)	266.7	(27.4)
Withholding tax ⁽¹⁾	49.3	51.2
	989.4	620.3

⁽¹⁾ 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 periods.

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 periods.

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 periods.

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

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the consolidated profit attributable to shareholders of the Company for the period and on the 10,000,000,000 (six months ended 30 September 2019: 10,000,000,000) shares in issue during the period.

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

6. DIVIDENDS

	Six months ended 30 September		2019	
	2020			
	<i>HK cents</i>	<i>HK\$ million</i>	<i>HK cents</i>	<i>HK\$ million</i>
	<i>per share</i>		<i>per share</i>	
Dividends paid and recognised as distribution during the period:				
For prior year:				
— Final dividends	12.0	1,200.0	20.0	2,000.0
— Special dividends	—	—	30.0	3,000.0
		<u>1,200.0</u>		<u>5,000.0</u>

On 24 November 2020, the directors of the Company have determined to declare an interim dividend of HK16.0 cents per share, totalling HK\$1,600.0 million for the six months ended 30 September 2020.

7. INVENTORIES

	At 30 September 2020 <i>HK\$ million</i> (unaudited)	At 31 March 2020 <i>HK\$ million</i> (audited)
Raw materials for:		
Gem-set / Platinum / K-gold jewellery	7,700.9	7,252.3
Gold jewellery and products	2,095.4	2,114.6
	<u>9,796.3</u>	<u>9,366.9</u>
Finished goods:		
Gem-set / Platinum / K-gold jewellery	15,350.3	16,374.2
Gold jewellery and products	16,357.7	14,963.6
Watches	1,642.0	1,638.7
	<u>33,350.0</u>	<u>32,976.5</u>
Packaging materials	<u>263.4</u>	<u>195.0</u>
	<u>43,409.7</u>	<u>42,538.4</u>

Write-downs of inventories to net realisable value amounted to HK\$1.2 million (30 September 2019: utilised HK\$45.9 million). These were recognised as an expense during the period ended 30 September 2020 and included in 'cost of goods sold' in the condensed consolidated statement of profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

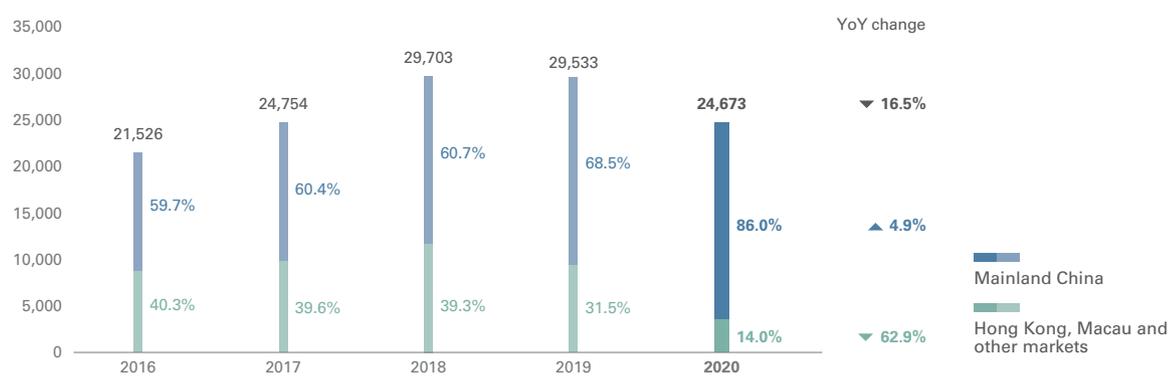
Business in Mainland China witnessed a steady recovery on the back of the easing COVID-19 situation in 2QFY2021, whereas performance in Hong Kong, Macau and other markets remained lackluster.

Overview

Revenue

Revenue by reportable segment

Six months ended 30 September
(HK\$ million)



- The Group's revenue declined by 16.5% to HK\$24,673 million in 1HFY2021.
- Revenue from Mainland China increased by 4.9% during 1HFY2021 in light of the easing COVID-19 situation. Its contribution to the Group's revenue reached 86.0% in 1HFY2021.
- In Hong Kong, Macau and other markets, business suffered due to the challenging macros and the closure of major border crossings. As a result, revenue contracted 62.9% year-on-year during the period.

Revenue by product⁽¹⁾ (excluding jewellery trading and service income from franchisees)

Six months ended 30 September

(HK\$ million)

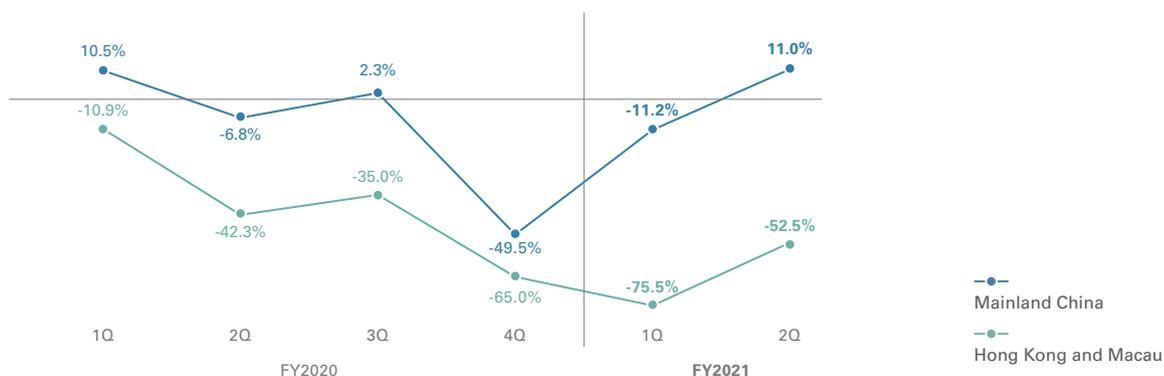


- Revenue of gold jewellery and products shrank by 21.2% during 1HFY2021 as the surge in international gold price deterred retail demand for gold jewellery. Its contribution to the Group's revenue reduced to 60.9% during the period.
- On contrary, watches delivered a robust revenue growth of 17.0% during the period, boosted by strong domestic demand in Mainland China amid international travel restrictions.

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

SSSG

SSSG by major market



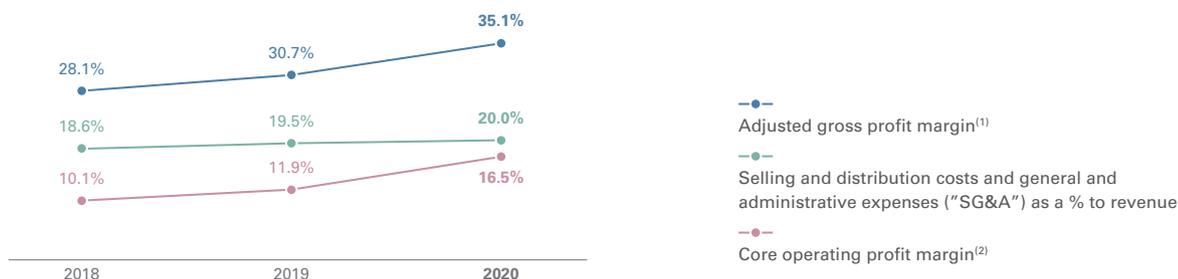
	1HFY2020	1HFY2021	
	SSSG	SSSG	SSS volume growth
Mainland China	▲ 1.8%	▼ 0.2%	▼ 15.4%
Hong Kong and Macau	▼ 27.5%	▼ 65.7%	▼ 66.9%

- In Mainland China, SSS stayed flat in 1HFY2021. SSS rebounded to a positive growth of 11.0% in 2QFY2021 versus a 11.2% decline in 1QFY2021 as business activities and consumer sentiment revived.
- In Hong Kong and Macau, SSS was down by 65.7% during the period as customer traffic remained stagnant. In fact, SSS decline narrowed in 2QFY2021 thanks to a lower base of comparison.

Profitability

Group

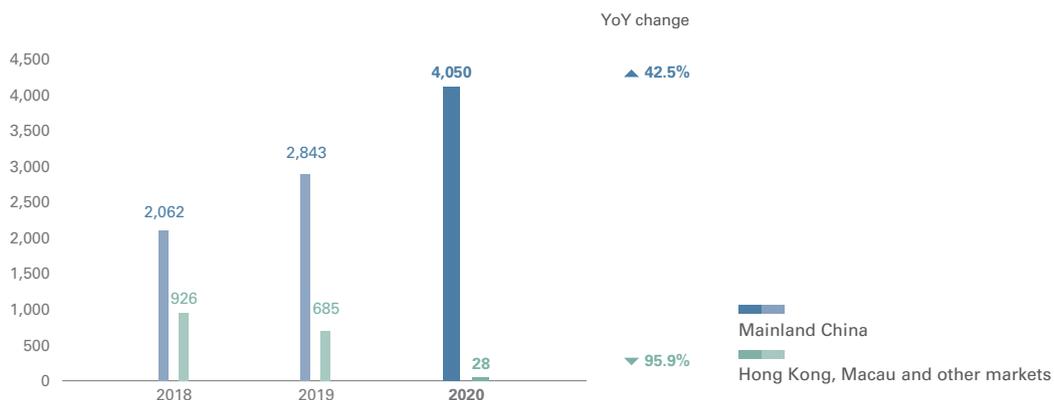
Six months ended 30 September



Core operating profit⁽²⁾ by reportable segment

Six months ended 30 September

(HK\$ million)



- (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 core businesses

- Adjusted gross profit margin was lifted by 440 basis points to 35.1% in 1HFY2021, thanks to the improvement in like-for-like gross profit margin of gold products resulted from the surge of international gold price. Core operating profit benefitted from the adjusted gross profit margin improvement with core operating profit margin widened to 16.5% in 1HFY2021.

- Mainland China continued to be our main profit contributor of the Group and accounted for almost 100% of the Group's core operating profit. Its core operating profit jumped 42.5% during the period.
- On the other hand, Hong Kong, Macau and other markets registered a significant decline in core operating profit by 95.9% due to the challenging macros and the closure of major border crossings. Yet, its profitability improved in 1HFY2021 versus a loss of HK\$94 million in 2HFY2020, thanks to the increase in gold price.
- Profit attributable to shareholders increased by 45.6% in 1HFY2021 mainly benefitted from our like-for-like gross profit margin improvement, one-off government subsidies and rent concession, plus foreign exchange gain, netting off impairment on assets.

Gross profit margin

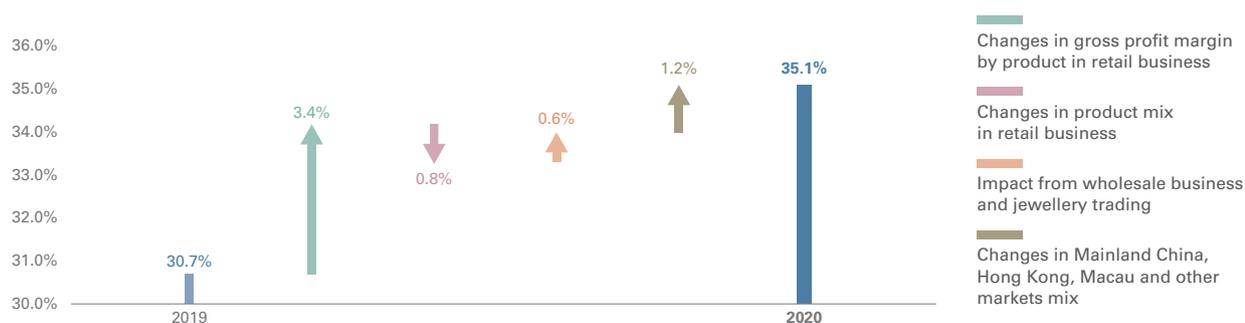
Unrealised loss (gain)

Six months ended 30 September	2018	2019	2020
Gross profit margin	28.7%	27.6%	33.0%
Unrealised loss (gain) on gold loans	(0.6)%	3.1%	2.1%
Adjusted gross profit margin	28.1%	30.7%	35.1%

- Decrease in impact from the unrealised loss on gold loans during the period was due to the decrease in gold loan borrowings which was partially offset by the 30.1% surge in average international gold price compared to the same period last year.
- During 1HFY2021, fair value loss arising from settled gold loans of HK\$1,568 million was recorded, of which HK\$517 million was unrealised.
- 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). While the long-term effect of long and short positions in gold is expected to net out each other through the sales of gold products, a loss (gain) may arise due to a short-term timing difference between the time when a loss (gain) on gold loans is recorded in the cost of goods sold and the time when sales of hedged gold inventories are recognised, when we take a snapshot position at the end of the reporting period.
- Unrealised loss (gain) for the period represents the net effect of (i) the reversal of the loss (gain) recorded due to the timing difference in recognising the effect of long and short position in gold when we take a snapshot position at the end of the previous financial year; and (ii) the loss (gain) arising from such timing difference at the end of the current financial period.

Movements in adjusted gross profit margin

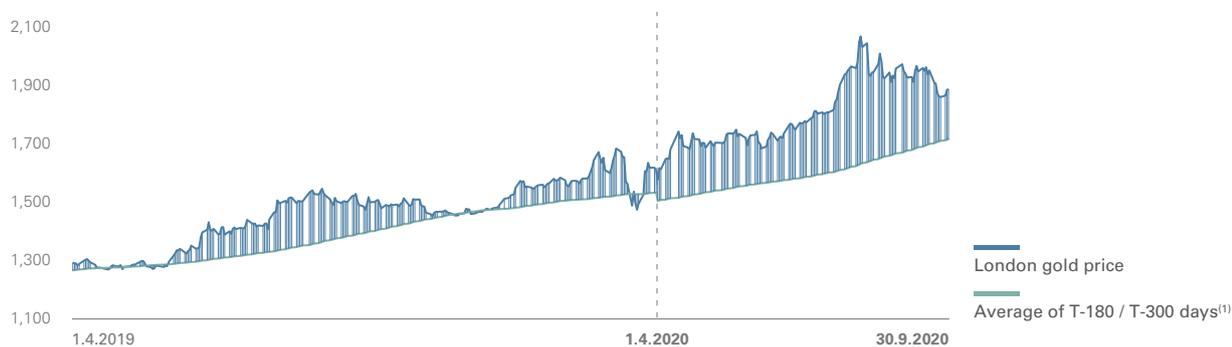
Six months ended 30 September



- At group level, 1HFY2021 adjusted gross profit margin improved by 440 basis points year-on-year. An improvement in gross profit margin by product in both retail and wholesale businesses led to an expansion of margin.
- The improvement in gross profit margin by product in wholesale business offset the impact of a higher wholesale contribution, lifting the adjusted gross profit margin by 60 basis points.
- With business recovery in Mainland China, a more favourable market mix led to an improvement of gross profit margin.

London gold price

(US\$ per ounce)



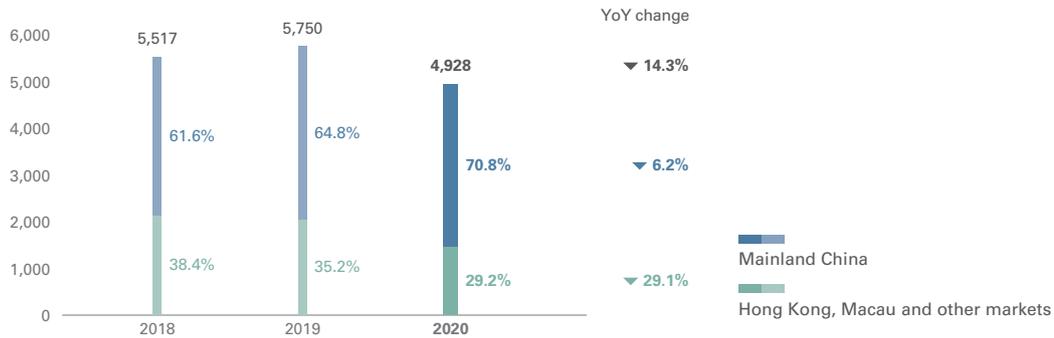
(1) Average of T-180 / T-300 days refers to the average gold price of previous 180 or 300 days on rolling basis, being a proxy of the average price of our hedged inventories. As gold inventories turnover lengthened in 1HFY2021, average of T-180 days and T-300 days was used for FY2020 and 1HFY2021, respectively



SG&A

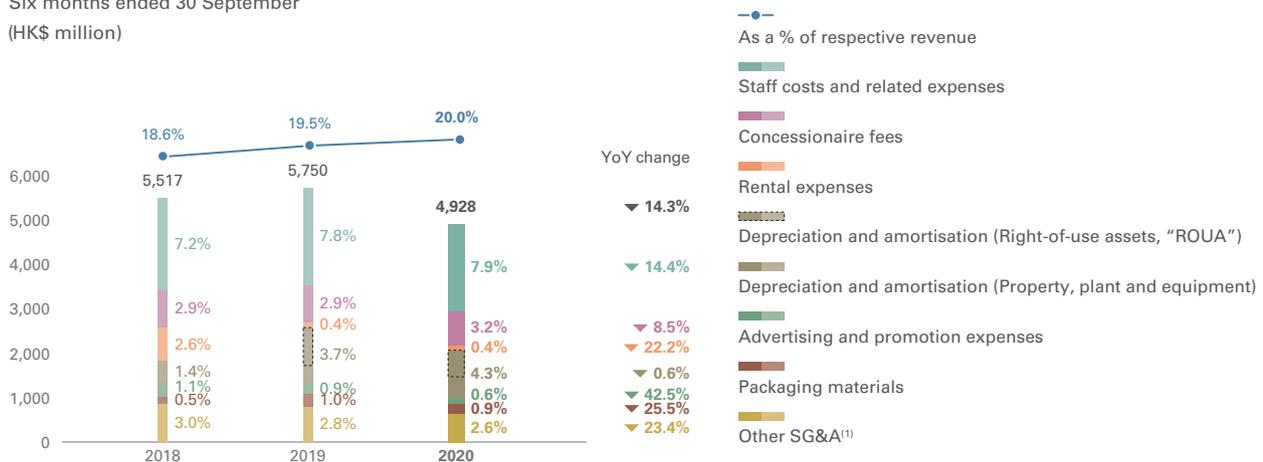
SG&A by reportable segment

Six months ended 30 September
(HK\$ million)



SG&A to revenue ratio

Six months ended 30 September
(HK\$ million)



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

- SG&A expenses decreased by 14.3% to HK\$4,928 million in 1HFY2021 while SG&A ratio increased by 50 basis points to 20.0% due to operating leverage.
- Analyses of the major SG&A components, including staff costs and related expenses, concessionaire fees and lease-related expenses are provided on pages 22 and 29 of this announcement.

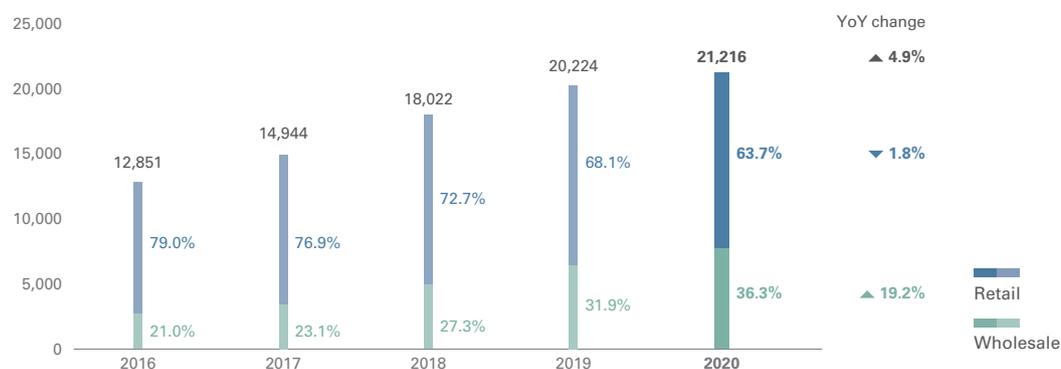
Mainland China

Revenue

Revenue by operation model

Six months ended 30 September

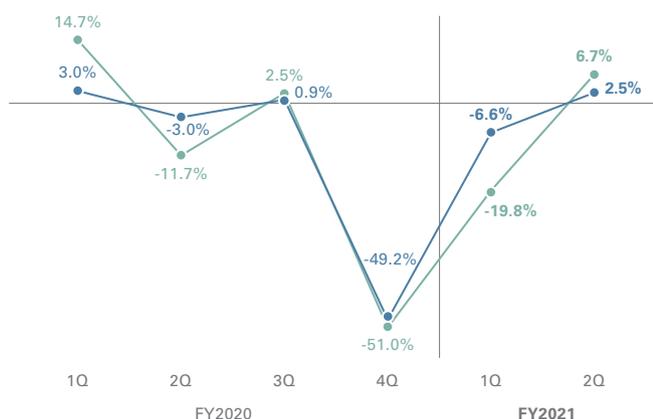
(HK\$ million)



- In Mainland China, our retail revenue represents sales from self-operated POS, e-commerce and other direct channels, while wholesale revenue represents sales to franchisees and provision of services to franchisees.
- Revenue in Mainland China increased by 4.9% to HK\$21,216 million in 1HFY2021. On a constant exchange rate basis, revenue expanded by 7.7% during the period.
- Growth in wholesale revenue rose by 19.2% during the period, supported by new openings in lower tier and county level cities. Its revenue contribution increased by 440 basis points to 36.3% in the period.
- Franchised CHOW TAI FOOK JEWELLERY POS in county level cities are mainly operated under sell-in model where sales is recognised when products are delivered to our franchisees. For the remaining franchised POS in Mainland China, which making up the majority we retain inventory ownership until sales transactions are completed with retail consumers, upon which wholesale revenue is recognised.
- As at 30 September 2020, we had 2,267 franchised CHOW TAI FOOK JEWELLERY POS, of which 38.1% were operated under the sell-in model and these POS contributed approximately 33.5% of the wholesale revenue in Mainland China.

SSSG

SSSG of major products



Same Store ASP

1HFY2021

Gem-set jewellery

HK\$

6,400

(1HFY2020⁽¹⁾: HK\$6,200)

Gold jewellery and products

HK\$

4,700

(1HFY2020⁽¹⁾: HK\$4,000)

—●—
Gem-set / Platinum / K-gold jewellery

—●—
Gold jewellery and products

	1HFY2021	
	SSSG	SSS volume growth
Gem-set / Platinum / K-gold jewellery	▼ 1.9%	▼ 7.7%
Gold jewellery and products	▼ 7.2%	▼ 19.9%
Watches	▲ 47.3%	0.0%
Overall	▼ 0.2%	▼ 15.4%

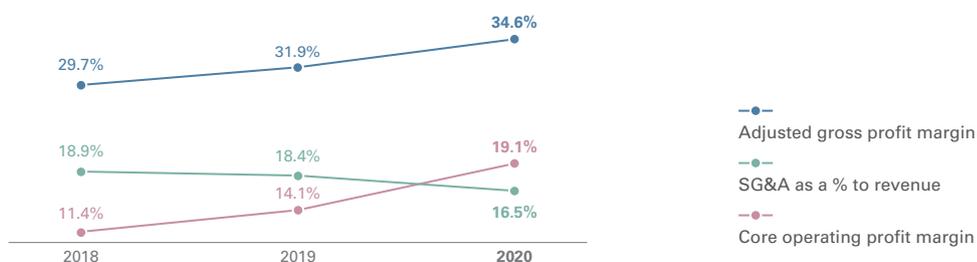
(1) Same Store ASP on 1HFY2021 Same Store basis

- In Mainland China, Same Store average selling price (“ASP”) exhibited a favourable trend across all the product categories in 1HFY2021.
- A surge in average international gold price of 30.1% year-on-year hindered the retail demand for gold jewellery and products especially during 1QFY2021, hence, SSS of gold jewellery and products was down by 7.2% in 1HFY2021. Yet, ASP of gold jewellery and products expanded from HK\$4,000 in 1HFY2020 to HK\$4,700 in 1HFY2021.
- SSSG of gem-set / platinum / k-gold jewellery was down by 1.9% in 1HFY2021, whereas its ASP was lifted slightly from HK\$6,200 in 1HFY2020 to HK\$6,400 during the period.
- On the other hand, watches recorded a robust SSSG of 47.3% in 1HFY2021, driven by a strong domestic demand.

Profitability

Mainland China

Six months ended 30 September



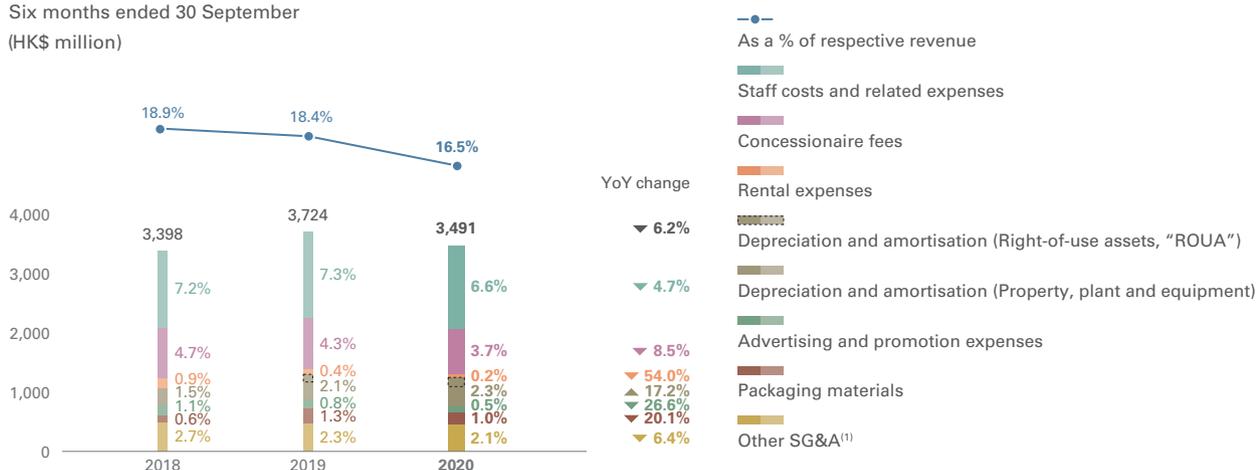
- Adjusted gross profit margin expanded by 270 basis points in 1HFY2021 as like-for-like gross profit margin improved year-on-year, while SG&A ratio also improved by 190 basis points due to relief received on major SG&A items, cost savings and operating leverage.
- As a result, core operating profit margin was lifted by 500 basis points to 19.1% in 1HFY2021.

SG&A

SG&A to revenue ratio

Six months ended 30 September

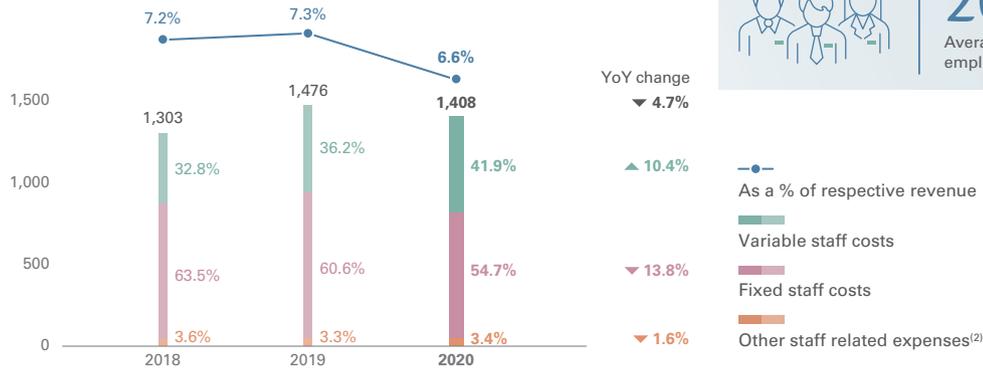
(HK\$ million)



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

Staff costs and related expenses

Six months ended 30 September
(HK\$ million)



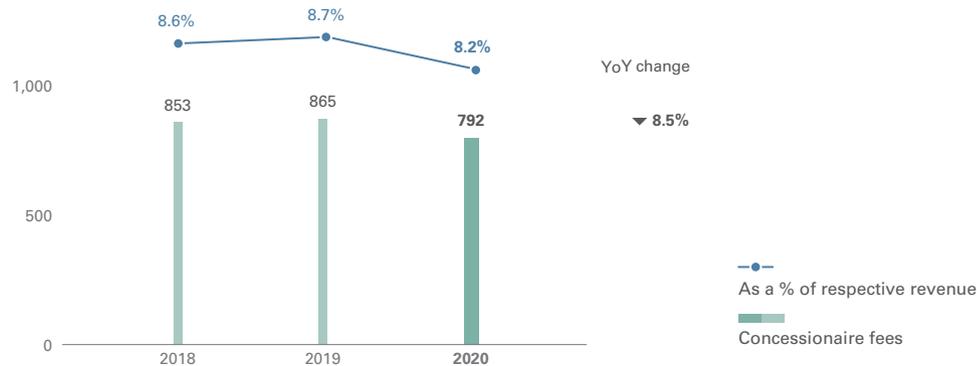
(1) Employees in production function excluded

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

- Staff costs and related expenses were down by 4.7% in 1HFY2021.
- Fixed costs decreased by 13.8% during the period as there was government relief on the social insurance contribution amounted to HK\$30 million due to the COVID-19 situation. In addition, the calculation basis of employer contribution on the social insurance was also adjusted down by the government as compared to the same period last year.

Concessionaire fees

Six months ended 30 September
(HK\$ million)



- In Mainland China, concessionaire fees decreased by 8.5% during the period. The concessionaire fees ratio edged lower to 8.2% mainly due to the rate reduction from the shopping malls or department stores.

POS network

POS movement by store brand ⁽¹⁾ — Mainland China

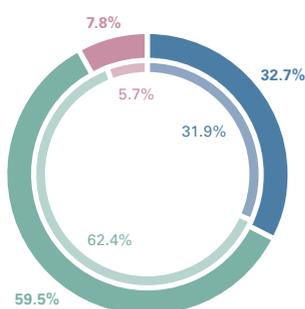
As at	31.3.2019	31.3.2020	During 1HFY2021			30.9.2020
	Total	Total	Addition	Reduction	Net	Total
CHOW TAI FOOK JEWELLERY ⁽²⁾	2,807	3,429	388	(102)	286	3,715
HEARTS ON FIRE	3	1	–	–	–	1
ENZO	–	59	10	(4)	6	65
SOINLOVE	27	43	9	(4)	5	48
MONOLOGUE	38	51	20	(4)	16	67

(1) SIS and CIS excluded

(2) ARTRIUM and JEWELRIA POS included; CTF WATCH POS excluded

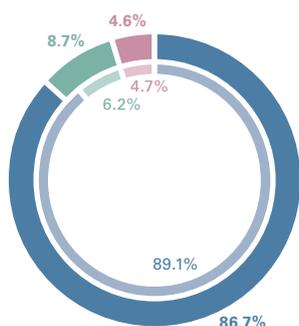
RSV analysis

RSV by product



1HFY2020	1HFY2021		RSV YoY change
■	■	Gem-set / Platinum / K-gold jewellery	▲ 12.9%
■	■	Gold jewellery and products	▲ 5.3%
■	■	Watches	▲ 52.1%
Overall			▲ 10.4%

RSV by channel



1HFY2020	1HFY2021		RSV YoY change
■	■	CHOW TAI FOOK JEWELLERY	▲ 7.5%
■	■	Other store brands ⁽¹⁾	▲ 53.6%
■	■	E-commerce ⁽²⁾	▲ 8.2%
Overall			▲ 10.4%

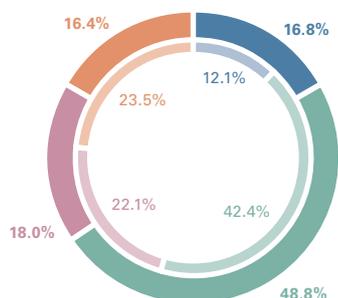
(1) CTF WATCH, HEARTS ON FIRE, ENZO, SOINLOVE and MONOLOGUE included

(2) Major platforms included Chow Tai Fook eShop, Tmall, JD.com, Vipshop; online-to-offline ("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⁽¹⁾

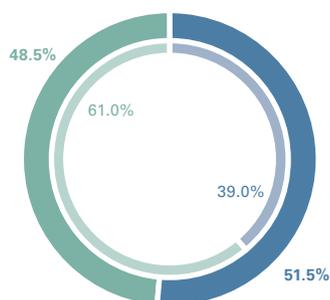


% of POS	% of RSV	1HFY2021	
		RSV YoY change	Net POS movement
■	■	▲ 7.7%	▲ 38
■	■	▲ 5.6%	▲ 103
■	■	▲ 8.0%	▲ 75
■	■	▲ 12.5%	▲ 70

(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

- During 1HFY2021, we continued our expansion strategy in Mainland China and opened a net of 286 CHOW TAI FOOK JEWELLERY POS, among which approximately 51% were located in Tier III, IV and other cities.
- RSV growth in Tier III, IV and other cities outpaced Tier I and II cities during the period, largely attributable to the new openings.

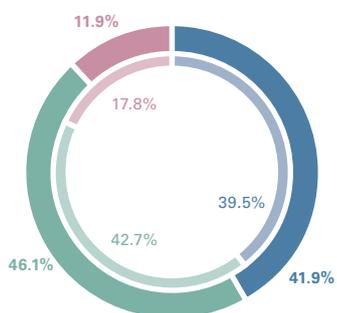
RSV and POS by operation model



% of POS	% of RSV	1HFY2021	
		RSV YoY change	Net POS movement
■	■	▼ 6.0%	▼ 45
■	■	▲ 26.7%	▲ 331

- By operation model, all net openings in 1HFY2021 were in franchised format. Out of these franchised openings, about 67% of them were under sell-in model. As at 30 September 2020, 61.0% of our POS in Mainland China were in franchised format.
- Franchised POS outperformed self-operated POS in RSV growth during 1HFY2021, largely supported by new openings over the past few years and a slightly better SSSG.
- Yet, sales per store of franchised POS was generally lower than that of self-operated POS located to the same city tier during the period.

RSV and POS by store format

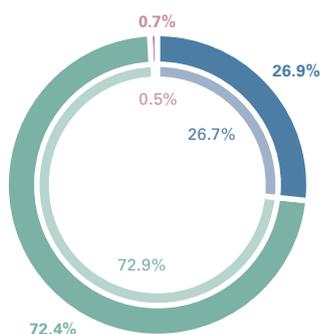


% of POS	% of RSV	Store Format	1HFY2021	
			RSV YoY change	Net POS movement
■	■	Shopping mall	▲ 16.7%	▲ 118
■	■	Department store	▼ 4.7%	▲ 44
■	■	Others	▲ 36.5%	▲ 124

- In 1HFY2021, standalone stores and POS at shopping malls delivered a more resilient RSV growth, while POS at department stores were under pressure.

E-commerce⁽¹⁾ and O2O related business⁽²⁾

RSV by product



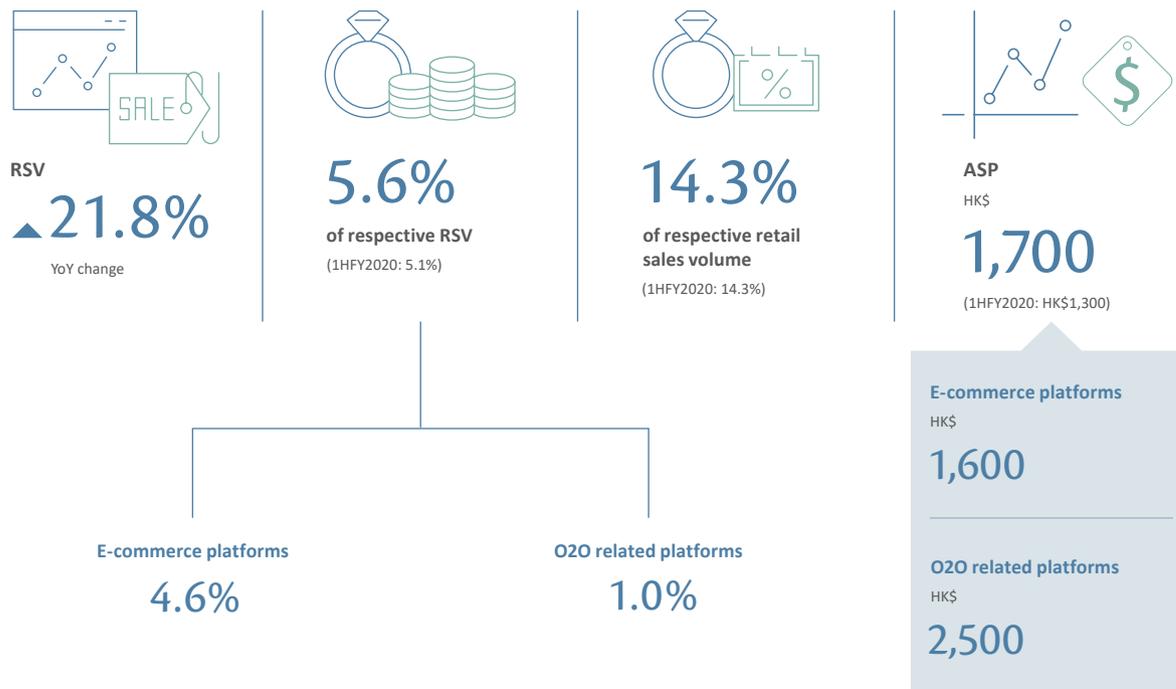
1HFY2020	1HFY2021	Product	RSV YoY change
■	■	Gem-set / Platinum / K-gold jewellery	▲ 22.9%
■	■	Gold jewellery and products	▲ 20.9%
■	■	Watches	▲ 79.3%
Overall			▲ 21.8%

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

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

E-commerce and O2O related business performance

1HFY2021



- RSV of our e-commerce and O2O related business surged by 21.8% in 1HFY2021, thanks to our efforts in O2O retailing which generally had a higher average selling price as benefitted from a closer connection between our sales representatives and customers through private domain marketing tools. During the period, we also leveraged livestreaming and short videos to enhance our engagement with customers.
- Contribution of the e-commerce and O2O related business to the RSV in Mainland China edged up to 5.6% during the period. In terms of retail sales volume, its share to Mainland China's operations amounted to 14.3%.

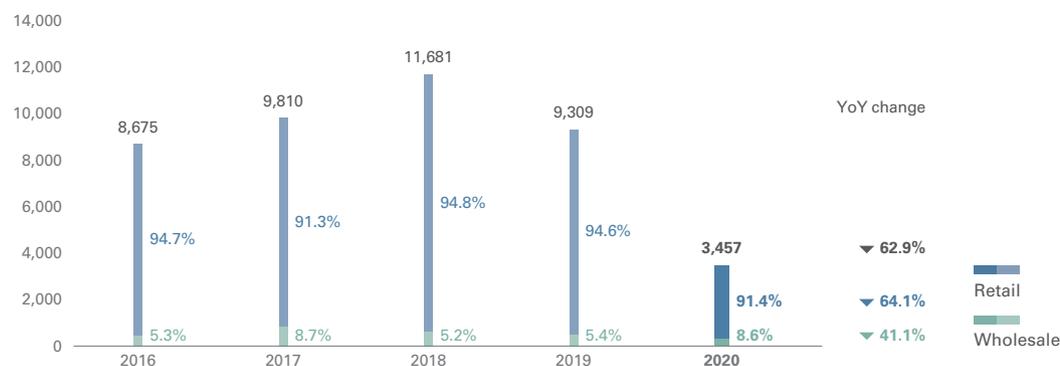
Hong Kong, Macau and other markets

Revenue

Revenue by operation model

Six months ended 30 September

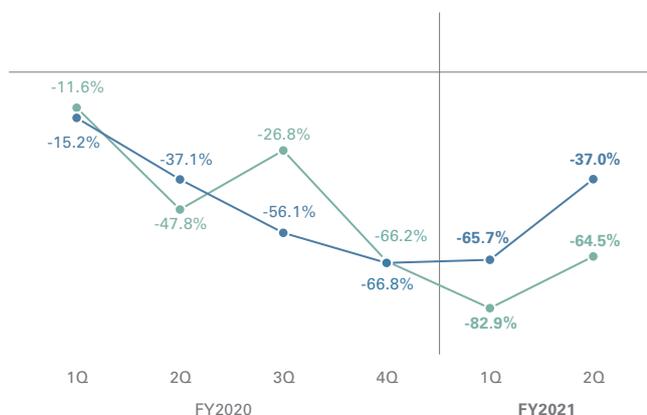
(HK\$ million)



- 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 plummeted 64.1% during the period as business environment stayed challenging.

SSSG

SSSG of major products



Same Store ASP

1HFY2021

Gem-set jewellery

HK\$

13,400

(1HFY2020⁽¹⁾: HK\$11,000)

Gold jewellery and products

HK\$

5,800

(1HFY2020⁽¹⁾: HK\$6,700)

- Gem-set / Platinum / K-gold jewellery
- Gold jewellery and products

	1HFY2021	
	SSSG	SSS volume growth
Gem-set / Platinum / K-gold jewellery	▼ 53.9%	▼ 58.6%
Gold jewellery and products	▼ 75.1%	▼ 71.2%
Watches	▼ 41.7%	▼ 53.5%
Overall	▼ 65.7%	▼ 66.9%

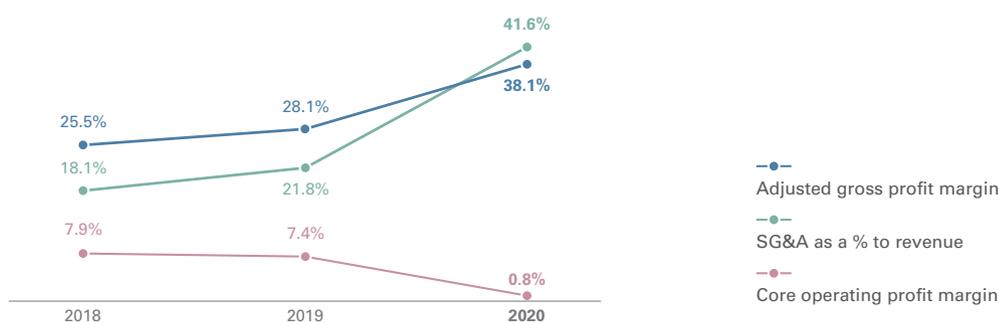
(1) Same Store ASP on 1HFY2021 Same Store basis

- In 1HFY2021, SSS performance of all product categories in Hong Kong and Macau remained under pressure.
- With a relatively weak demand, SSS of gold jewellery and products slipped 75.1% during the period. ASP of gold jewellery and products reduced from HK\$6,700 in 1HFY2020 to HK\$5,800 in 1HFY2021, which was essentially due to a shift of sales mix towards lower ASP gold products.
- SSS of gem-set / platinum / k-gold jewellery was down by 53.9% during 1HFY2021. Yet, ASP of gem-set jewellery recorded a notable increase of 21.2% to HK\$13,400.

Profitability

Hong Kong, Macau and other markets

Six months ended 30 September

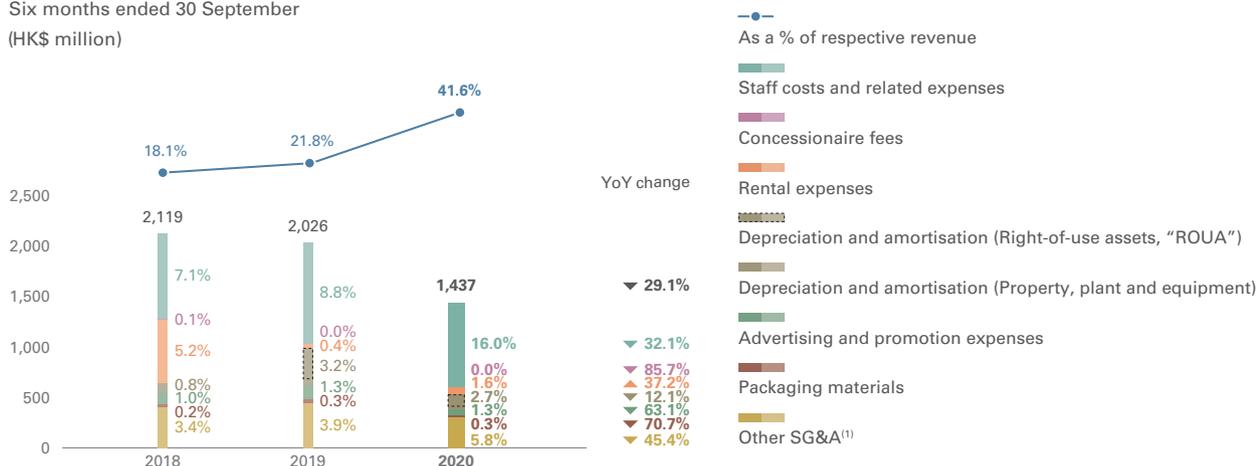


- Adjusted gross profit margin improved significantly by 1,000 basis points to 38.1%, driven largely by the surge in gold price and some improvement in gross profit margin of our jewellery trading business.
- SG&A ratio increased substantially from 21.8% to 41.6% due to operating deleverage.
- Core operating profit dropped significantly by 95.9% in 1HFY2021. Yet, core operating profit margin stayed positive at 0.8% in 1HFY2021 (2HFY2020: a negative margin of 1.4%), benefited from the government subsidies received which were recorded as other income.

SG&A

SG&A to revenue ratio

Six months ended 30 September
(HK\$ million)

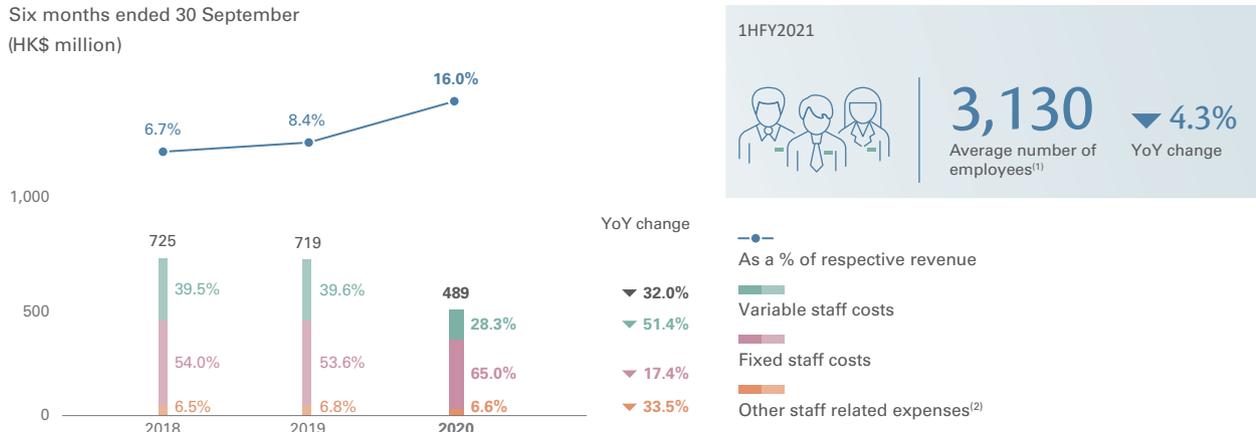


(1) Other SG&A mainly represented bank charges incurred for sales transaction settlement, royalty fees for the sales of licensed products, certificate expenses and utilities

Hong Kong and Macau

Staff costs and related expenses

Six months ended 30 September
(HK\$ million)



1HFY2021



3,130

Average number of employees⁽¹⁾

▼ 4.3%

YoY change

(1) Employees in production function excluded

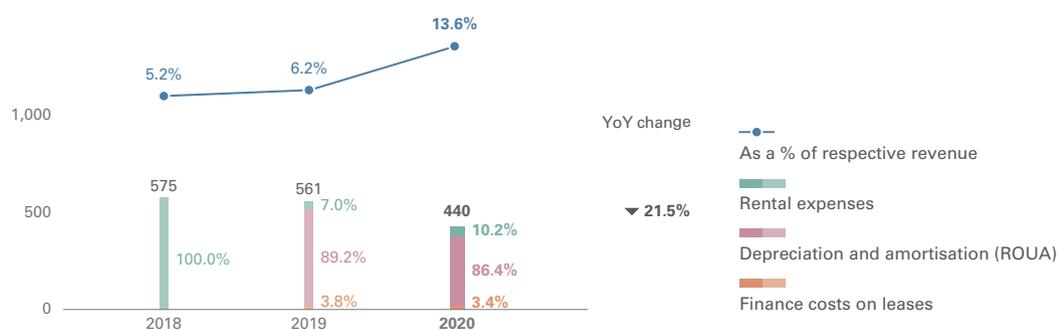
(2) Other staff related expenses mainly included staff messing, medical care, educational expenses, etc.

- In Hong Kong and Macau, staff costs and related expenses decreased by 32.0% during the period. The variable staff costs shrank by 51.4% year-on-year, largely in line with the drop in revenue.
- Fixed staff costs also declined by 17.4% due to attrition and reduction on overtime allowance.
- During 1HFY2021, we received HK\$107 million from Employment Support Scheme which was recognised in other income.

Lease-related expenses⁽¹⁾

Six months ended 30 September

(HK\$ million)



(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 in Hong Kong and Macau

- Lease-related expenses fell by 21.5% due to consolidation of POS and rental renewal reduction. Yet lease-related expenses ratio expanded by 740 basis points to 13.6% in 1HFY2021. The average reduction on lease renewal during 1HFY2021 relative to the last leases was 45%.
- During 1HFY2021, COVID-19-related rent concession of HK\$76 million was recognised in other gains.

POS network

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

As at	31.3.2019	31.3.2020	During 1HFY2021		30.9.2020	
	Total	Total	Addition	Reduction	Net Total	
CHOW TAI FOOK JEWELLERY ⁽²⁾	131	138	2	(8)	(6)	132
Hong Kong, China	81	83	1	(5)	(4)	79
Macau, China	19	18	—	—	—	18
Other markets	31	37	1	(3)	(2)	35
HEARTS ON FIRE	15	10	—	(1)	(1)	9
SOINLOVE	—	1	—	—	—	1
MONOLOGUE	—	2	—	—	—	2

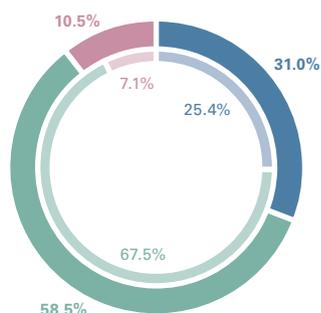
(1) SIS and CIS excluded

(2) ARTRIUM POS included

RSV analysis

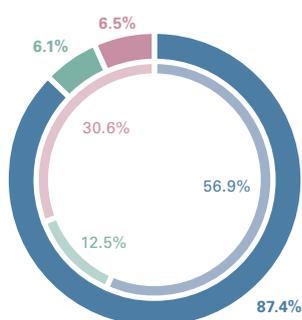
Hong Kong, Macau and other markets

RSV by product



1HFY2020		1HFY2021		RSV YoY change
■	■	Gem-set / Platinum / K-gold jewellery		▼ 52.7%
■	■	Gold jewellery and products		▼ 66.5%
■	■	Watches		▼ 43.0%
Overall				▼ 61.3%

RSV and POS by geography



		1HFY2021		
% of POS	% of RSV	RSV YoY change	Net POS movement	
■	■	Hong Kong	▼ 56.5%	▼ 5
■	■	Macau	▼ 86.7%	–
■	■	Other markets	▼ 44.2%	▼ 2

- RSV recorded a steep decline in Hong Kong, Macau and other markets in 1HFY2021 as the protracted pandemic continued to weigh on international travel and tourist related consumption.
- Customer traffic at POS in Hong Kong and Macau dropped by 53.9% year-on-year during the period. 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 12.1% in 1HFY2021 from 39.7% in the same period last year.
- Macau recorded a relatively more significant RSV decline of 86.7% during the period as it had a higher reliance on tourism.
- In Hong Kong, we underwent store consolidation and closed a net of 5 POS in 1HFY2021, mainly in touristic areas such as Tsim Sha Tsui and Causeway Bay.
- In other markets, we closed a net of 2 CHOW TAI FOOK JEWELLERY POS in Japan and Korea during the period.

OTHER FINANCIAL REVIEW

Other income, other gains and losses and other expenses

Six months ended 30 September	2018	2019	2020	YoY change
	HK\$ million	HK\$ million	HK\$ million	
Other income	167	213	347	▲ 62.7%
Other gains and losses	(334)	(142)	190	N/A
Other expenses	(28)	(52)	(296)	▲ 467.0%

- 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 1HFY2021, approximately 47.0% of other income were one-off in nature.
- Other gains and losses mainly represented a net foreign exchange gain of HK\$127 million (1HFY2020: loss HK\$142 million) due to the appreciation of RMB and COVID-19-related rent concession of HK\$76 million.
- Other expenses mainly represented the assets impairment (including property, plant and equipment and ROUA) of HK\$270 million and the amortisation of other intangible assets of HK\$20 million arising from the acquisition of Hearts On Fire.

Interest income, finance costs and taxation

Six months ended 30 September	2018	2019	2020	YoY change
	HK\$ million	HK\$ million	HK\$ million	
Interest income from banks	49	37	31	▼ 15.7%
Other interest income	10	–	–	N/A
Finance costs on bank borrowings	(94)	(131)	(84)	▼ 35.8%
Finance costs on gold loans	(60)	(91)	(94)	▲ 2.6%
Finance costs on leases liabilities	N/A	(33)	(26)	▼ 21.7%
Taxation	(728)	(620)	(989)	▲ 59.5%

- Finance costs on bank borrowings decreased by 35.8%, mainly due to a relatively lower average bank borrowing interest rate during 1HFY2021.
- Effective tax rate increased from 28.2% in 1HFY2020 to 30.1% in 1HFY2021 as the contribution of Mainland China segment on profit before taxation increased in 1HFY2021.

Inventory balances and turnover period

Inventory balances by product⁽¹⁾

As at
(HK\$ million)

30.9.2020 / 31.3.2020
Six months change

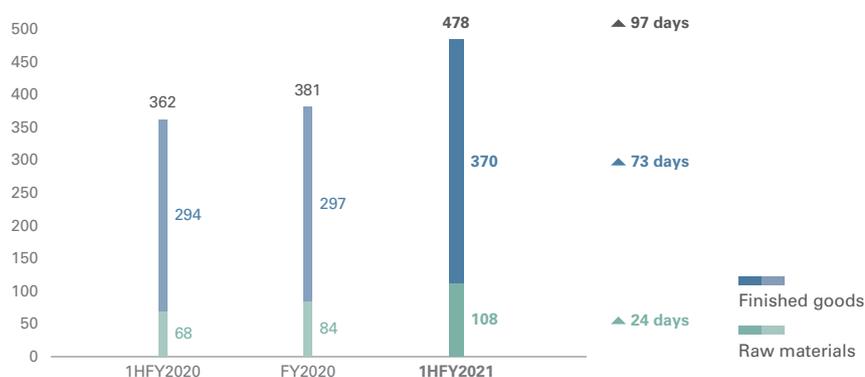


(1) Packaging materials excluded

Inventory turnover period by category⁽²⁾

(Day)

30.9.2020 / 31.3.2020
Six months change



(2) Being inventory balances, excluding packaging materials, at the end of the reporting period divided by cost of goods sold for the period, multiplied by 366 (for FY) / 183 (for 1HFY)

- Inventory balances, excluding packaging materials, increased by 1.9% to HK\$43,146 million as at 30 September 2020.
- Inventory turnover period prolonged by 97 days when compared to that of FY2020 mainly due to the weak demand in Hong Kong, Macau and other markets.
- As at 30 September 2020, approximately HK\$7,500 million or 17.3% 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 1HFY2021 would reduce to 395 days (1HFY2020: 313 days).

Capital structure

As at	31.3.2020 HK\$ million	% to total equity	30.9.2020 HK\$ million	% to total equity	Increase (decrease) HK\$ million	Denominated currency ⁽¹⁾	Interest rate structure ⁽¹⁾
Non-current assets	10,038	37.2%	9,359	32.7%	(679)	N/A	N/A
Inventories	42,538	157.6%	43,410	151.5%	872	N/A	N/A
Cash and cash equivalents ⁽²⁾	7,219	26.7%	7,333	25.6%	114	Mainly HKD, RMB and USD	Mainly variable interest rate
Total borrowings ⁽³⁾	22,711	84.1%	19,866	69.3%	(2,845)		
Bank borrowings	11,431	42.3%	9,326	32.5%	(2,105)	HKD	Variable interest rate
Gold loans	11,280	41.8%	10,540	36.8%	(740)	RMB and USD	Fixed interest rate
Net debt ⁽⁴⁾	15,492	57.4%	12,533	43.7%	(2,959)	N/A	N/A
Working capital ⁽⁵⁾	19,579	72.5%	23,397	81.6%	3,818	N/A	N/A
Total equity	26,991	100.0%	28,657	100.0%	1,666	N/A	N/A

(1) Information about denominated currency and interest rate structure related to the condition as at 30 September 2020

(2) Bank balances and cash equivalents included

(3) As at 30 September 2020, bank borrowings amounted to HK\$6,929 million and all the gold loans would be matured within 12 months while bank borrowings amounted to HK\$2,097 million would be matured in more than 1 year but not exceeding 2 years and HK\$300 million would be mature in more than 2 years but not exceeding five 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 was 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:

	30.9.2020 / 31.3.2020 Closing exchange rate six months change	1HFY2021 vs 1HFY2020 Average exchange rate YoY change
RMB to HKD	▲ 4.0%	▼ 2.6%

Six months ended 30 September	2019		2020	
	As reported	Constant exchange rate basis	As reported	Constant exchange rate basis
Revenue YoY change	▼ 0.6%	▲ 2.6%	▼ 16.5%	▼ 14.5%
Core operating profit YoY change	▲ 18.0%	▲ 22.4%	▲ 15.6%	▲ 18.7%
Changes in inventory balances (30 September vs 31 March)	▲ 7.7%	▲ 10.6%	▲ 2.0%	▼ 0.3%
Changes in cash and cash equivalents (30 September vs 31 March)	▼ 32.6%	▼ 30.9%	▼ 28.6%	▼ 31.2%

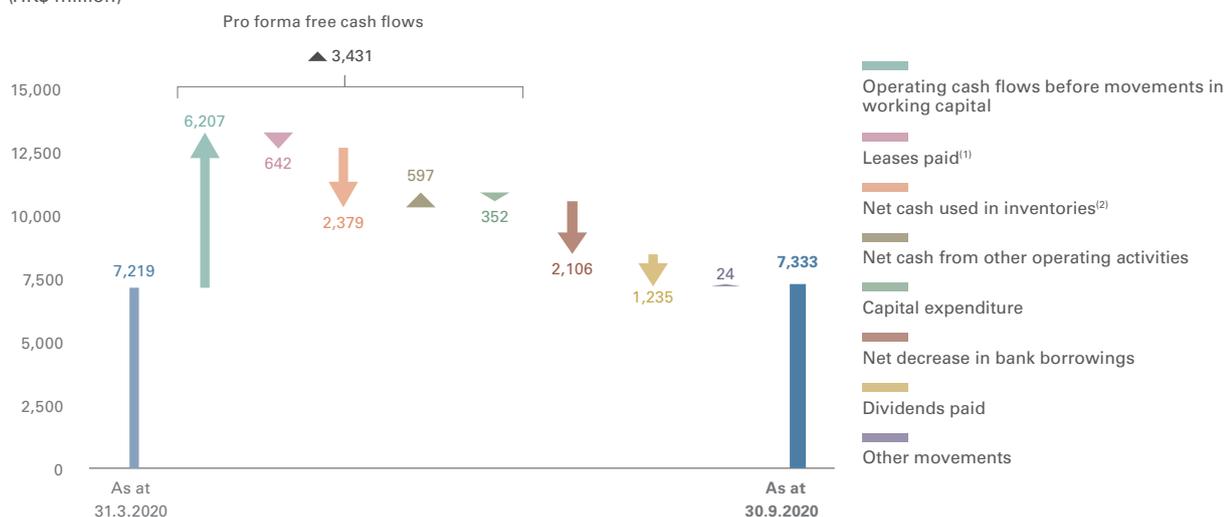
Cash flows and others

Cash flows

Six months ended 30 September	2018 HK\$ million	2019 HK\$ million	2020 HK\$ million
Operating cash flows before movements in working capital	3,124	5,543	6,207
Leases paid ⁽¹⁾	–	(621)	(642)
Net cash used in inventories ⁽²⁾	(2,992)	(3,342)	(2,379)
Net cash from other operating activities	317	706	597
Capital expenditure	(528)	(444)	(352)
Pro forma free cash flows	(79)	1,842	3,431
Net change in bank borrowings	1,860	1,023	(2,106)
Dividends paid	(4,561)	(5,038)	(1,235)
Other movements	(333)	(317)	24
Net increase (decrease) in cash and cash equivalents	(3,113)	(2,490)	114

Major cash flows items for 1HFY2021

(HK\$ million)



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

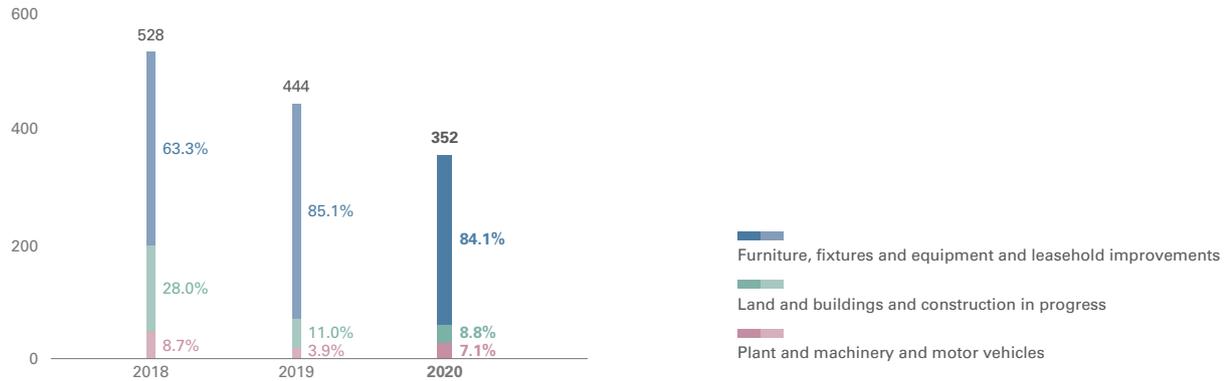
(2) Net cash used in inventories included net change in inventories, gold loans raised and repayment of gold loans

Capital expenditure

- The Group's capital expenditure incurred during 1HFY2021 amounted to HK\$352 million (1HFY2020: HK\$444 million).

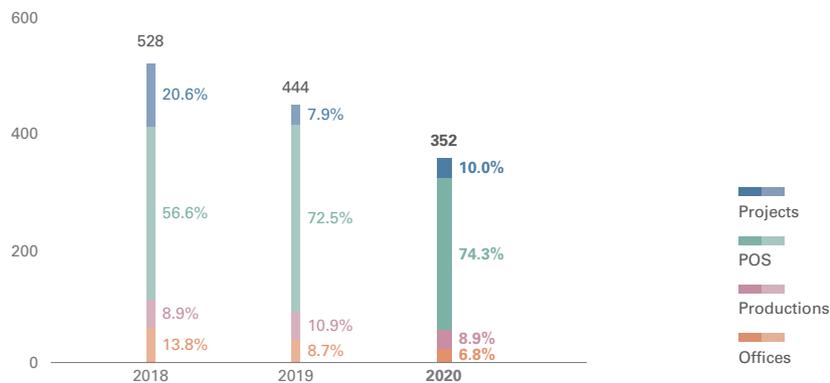
Capital expenditure by nature

Six months ended 30 September
(HK\$ million)



Capital expenditure by function

Six months ended 30 September
(HK\$ million)



CORPORATE STRATEGIES

MARKET REVIEW

In 1HFY2021, the evolving situation of COVID-19 and rising geopolitical tensions created uncertainties in the global economy. These uncertainties posed considerable risks and challenges in both the industry and our business.

Mainland China

- According to the National Bureau of Statistics of China, the total retail sales of consumer goods decreased by 7.2% year-on-year for the first nine months of 2020, while the retail sales of gold, silver and jewellery also decreased by 12.5%. Yet, there have been signs of improvement in these categories since August 2020.
- With the “dual circulation” development pattern that is expected to shape the country’s mid-to long-term plan, Mainland China will focus on the domestic economy and aim to integrate it with the global economy. This will require Mainland China to boost domestic demand and further open up its economies. To that end, we expect to see the robust integration of online and offline consumption and the promotion of new and traditional consumption channels in the future.

Hong Kong and Macau

- As shown in industry data, retail sales performance of jewellery industry recorded a 56.7% decline year-on-year during April to September 2020, while both Hong Kong and Macau recorded a significant decrease in Mainland Chinese visitors due to the closure of major border crossings.
- With a more stable pandemic situation, we believe that the domestic market has bottomed out. When the major border crossings reopen, the visitation and retail market would recover gradually.

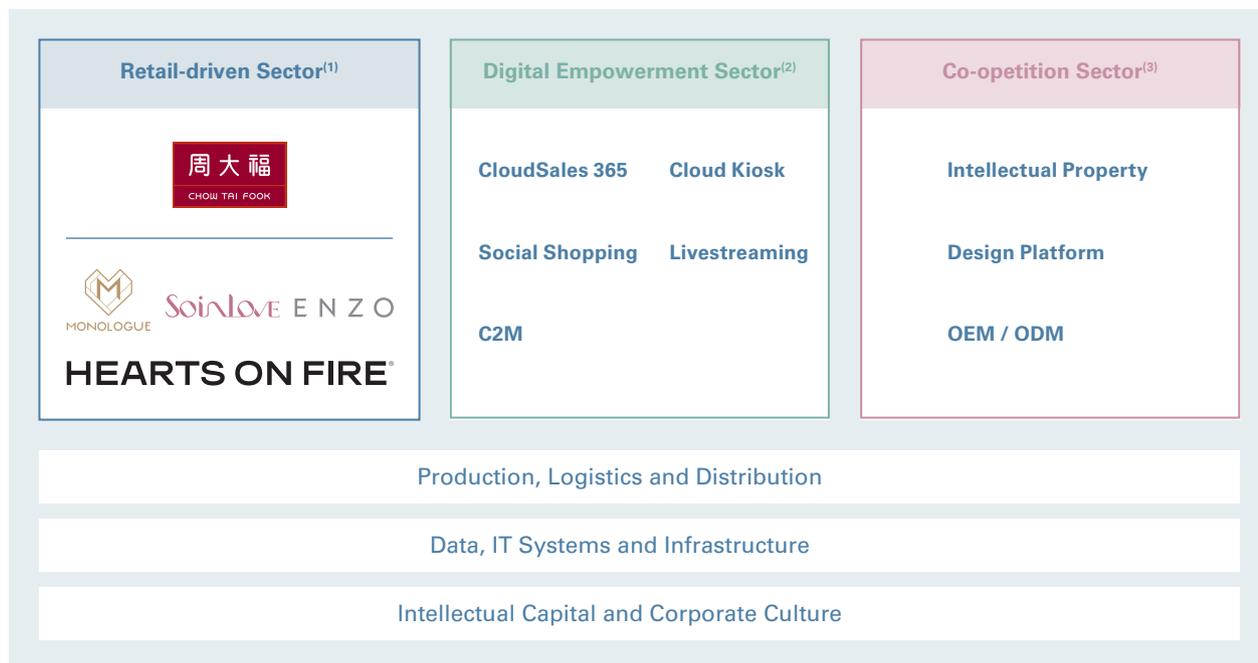
OUR DUAL FORCE STRATEGY

Every challenge creates opportunities. The outbreak of COVID-19 accelerated the pace of digitalisation at all levels globally and altered consumers’ buying habits fundamentally. We believe that this catalyst will further speed up the omni-channel development in the industry, especially when the practice of social distancing has given rise to more instances of online shopping. Physical stores and online platforms should still co-exist for greater synergy in offering a more complete, multi-faceted experience for customers.

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

To cater to evolving customer expectations, we reposition our business to respond to customer needs and refine our existing business to continually create, deliver, and capture value. As the market leader, building a Chow Tai Fook business ecosystem allows closer bonding and interactions with our customers and the industry.

Chow Tai Fook Business Ecosystem



- (1) The retail-driven sector refers to the diversified product offerings and experiences that we provide through our physical retail network
- (2) The digital empowerment sector refers to the omni-channel retailing and smart tools that could complement our physical retail network and achieve greater synergies
- (3) The co-opetition sector refers to initiatives to redefine the jewellery industry ecosystem through collaboration and co-creation

The three sectors of Chow Tai Fook business ecosystem, namely retail-driven sector, digital empowerment sector and co-opetition sector, are not complete without a stronger integration with the physical supply chain; data, IT systems and infrastructure; as well as our people.

Details of each sector will be discussed in the following sections.

Retail-driven Sector

To meet today's ever-changing customer expectations, our differentiation strategy continues to make inroads into diverse customer segments by catering to a bespoke experience for customers of different lifestyles and personalities, as well as customers' different life stages which we believe is necessary to better serve each unique consumer segment and to create long-term brand differentiation and loyalty.

POS

Mainland China

4,009
POS



Flagship Brand

CHOW TAI FOOK JEWELLERY

3,828 POS

of which

ARTRIUM

3 POS

JEWELRIA

87 POS

CTFWATCH

113 POS

Individual Brands

HEARTS ON FIRE

1 POS

206 SIS / CIS

ENZO

65 POS

SOINLOVE

48 POS

MONOLOGUE

67 POS

Hong Kong and Macau

100
POS



Flagship Brand

CHOW TAI FOOK JEWELLERY

97 POS

Individual Brands

HEARTS ON FIRE

25 SIS / CIS

SOINLOVE

1 POS

MONOLOGUE

2 POS

Other markets

44
POS



Flagship Brand

CHOW TAI FOOK JEWELLERY

35 POS

Individual Brand

HEARTS ON FIRE

9 POS

Flagship brand – CHOW TAI FOOK JEWELLERY

- We continue to innovate and invest in the products and experience of our flagship brand.
- We offer curated retail experiences under our flagship brand, such as ARTRIUM, JEWELRIA and CTF WATCH.
- In the period, we introduced new store experience where we offer customers with fun, unique experiences through the use of our omni-channel retailing tools that elevate shopping journey to new heights.
- In 1HFY2021, JEWELRIA accounted for 5.3% of the RSV of CHOW TAI FOOK JEWELLERY⁽¹⁾ in Mainland China. Its gem-set ASP was around HK\$9,500. Pop-up stores and stores with lifestyle experience were also introduced in the period to enrich our customer experience.

(1) CTF WATCH excluded

Products

- CTF • HUÁ Collection contributed to 35.6% of our gold jewellery and products RSV in 1HFY2021 of our Mainland China market.
- T MARK newly launched the Snowy Bliss Collection in Mainland China in 1HFY2021, which focuses on smaller carat diamonds, allowing T MARK to fulfil the customer needs of a different segment.
- To offer a highly consistent and truthful diamond grading standard plus an extra natural diamond quality assurance to customers, we will soon launch the Chow Tai Fook AI Diamond Grading Certificate powered by state-of-the-art artificial intelligence (“AI”) and blockchain technology. This would be first available for the diamonds (0.30 carat or below) of T MARK in Hong Kong market in the first half of 2021.
- In 1HFY2021, T MARK products accounted for 22.3% and 27.1% of the RSV of our diamond products in Mainland China and Hong Kong and Macau, respectively. It’s RSV increased by 29.1% in Mainland China, whereas it dropped by 57.9% in Hong Kong and Macau.
- Apart from our signature collections, JEWELRIA continues to roll out more product offerings from select international designers and jewellery brands to cater to more sophisticated customers.

Retail network

Mainland China

- We continued to implement our two-pronged strategy to develop Mainland China's retail network. For Tier I and II cities, we continued to offer curated retail experiences through upgrading our stores and enhancing store experiences to fulfil the needs of more sophisticated customers. For lower tier and county level cities, we further penetrated into the market by leveraging our franchisees' local knowledge and access. In the period, there were 286 net POS openings of CHOW TAI FOOK JEWELLERY⁽¹⁾, of which 28 net POS openings were JEWELRIA.
- In view of the excellent performance of our watch business as boosted by strong domestic demand, we will continue to identify available opportunities to expand our network for high premium watch business.

(1) CTF WATCH POS excluded

Hong Kong, Macau and other markets

- In 1HFY2021, we closed a net of 4 CHOW TAI FOOK JEWELLERY POS in touristic areas in the Hong Kong and Macau markets as the number of Mainland China tourists declined. POS consolidation will continue in order to improve store productivity.
- In 1HFY2021, a net of 2 POS in other markets were closed as their business operations were also affected by the pandemic. However, we will continue to identify opportunities in Southeast Asia and we may continue our expansion strategy when international travel resumes.

Individual brands

HEARTS ON FIRE

- The newly launched LORELEI REVERIE Collection broadens the reach of LORELEI Collection. It takes the inspiration of fashion with motifs of lace patterns.
- In 1HFY2021, HEARTS ON FIRE accounted for 1.6% and 5.4% of the RSV of our diamond products in Mainland China and Hong Kong and Macau, respectively.
- RSV increased by 29.6% in Mainland China, whereas it dropped by 38.8% in Hong Kong and Macau in the period.

Retail network

- To penetrate into the high-end market in Mainland China, HEARTS ON FIRE's expansion focuses on SIS and CIS in our POS of JEWELRIA.

ENZO

- ENZO strives to maintain its niche position as a natural coloured gem specialist to enrich the Group's brand portfolio. In the period, ENZO integrated with the Group resources to promote its brand and products in all channels.

Retail network

- In the period, ENZO streamlined its original POS in Mainland China and expanded in Tier I and II cities when opportunities arise.

SOINLOVE and MONOLOGUE

- SOINLOVE and MONOLOGUE aim to offer innovative products and experience to their respective target customers. We also strive to enhance our digital presence on different platforms to meet our customers' needs.
- We continued to collaborate with different brands, such as Detective Conan and Barbie, and promoted the products through pop-up stores and social media to gain an edge in Mainland China's rapidly changing retail marketplace.

Retail network

- We strive to connect more customers with our brands' personalities. In the period, our expansion in Mainland China was mainly in higher tier cities, especially in Tier I cities, and will continue in 2HFY2021.

Digital Empowerment Sector

This refers to the use of digitalisation, omni-channel retailing and smart tools in order to complement our physical retail network, achieve greater synergies, as well as to build up both public and private domains. We aim to stay close to our customers by striking an optimal balance between technology and human touch.

E-commerce

- We are continuously exploring and improving our e-commerce business, while the sector is gradually getting more mature in Mainland China's retail landscape.
- As a complement to our physical retail network, we offered both exclusive online products and offline seasonal products on our e-commerce platforms in order to cope with the changing shopping needs of online customers.
- We continued our collaboration with various renowned e-commerce platforms in Mainland China, such as Tmall, JD.com and Vipshop, to further boost the performance of our e-commerce business.

- We were also riding on current trends, such as direct sales via livestreaming and short videos in these third-party marketplaces in order to expand and enhance our engagement with customers.

Omni-channel retailing

- We offer a seamless, round-the-clock shopping experience to our consumers by leveraging our retail network distribution and staff, as well as the omni-channel capabilities that were developed.
- CloudSales 365, a mini-programme that bridges our eShop and customers, was launched earlier this year. It allows our staff to communicate with and assist their customers at anytime anywhere, offering an expedite shopping experience through mobile devices.
- Both our own staff and franchisees' salespeople can engage customers via CloudSales 365 by sending product promotions to build a close connection and rapport with customers.
- In 1HFY2021, we used CloudSales 365 to cultivate our own private domain and the performance was outstanding. Through this tool, we have reached over two million customers, of which approximately 50% who made a purchase through the tool were new customers. We also noticed that sales conversion rate sold through the tool was generally higher than those from e-commerce platforms.
- Cloud Kiosk allowed customers to enjoy a shorter transaction time and wider product selection. There were over 1,000 spots, primarily at our POS in Mainland China as of 30 September 2020.

Consumer to Manufactory ("C2M")

- As customers are increasingly focused on personalised products and exclusive experiences, we have introduced D-ONE as one of our C2M initiatives to meet today's ever-changing customer expectations.
- It offers a unique customisation experience and once orders are placed, products with highly-personalised features can be ready for delivery within 24 hours.
- In the period, we added this customisation function in CloudSales 365 to allow greater exposure of D-ONE. The good performance reflected customers' need for customised jewellery.

Customer engagement

- We understand that customer relationship management (“CRM”) is one of the keys to success.
- Not only did we invest in branding and large-scale product promotion, but we also leveraged the strength of Key Opinion Leaders (“KOL”) and Key Opinion Consumers (“KOC”) to attract the attention of 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.



Co-opetition Sector

Co-opetition means combining elements from both co-operation and competition. The purpose of this sector is to enhance the value of jewellery products and achieve greater synergy in the jewellery industry through our strong industry knowledge and production capabilities.

- We started our OEM / ODM business and intellectual property development, with which we provide our production support to help drive profitability and strengthen jewellery retail businesses.
- Chow Tai Fook North America, with its business hub in Boston, United States, is one of the initiatives to develop our OEM / ODM business. The Group's know-how and scale, combined with the deep local knowledge and experience of our North American team, allow us to deliver greater value to retail jewellers in North America.
- When it comes to intellectual property development, our vision is to promote the concept of intellectual property in the industry in order to enhance the value of jewellery products. We have, therefore, engaged with different parties for such developments.
- We have also devoted our effort to support young jewellery designers. Loupe, for instance, is one such initiative. Loupe offers a shared design incubation space for talent in the jewellery industry. As an external innovation incubator, Loupe provides co-working and exhibition space that allows artists to showcase their works and share their visions.

Operations

Digitalisation is not limited to virtual marketing. The journey is not complete without a stronger integration with the physical supply chain and operational support.

Production, logistics and distribution

A more flexible manufacturing process allows us to engage our customers throughout the production process along the supply chain from product design, manufacturing and logistics to distribution.

- Multiple new initiatives or practices have been introduced over the last three years as part of implementing the Industry 4.0 strategy.
- Industry 4.0 is a new business and operational model that supports large-scale customisation in manufacturing operations to cater to highly personalised, made-to-order products with on-time delivery.
- Advanced equipment allows repetitive tasks to be automated, we are able to allocate human resources to other creative and value-added tasks.
- Departments within the Group are working closely with business partners to share data and insights for better and quicker decision-making.

Data, IT Systems and Infrastructure

- We are proceeding with our transformation and striving for better support to the Group's Dual Force Strategy. During 1HFY2021, we rolled out a number of key initiatives on the data and IT front to upgrade our infrastructure, enhance our competitiveness, and embrace emerging technologies.
- To improve the performance of our information system infrastructure in terms of system flexibility and scalability, the migration of the partial on-premises infrastructure to the cloud environment is in the works. We are also enhancing information and cyber security and network connection capabilities as part of our future cloud strategy.
- To cope with the Group's digital empowerment sector, we are developing an internal application programming interface and a consolidated data platform. We are revamping our business intelligence platform to offer the management access to highly usable and efficient information for business decision making.
- We continued to explore, accelerate, and deploy new technologies to promote the Group's core operations. We continued our endeavours in the development and deployment of the Smart Inventory Control System to automate the inventory distribution processes. For internal operations, a new procurement internal application has been built for more efficient procure-to-pay and reimbursement processes.

Intellectual capital and corporate culture

- The Group's total number of employees reached 28,100 as of 30 September 2020.
- To leverage the intellectual capital of all employees and carry on our tradition of intrapreneurship, the Group launched Chow Tai Fook Global Competencies. While developing our five core competencies, our teams achieve synergy that aims to strengthen our omni-channel retailing.
- Chow Tai Fook Global Competencies are anchored in the Group's vision, mission, and values. They are designed for our development and business strategies in the coming decade. Global perspective, user perspective, breakthrough innovation, result ownership and shared values are derived as our global standards for future recruitment, appraisal, rewards, promotion, and succession planning.
- These competencies will be embedded in our annual performance management. They offer confidence for all to build on strengths. Through cross-functional exchange, customer-centric retail technology development, and data analytics, we will continue to accelerate the career development of our people to support the Group's global business expansion.

BUSINESS OUTLOOK AND STRATEGIES

As the COVID-19 pandemic is expected to be under control in the markets where we operate, our business performance of 2HFY2021 would improve steadily.

As we expect Mainland China will continue to focus on domestic consumption growth, we are optimistic about the prospects of the jewellery market in Mainland China. We shall continue to implement our market expansion strategy using the franchise model and online-offline channel integration to take advantage of digital trends. We shall also implement our differentiation strategy to better serve each unique customer segment.

Though Hong Kong and Macau markets are facing multiple challenges, with a more stable pandemic situation, we believe that the domestic market has bottomed out. When the major border crossings reopen, the visitation and retail market would recover gradually. We shall continue to enhance our operational efficiency and refine our business strategies.

We would leverage our retail network and talent, as well as our omni-channel capabilities that we have developed in order to offer customers a seamless shopping experience at anytime anywhere with the optimal balance between technology and human touch.

We are delighted to report that we are steadily moving 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 fulfillment through jewellery.

THE UNAUDITED KEY OPERATIONAL DATA FROM 1 OCTOBER TO 18 NOVEMBER 2020

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

	(% change compared to the same period last year)	
	Group	
RSV growth	▲ 17.7%	
	Mainland China	Hong Kong, Macau and other markets
RSV growth	▲ 25.7%	▼ 11.1%
Contribution to Group RSV	83.6%	16.4%
	Mainland China	Hong Kong and Macau
SSSG	▲ 12.0%	▼ 24.3%
SSS volume growth	▼ 10.7%	▼ 28.1%
SSSG by product		
— Gem-set / Platinum / K-gold jewellery	▼ 6.2%	▲ 39.1%
— Gold jewellery and products	▲ 13.3%	▼ 49.5%

The unaudited key operational data from 1 October 2020 to 18 November 2020 was prepared based on the latest available management accounts and the information currently available to the Group. The position remains to be reviewed by the Company's auditor, its audit committee and the Board.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.16 per share, amounting to approximately HK\$1,600 million, to shareholders whose names appear on the register of members of the Company on Wednesday, 9 December 2020. The interim dividend is expected to be paid on or around Wednesday, 23 December 2020.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2020 and discussed the financial related matters with the management. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to the interim dividend, the register of members of the Company will be closed on Wednesday, 9 December 2020 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 Tuesday, 8 December 2020.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2020, 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 as set out in Appendix 10 to the Listing Rules (the "Model Code"). 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 the six months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

By order of the Board
Chow Tai Fook Jewellery Group Limited
Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 24 November 2020

As at the date of this announcement, the executive directors are Dr. Cheng Kar-Shun, Henry, Mr. Wong Siu-Kee, Kent, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Cheng Ping-Hei, Hamilton, Mr. Chan Sai-Cheong, Mr. Suen Chi-Keung, Peter, Mr. Chan Hiu-Sang, Albert, Mr. Liu Chun-Wai, Bobby and Mr. Cheng Kam-Biu, Wilson; the non-executive director is Ms. Cheng Chi-Man, Sonia; 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 and Ms. Cheng Ka-Lai, Lily.