

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 Delivers Resilient Performance In FY2023 And Embarks On A Significant Brand Transformation For the Next Generation of Consumers

Results Highlights

- Despite the impact of challenging macroeconomic externalities, revenue for FY2023 was stable with a 4.3% decline year-on-year to HK\$94,684 million and core operating profit down 5.6% to HK\$9,439 million
- Resilient performance was driven by the Group's disciplined cost management and pricing strategy optimisation; improvement in same store sales growth ("SSSG") following a shift in pandemic-control measures in 4QFY23 further supported business recovery in Mainland China (the "Mainland")
- Adjusted gross profit margin improved 30 basis points to 23.7% while core operating profit margin remained stable at 10.0%
- In line with the calibrated expansion strategy, the Group had a total of 7,269 CHOW TAI FOOK JEWELLERY POS in the Mainland as at 31 March 2023. This surpasses the 7,000 target for FY2025, positioning the Group favourably to capture post-pandemic recovery and growth
- Hong Kong SAR, Macau SAR and other markets showed a strong recovery in the second half, with revenue rising 8.8% thanks to pent-up bridal demand supported by the relaxation of social distancing measures in Hong Kong, and the Mainland border reopening
- Future growth plan will focus on quality expansion, enhancing store productivity of existing retail network and delivering exceptional customer experience
- Embarked on a significant brand transformation journey to enhance desirability for the next generation of consumers and increase overall competitiveness for the long-term. Major brand refresh to enhance brand identity and build equity with younger consumers and will extend across new store image, packaging and marketing strategy
- FY2024 is expected to be a year of recovery and normality with sustained improvements to operational and financial performances. This builds on the positive impact delivered by the five strategic priorities in 2HFY23, to strengthen competitiveness, enhance quality of earnings and drive sustainable long-term stakeholder value creation

Financial Summary	2023	2022	YoY
	HK\$ million	HK\$ million	Change
For the year ended 31 March			
Revenue	94,684	98,938	-4.3%
Gross profit	21,172	22,340	-5.2%
<i>Gross profit margin</i>	22.4%	22.6%	
<i>Adjusted gross profit margin⁽¹⁾</i>	23.7%	23.4%	
Core operating profit⁽²⁾	9,439	10,002	-5.6%
<i>Core operating profit margin⁽²⁾</i>	10.0%	10.1%	
Profit attributable to shareholders of the Company	5,384	6,712	-19.8%
Earnings per share (HK\$)	0.54	0.67	-19.8%
Dividend per share⁽³⁾ (HK\$)	1.22	0.50	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) *Being a total of full year dividend of HK\$0.50 per share and special dividend of HK\$0.72 per share. The payout ratio for FY2023, excluding special dividend, approximates 92.9%*

(Hong Kong, China, 8 June 2023) **Chow Tai Fook Jewellery Group Limited** (“Chow Tai Fook Jewellery Group”, the “Group” or the “Company”; SEHK stock code: 1929), today announces its annual results for the year ended 31 March 2023 (“FY2023”).

Business Resilience through Disciplined Cost Management and Pricing Strategy Optimisation

Despite the impact of the pandemic in FY2023, the Group’s commitment on disciplined cost management and pricing strategy optimisation yielded resilient financial performance. The Group’s revenue declined 4.3% year-on-year to HK\$94,684 million (FY2022: HK\$98,938 million), while its core operating profit decreased 5.6% to HK\$9,439 million (FY2022: HK\$10,002 million). The enhancement in retail like-for-like gross profit margin mitigated the impact of increased gold and wholesale revenue contribution, hence adjusted gross profit margin improved to 23.7% from 23.4% in the financial year while core operating profit margin remained stable at 10.0%.

Profit attributable to shareholders of the Company decreased 19.8% to HK\$5,384 million (FY2022: HK\$6,712 million), while earnings per share reported HK\$0.54 (FY2022: HK\$0.67). The Board has proposed a final dividend and a special dividend of HK\$0.28 and HK\$0.72 per share respectively, bringing the dividend per share for the year to HK\$1.22. The full year payout ratio in FY2023, excluding special dividend, was approximately 92.9% (FY2022: 74.5%).

Dr. Henry Cheng, Chow Tai Fook Jewellery Group Chairman, said “As one of the largest jewellery companies in the world, with almost 95 years of history and experience in Mainland China and Hong Kong, Chow Tai Fook is well-positioned to seize emerging opportunities and build on our capabilities to grow the business. Our five strategic priorities will enable us to strengthen our competitiveness, enhance earnings quality and drive sustainable value creation for our stakeholders.”

Improving Same Store Sales (“SSS”) Trend from Shift in Pandemic-Control Measures

Further to the macro-economic volatility, business in the Mainland was impacted by the pandemic during the financial year, especially in 3QFY2023. Following the shift in pandemic-control measures, the market showed signs of recovery in 4QFY2023. SSS decline in the Mainland narrowed significantly in the last quarter and was down 13.1% for the year. In Hong Kong, SSS leaped 36.6% during the year, thanks to the resumption of travel with the Mainland in late 2022, driving in-bound visits by Mainland tourists. SSS in Macau fell 17.8% given its business being dependent on Mainland tourist spending.

Calibrated Expansion Strategy Positioned for Post-Pandemic Recovery and Growth

In line with the Group’s approach to pursue a steady retail network expansion, there was a net addition of 1,631 point of sale (POS) in the Mainland in FY2023. As at 31 March 2023, the Group had a total of 7,269 CHOW TAI FOOK JEWELLERY POS in the Mainland, which is two years ahead of schedule to reach and exceed the 7,000 CHOW TAI FOOK JEWELLERY POS milestone in the Mainland, positioning us favourably to capture post-pandemic recovery and growth.

During the year, the Group had a net closure of nine POS in Hong Kong and Macau to enhance operational efficiency and opened new POS in Canada, Singapore, Malaysia, Thailand, Vietnam and the Philippines respectively. The Group’s future growth plan will focus on quality expansion, enhancing store productivity of existing retail network and delivering exceptional customer experience.

Differentiated Products to Target Diversified Customers’ Demand

In response to the heightened appreciation for culture and aesthetics among younger customers, the Group unveiled Art of Himalaya • HUA, a new series falls under the CTF • HUÁ Collection in FY2023. This series expresses the unique beauty of Tibet by reinterpreting elements of regional architecture, patterns, colour palettes and texts. This new series received an overwhelming response in the Mainland, while the CTF • HUÁ Collection overall contributed around 40% of the retail sales value of gold products in this market during FY2023.

The Wonderful Life Collection, a perfect blend of exquisite gold craftsmanship and T MARK diamonds, was successfully launched in the Mainland during the year and its sales performance exceeded expectation.

In FY2023, revenue for HEARTS ON FIRE went up by 0.5% despite the macro challenges. The brand’s performance was strongest in Hong Kong, where sales rose by over 51.3% compared to the same period last year. This was driven by a robust recovery in local demand from the end of the third quarter and an upturn in tourist numbers from the fourth quarter onwards. New designs for the Aerial and Lorelei Collections were released during the year with excellent results. During the launch period, sales of each collection grew significantly year-on-year, with Aerial Collection sales up 207.3% globally and Lorelei Collection sales up 84.5% in China.

Market Outlook and Strategies

The Government’s focus on getting businesses back in the Mainland will be a positive catalyst to drive retail and economic activity in both the Mainland and Hong Kong and Macau and is supportive of our FY2024 performance. We are encouraged by the gradual resumption of business in our key markets, and expect FY2024 to be a year of recovery and normality with SSS to resume growth in the Mainland, Hong Kong and Macau.

In the Mainland, the Government’s supportive policies will continue to drive retail and economic activity in the near term. The Two Sessions in early March 2023 signalled a clear shift towards growth, with stimulus measures reiterating the importance of stimulating domestic consumption as well as higher aims for the creation of urban jobs and a GDP growth target of around 5%. While we expect recovery in the Mainland may be gradual amid uncertain global economic conditions, we are confident in the mid- to long-term growth prospects of the Mainland jewellery market and economy.

The return of Mainland Chinese tourist spending will catalyse further recovery of our business in Hong Kong and Macau. With the expected uptick in foot traffic, we expect to benefit from operating leverage in these markets. In Hong Kong, the issuance of consumption vouchers from Budget 2023-2024 should also support the recovery in retail activity and traffic.

In other markets, the increased mobility of travellers from the Mainland is projected to stimulate tourism expenditure. The jewellery market in Asian countries is expected to be supported by travel consumption and robust local demand due to the recovering economy. We will explore opportunities in jewellery markets with strong retail demand.

The Group is committed to staying vigilant and nimble to the situation across our extensive network in order to calibrate our resources and operations. Guided by our five strategic priorities, we are dedicated to future-proofing our business by strengthening our competitiveness, enhancing the quality of our earnings, and achieving sustainable value creation for all stakeholders in the long run. To support the realisation of our key goals, we have formulated five strategic priorities in FY2023. The priorities are:

- 1) Elevating brand positioning to increase brand desirability and build revenue resilience**
- 2) Strengthening product differentiation, optimising product portfolios while reducing inventory levels and turnover days**
- 3) Promoting data-driven culture and accelerating digital transformation to optimise business performance**
- 4) Enhancing operational efficiency and resilience**
- 5) Nurturing a people-first culture and strengthening talent development in support of business growth**

- 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, the United States and Canada, as well as 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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