

CHOW TAI FOOK JEWELLERY GROUP LIMITED

周大福珠寶集團有限公司

Stock Code: 1929 • A Hong Kong Main Board Listed Company

FOR IMMEDIATE RELEASE

Chow Tai Fook Jewellery Group Announces FY2023 Interim Results

Results Highlights

- Despite the macro-economic challenges and pandemic-led business disruptions, the Group reported a resilient set of results as revenue rose 5.3% year-on-year to HK\$46,535 million for 1HFY2023, supported by favourable store opening momentum in Mainland China (the “Mainland”) and strength in gold jewellery and products
- Retail network expanded to 6,948 point of sales (“POS”) as at 30 September 2022 with a net addition of 933 CHOW TAI FOOK JEWELLERY POS in the Mainland
- Gross profit increased 1.6% to HK\$10,962 million. Adjusted gross profit margin declined to 22.4% from 23.5% in the same period last year, mainly attributable to a higher contribution from our wholesale business and gold jewellery and products
- The Group became a constituent stock of the Hang Seng Index (“HSI”) in September 2022 and will be included in the MSCI China Index from close of 30 November 2022. These milestones will support diversification and institutionalisation of the shareholder base and improve trading liquidity
- The Group is advancing strategic priorities to support its margin and growth ambitions over the medium-term by strengthening competitiveness, enhancing the quality of earnings, and driving long-term value creation for stakeholders

| Financial Summary | 2022 HK\$ million | 2021 HK\$ million | YoY Change |
|---|----------------------|----------------------|---------------|
| For the six months ended 30 September | | | |
| Revenue | 46,535 | 44,186 | +5.3% |
| Gross profit | 10,962 | 10,794 | +1.6% |
| <i>Gross profit margin</i> | 23.6% | 24.4% | |
| <i>Adjusted gross profit margin⁽¹⁾</i> | 22.4% | 23.5% | |
| Core operating profit⁽²⁾ | 4,349 | 4,472 | -2.7% |
| <i>Core operating profit margin⁽²⁾</i> | 9.3% | 10.1% | |
| Profit attributable to shareholders of the Company | 3,336 | 3,581 | -6.8% |
| Earnings per share (HK\$) | 0.33 | 0.36 | -6.8% |
| Interim dividend per share⁽³⁾ (HK\$) | 0.22 | 0.22 | N/A |

(1) *Adjusted gross profit margin, a non-IFRS measure, eliminates the effect of unrealised loss (gain) on gold loans, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its businesses*

(2) *Core operating profit and the corresponding margin, a non-IFRS measure, being the aggregate of adjusted gross profit and other income, less selling and distribution costs and general and administration expenses, which the Company believes is useful in gaining a more complete understanding of its operational performance and the underlying trend of its businesses*

(3) *The payout ratio for 1HFY2023 approximates 66.0%*

(Hong Kong, China, 24 November 2022) **Chow Tai Fook Jewellery Group Limited** (“Chow Tai Fook Jewellery Group”, the “Group” or the “Company”; SEHK stock code: 1929), today announces its interim results for the six months ended 30 September 2022 (“1HFY2023”).

Resilient Revenue Growth Despite Challenging Market Conditions

Supported by favourable store opening momentum in the Mainland and strength in gold jewellery and products, the Group’s revenue increased 5.3% to HK\$46,535 million in 1HFY2023 (1HFY2022: HK\$44,186 million). Gross profit rose 1.6% to HK\$10,962 million (1HFY2022: HK\$10,794 million). Adjusted gross profit margin declined to 22.4% from 23.5% in the same period last year, mainly attributable to a higher share of our wholesale business and gold jewellery and products. As a result, core operating profit declined 2.7% year-on-year.

Profit attributable to shareholders of the Company decreased 6.8% to HK\$3,336 million (1HFY2022: HK\$3,581 million), mainly due to a net foreign exchange loss arising from the weakening of RMB. Earnings per share was reported at HK\$0.33 (1HFY2022: HK\$0.36). The Board has declared an interim dividend of HK\$0.22 per share in 1HFY2023, representing a payout ratio of approximately 66.0% (1HFY2022: 61.4%).

Dr. Henry Cheng, Chow Tai Fook Jewellery Group Chairman, said: “As the world continues to evolve in rapid and unpredictable ways, Chow Tai Fook has demonstrated its resilience in managing risks while seeking new opportunities. Leveraging our extensive operational experience, data analytics and accurate judgment, the Group is able to exercise flexibility in its strategic approach to sustaining a long-term growth.”

Same Store Sales (“SSS”) Trend Impacted by Pandemic Measures

Business in the Mainland was significantly impacted by the pandemic in the first quarter of the financial year and SSS was down 7.8% in 1HFY2023. In Hong Kong, SSS experienced solid growth of 15.1% in the period, thanks to stable local demand. SSS in Macau decreased by 31.8%, mainly attributable to tightened pandemic measures that reduced tourist traffic.

Solid Progress in Market Share Gain in the Mainland

The Group is taking a targeted and strategic approach to expansion by opening new stores in locations with high potential to boost our market share. The Group’s retail network expanded to 6,948 POS as at 30 September 2022, with a net addition of 933 CHOW TAI FOOK JEWELLERY POS in the Mainland during the period.

In 1HFY2023, we closed a net of 4 POS in Hong Kong, mainly in tourist areas, to enhance operational efficiency. A new POS in Malaysia was opened during the period as we explore opportunities in Southeast Asia.

Differentiated Products with Compelling Stories to Attract Customers

With the rise of *Guachao* (“national trend”), our CTF · HUÁ Collection, which draws on the traditional heritage of Chinese craftsmanship and culture, is much loved by young consumers in the Mainland. The CTF · HUÁ Collection contribution to the gold jewellery and products RSV in the Mainland amounted to 40.7% in 1HFY2023.

During the period, we launched the Wonderful Life Collection, which combines gold and T MARK diamonds. Since launch in July 2022, Wonderful Life Collection has received an overwhelming response that has supported new sales growth in the gem-set product category.

During the period, HEARTS ON FIRE achieved an outstanding result, both versus last financial year and pre-pandemic levels, with RSV up 62.6% in the Mainland and 50.2% in the Hong Kong and Macau market on a year-on-year comparable basis. The brand's strong top-line growth reflects the excellent reception of new designs launched under our ever-green Aerial and Illa Collections, and ongoing regional events and promotions to build desirability with local customers.

Business Outlook and Strategies

Against the backdrop of a challenging business environment characterised by macro-economic externalities, the Group remains cautiously optimistic about the opportunities ahead and is committed to growing sustainably. With resolve, experience and agility, our management team will stay vigilant while executing our growth strategies.

Meanwhile, the Group has joined the ranks of other blue-chip companies as a constituent stock of the HSI in September 2022, and will be included in the MSCI China Index from close of 30 November 2022. This marks a major milestone for the Group since listing in 2011. Inclusion in the HSI and MSCI China index diversifies and institutionalises the Group's existing shareholder base and enhances its trading liquidity.

We remain positive on the mid- to long-term growth prospects of the Mainland's economy and jewellery market. Based on this, we have declared an interim dividend of HK\$0.22 per share, implying a 66.0% payout ratio.

While we maintain prudent cost control strategies to mitigate short-term challenges, the Group's mid-term growth is expected to be driven by a gradual improvement of the economy and consumption. We are equipped to realise the opportunities in the underserved bridal jewellery in lower tier Mainland cities, and enhance our offerings to appeal to the millennials who have a penchant for self-expression.

Leveraging on the strong support from our franchisees, store opening momentum in the Mainland remains favourable. We continue to adopt a disciplined approach in expanding our retail network strategically by taking into consideration market share growth, health of store economics and productivity. Our retail network in the Mainland is expected to reach 7,000 POS by the end of FY2023.

In Hong Kong, we expect pent-up demand for bridal jewellery and a gradual easing of social distancing measures to drive growth in the second half of FY2023. Encouraged by the marketing campaigns and member-exclusive events launched, we continue to pursue these efforts to build momentum to boost sales and deepen connections with customers. We however expect any further significant recovery of the Hong Kong and Macau market to be dependent on border re-opening. In the near term, we continue to closely monitor our store profitability and exercise disciplined cost management. We also remain attentive to expansion opportunities in Southeast Asia, such as Singapore, Malaysia and the Philippines and stay well-positioned to capitalise on them as they emerge.

Over the medium term, the Group will stay nimble to mitigate market uncertainties and strengthen our competitiveness, while improving the quality of earnings and driving sustainable value. To this end, we are focusing on five strategic priorities to support these key objectives:

- (1) Elevating our brand positioning to attract new and younger customers;
- (2) Optimising our product portfolio while reducing inventory levels and turnover days;
- (3) Enhancing operational efficiency to optimise competitiveness and effectiveness;
- (4) Nurturing a people-first workplace culture and strengthening talent development;
- (5) Building a data-driven culture, accelerating the use of digital technology and data analysis to support the business.

- End -

Chow Tai Fook Jewellery Group Limited

Chow Tai Fook Jewellery Group Limited (the “Group”; SEHK stock code: 1929) was listed on the Main Board of The Stock Exchange of Hong Kong in December 2011. The Group’s vision is to become the most trusted jewellery group in the world.

Founded in 1929, the Group’s iconic brand “CHOW TAI FOOK” is widely recognised for its trustworthiness and authenticity, and is renowned for its product design, quality and value. A long-standing commitment to innovation and craftsmanship has contributed to the Group’s success, along with that of its iconic retail brand, and has been embodied in its rich heritage. Underpinning this success are our long-held core values of “Sincerity • Eternity”.

The Group’s differentiation strategy continues to make inroads into diverse customer segments by catering to a bespoke experience for different lifestyles and personalities, as well as customers’ different life stages. Offering a wide variety of products, services and channels, the Group’s brand portfolio comprises the CHOW TAI FOOK flagship brand with curated retail experiences, and other individual brands including HEARTS ON FIRE, ENZO, SOINLOVE and MONOLOGUE.

The Group’s commitment to sustainable growth is anchored in its customer-centric focus and strategies, which are in place to promote long-term innovation in business, in people and in culture. Another asset underpinning sustainable growth is a sophisticated and agile business model. This supports the Group by fostering excellence and extending opportunities along the entire value chain to communities and industry partners across the world.

With an extensive retail network in China, Japan, Korea, Southeast Asia and the United States, and a fast-growing smart retail business, the Group is implementing effective online-to-offline (“O2O”) strategies to succeed in today’s omni-channel retail environment.

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