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六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with Limited Liability)
Stock Code 股份代號: 0590

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

HIGHLIGHTS

- Revenue of the year decreased by 21.1% to approximately HK\$8.9 billion
- SSSG¹ for the Hong Kong SAR² and Macau SAR³ market and the Mainland China⁴ market was -47.1% and -4.7% respectively
- Operating profit increased by 7.6% to approximately HK\$1.2 billion, while profit attributable to equity holders increased by 17.4% to approximately HK\$1.0 billion
- Proposed final and special dividends of HK\$0.50 per share, respectively, totalling HK\$1.00 per share, with annual dividend of HK\$1.50 per share and dividend payout ratio of 86.6%
- As at 31 March 2021, the Group had a global network of 2,366 shops, a net growth of 246 shops

FINANCIAL PERFORMANCE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Y-o-Y <i>Changes</i>
Revenue	8,861,335	11,233,771	-21.1%
Gross Profit	2,632,315	3,323,020	-20.8%
Operating Profit	1,244,113	1,155,766	+7.6%
Profit for the year	1,019,134	867,652	+17.5%
Profit Attributable to Equity Holders	1,017,335	866,315	+17.4%
Basic Earnings per Share	HK\$1.73	HK\$1.48	+16.9%
Final Dividend per Share	HK\$0.50	HK\$0.50	0%
Special Dividend per Share	HK\$0.50	–	N/A
Annual Dividend per Share	HK\$1.50	HK\$1.00	+50.0%
Gross Margin	29.7%	29.6%	+0.1p.p.
Operating Margin	14.0%	10.3%	+3.7p.p.
Net Margin	11.5%	7.7%	+3.8p.p.
EBITDA ⁵	1,354,391	1,241,291	9.1%

1 Same store sales growth (“SSSG”) represented a comparison of sales of the same self-operated shop having full day operations in the comparable periods and such data did not include sales of licensed shops and Mainland China’s e-commerce business.

2 Hong Kong SAR: Hereafter refers to as “Hong Kong”

3 Macau SAR: Hereafter refers to as “Macau”

4 Mainland China: Hereafter refers to as “Mainland”

5 Represents a non-HKFRS financial measure

The board of directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) hereby presents the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2021 (“FY2021”) together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	8,861,335	11,233,771
Cost of sales		<u>(6,229,020)</u>	<u>(7,910,751)</u>
Gross profit		2,632,315	3,323,020
Other income	5	294,773	130,130
Other gains/(losses), net	6	30,572	(197,482)
Selling and distribution costs		(1,543,358)	(1,945,100)
Administrative expenses		(151,122)	(173,152)
(Net provision)/net reversal of impairment loss on financial assets and financial guarantee		<u>(19,067)</u>	<u>18,350</u>
Operating profit	4	<u>1,244,113</u>	<u>1,155,766</u>
Finance income		63,398	45,450
Finance costs		<u>(28,849)</u>	<u>(63,075)</u>
Finance income/(costs), net		<u>34,549</u>	<u>(17,625)</u>
Share of results of associates	10	<u>(23,225)</u>	<u>(47,080)</u>
Profit before income tax		1,255,437	1,091,061
Income tax expenses	7	<u>(236,303)</u>	<u>(223,409)</u>
Profit for the year		<u>1,019,134</u>	<u>867,652</u>
Profit attributable to:			
Equity holders of the Company		1,017,335	866,315
Non-controlling interests		<u>1,799</u>	<u>1,337</u>
		<u>1,019,134</u>	<u>867,652</u>
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic and diluted	8	<u>HK\$1.73</u>	<u>HK\$1.48</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Profit for the year		1,019,134	867,652
Other comprehensive income:			
<i>Items that may be or have been subsequently reclassified to profit or loss</i>			
Currency translation differences:			
– Group		509,860	(338,587)
– Associates		8,095	(5,510)
Release of exchange reserve to profit or loss upon disposal of a subsidiary		(1,489)	–
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Revaluation of financial assets at fair value through other comprehensive income		(1,192)	(769)
Remeasurements of employee benefit obligations		9,359	558
Other comprehensive income for the year, net of tax		524,633	(344,308)
Total comprehensive income for the year		1,543,767	523,344
Attributable to:			
– Equity holders of the Company		1,540,068	524,733
– Non-controlling interests		3,699	(1,389)
Total comprehensive income for the year		1,543,767	523,344

CONSOLIDATED BALANCE SHEET

As at 31 March 2021

		As at 31 March	
	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		906,816	841,004
Investment properties		909,084	791,617
Right-of-use assets		595,194	919,706
Interests in associates	10	42,925	60,689
Financial assets at fair value through other comprehensive income		1,173	2,365
Trading licence		1,080	1,080
Gold loan receivables		50,855	–
Deposits, prepayments and other receivables		149,110	156,284
Deferred income tax assets		123,076	71,839
		<u>2,779,313</u>	<u>2,844,584</u>
Current assets			
Inventories		7,321,614	7,533,146
Right of return assets		75,749	93,383
Trade receivables	11	277,338	231,309
Deposits, prepayments and other receivables		489,828	447,443
Amount due from an associate	10	769	1,372
Gold loan receivables		1,554	–
Income tax recoverable		19,525	59,578
Cash and cash equivalents		3,546,349	2,714,233
		<u>11,732,726</u>	<u>11,080,464</u>
Total assets		<u>14,512,039</u>	<u>13,925,048</u>

		As at 31 March	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		58,710	58,710
Share premium		2,494,040	2,494,040
Reserves		8,771,915	7,818,955
		<u>11,324,665</u>	<u>10,371,705</u>
Non-controlling interests		(441)	40,406
		<u>11,324,224</u>	<u>10,412,111</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		157,898	146,837
Lease liabilities		81,854	283,661
Employee benefit obligations		1,291	9,618
		<u>241,043</u>	<u>440,116</u>
Current liabilities			
Trade payables, other payables and accruals	12	1,022,238	707,861
Financial guarantee contract	10	20,000	–
Contract liabilities		150,802	97,692
Derivative financial instrument		–	22
Lease liabilities		338,574	469,394
Sales refund liabilities		155,906	173,221
Amount due to an associate	10	–	20
Bank borrowings		711,508	1,126,072
Gold loans		377,520	386,739
Current income tax liabilities		170,224	111,800
		<u>2,946,772</u>	<u>3,072,821</u>
Total liabilities		<u>3,187,815</u>	<u>3,512,937</u>
Total equity and liabilities		<u>14,512,039</u>	<u>13,925,048</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Luk Fook Holdings (International) Limited (the “Company”) was incorporated in Bermuda on 3 September 1996 as a company with limited liability under the Companies Act of Bermuda. The address of its registered office is Victoria Place, 5th Floor 31 Victoria Street, Hamilton HM10, Bermuda.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery, and gem-set jewellery.

The Company’s shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 May 1997.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets at fair value through profit or loss (including derivative financial instruments), financial assets at fair value through other comprehensive income, gold loans and gold loan receivables which are measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

- (a) New standard, amendments to existing standards and interpretation that are effective for the first time for the financial year beginning 1 April 2020 and are relevant to the Group’s operations:

The Group has applied the following new standards, amendments to standards and interpretation for the first time for the financial year beginning 1 April 2020:

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform
Amendments to HKFRS 3	Definition of a business
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The adoption of these new and amended standards did not have any significant impact on the preparation of the consolidated financial statements of the Group.

- (b) Certain new standard and amendments to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 April 2021, which the Group has not early adopted, are as follows:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2 ⁽¹⁾
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments ⁽²⁾
Amendments to Annual Improvement Project	Annual improvements 2018-2020 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41) ⁽²⁾
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁽²⁾
Amendments to HKAS 1	Classification of liabilities as current or non-current ⁽³⁾
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽³⁾
HKFRS 17	Insurance contracts ⁽³⁾
HKFRS 17	Amendments to HKFRS 17 ⁽³⁾
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors ⁽³⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

⁽¹⁾ *Effective for annual period beginning on or after 1 January 2021*

⁽²⁾ *Effective for annual period beginning on or after 1 January 2022*

⁽³⁾ *Effective for annual period beginning on or after 1 January 2023*

⁽⁴⁾ *To be announced by HKICPA*

The directors of the Group will adopt the new standards and amendments to standards when they become effective. The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standard and amendments to standards, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

- (c) Early adoption of amendment to standard during the year ended 31 March 2021 where early adoption is permitted as follows:

HKFRS 16 (Amendment), “Covid-19-Related Rent Concessions beyond 30 June 2021” (effective for annual periods beginning on or after 1 April 2021). The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 to cover lease payments related rent concessions that are originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The early adoption of HKFRS 16 (Amendment) does not have any impact to the Group for the year ended 31 March 2021.

3 SEGMENT INFORMATION

The executive directors and senior management collectively are identified as the chief operating decision-maker (“CODM”). The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. The operating segments are reported in accordance with the internal reporting reviewed by the CODM.

CODM considers the business by nature of business activities and assesses the performance of the following operating segments:

- i. Retailing – Hong Kong, Macau and overseas
- ii. Retailing – Mainland
- iii. Wholesaling – Hong Kong
- iv. Wholesaling – Mainland
- v. Licensing

CODM assesses the performance of the operating segments based on segment results. Finance income and costs, corporate income and expenses and share of results of associates are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Assets of reportable segments exclude interests in associates, certain leasehold land and buildings, investment properties, deferred income tax assets, income tax recoverable and corporate assets, all of which are managed on a central basis.

Liabilities of reportable segments exclude deferred income tax liabilities, current income tax liabilities, bank borrowings, gold loans, financial guarantee contract and corporate liabilities, all of which are managed on a central basis.

Sales to external customers are stated after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the consolidated income statement and balance sheet.

Year ended 31 March 2021

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments total <i>HK\$'000</i>
Revenue – at a point of time							
Sales to external customers	3,245,173	1,708,144	243,136	2,701,692	–	–	7,898,145
Sales of scrap	–	–	16,999	–	–	–	16,999
	<u>3,245,173</u>	<u>1,708,144</u>	<u>260,135</u>	<u>2,701,692</u>	<u>–</u>	<u>–</u>	<u>7,915,144</u>
Inter-segment sales	370,619	60,170	693,747	376,935	–	(1,501,471)	–
Sales of merchandises	3,615,792	1,768,314	953,882	3,078,627	–	(1,501,471)	7,915,144
Revenue – over time							
Royalty and service income	–	–	–	–	851,429	–	851,429
Consultancy fee income	–	–	–	–	94,762	–	94,762
Total	<u>3,615,792</u>	<u>1,768,314</u>	<u>953,882</u>	<u>3,078,627</u>	<u>946,191</u>	<u>(1,501,471)</u>	<u>8,861,335</u>
Results of reportable segments	<u>(19,547)</u>	<u>215,239</u>	<u>48,489</u>	<u>360,405</u>	<u>718,683</u>	<u>–</u>	<u>1,323,269</u>
A reconciliation of results of reportable segments to profit for the year is as follows:							
Results of reportable segments							1,323,269
Unallocated income							150,138
Unallocated expenses							(229,294)
Operating profit							1,244,113
Finance income							63,398
Finance costs							(28,849)
Share of results of associates							(23,225)
Profit before income tax							1,255,437
Income tax expenses							(236,303)
Profit for the year							1,019,134
Less: Profit attributable to non-controlling interests							(1,799)
Profit attributable to equity holders of the Company							<u>1,017,335</u>

Year ended 31 March 2021								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – Mainland HK\$'000	Wholesaling – Hong Kong HK\$'000	Wholesaling – Mainland HK\$'000	Licensing HK\$'000	Inter – segment elimination HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	(42,639)	(12,249)	(691)	(9,994)	(5,060)	-	(35,792)	(106,425)
Depreciation of right-of-use assets	(388,612)	(17,986)	-	(153)	(3,876)	-	(3,836)	(414,463)
Depreciation of investment properties	-	-	-	-	-	-	(25,552)	(25,552)
(Impairment loss)/reversal of impairment loss on property, plant and equipment	(9,534)	419	-	-	-	-	-	(9,115)
Impairment loss on right-of-use assets (Net provision)/net reversal of impairment loss on financial assets and financial guarantee	(70,896)	(284)	-	-	-	-	-	(71,180)
	-	933	-	-	-	-	(20,000)	(19,067)
Additions of non-current assets	28,477	7,998	1,773	22,444	4,272	-	177,767	242,731

As at 31 March 2021							
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – Mainland HK\$'000	Wholesaling – Hong Kong HK\$'000	Wholesaling – Mainland HK\$'000	Licensing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	4,744,260	2,107,179	641,282	2,730,355	1,497,803		11,720,879
Interests in associates						42,925	42,925
Leasehold land and buildings						849,937	849,937
Investment properties						909,084	909,084
Deferred income tax assets						123,076	123,076
Income tax recoverable						19,525	19,525
Other unallocated assets						846,613	846,613
Total assets							14,512,039
Segment liabilities	(566,081)	(42,619)	(165,034)	(244,280)	(648,577)		(1,666,591)
Deferred income tax liabilities						(157,898)	(157,898)
Current income tax liabilities						(170,224)	(170,224)
Bank borrowings						(711,508)	(711,508)
Gold loans						(377,520)	(377,520)
Financial guarantee contract						(20,000)	(20,000)
Other unallocated liabilities						(84,074)	(84,074)
Total liabilities							(3,187,815)

Year ended 31 March 2020

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments total <i>HK\$'000</i>
Revenue – at a point of time							
Sales to external customers	6,099,642	1,739,860	72,392	2,493,350	–	–	10,405,244
Sales of scrap	–	–	27,756	–	–	–	27,756
	<u>6,099,642</u>	<u>1,739,860</u>	<u>100,148</u>	<u>2,493,350</u>	<u>–</u>	<u>–</u>	<u>10,433,000</u>
Inter-segment sales	126,882	9,627	1,660,706	513,273	–	(2,310,488)	–
Sales of merchandises	6,226,524	1,749,487	1,760,854	3,006,623	–	(2,310,488)	10,433,000
Revenue – over time							
Royalty and service income	–	–	–	–	707,602	–	707,602
Consultancy fee income	–	–	–	–	93,169	–	93,169
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>800,771</u>	<u>–</u>	<u>800,771</u>
Total	<u>6,226,524</u>	<u>1,749,487</u>	<u>1,760,854</u>	<u>3,006,623</u>	<u>800,771</u>	<u>(2,310,488)</u>	<u>11,233,771</u>
Results of reportable segments	<u>253,864</u>	<u>172,052</u>	<u>63,374</u>	<u>246,231</u>	<u>563,951</u>	<u>–</u>	<u>1,299,472</u>
A reconciliation of results of reportable segments to profit for the year is as follows:							
Results of reportable segments							1,299,472
Unallocated income							91,451
Unallocated expenses							(235,157)
Operating profit							1,155,766
Finance income							45,450
Finance costs							(63,075)
Share of results of associates							(47,080)
Profit before income tax							1,091,061
Income tax expenses							(223,409)
Profit for the year							867,652
Less: Profit attributable to non-controlling interest							(1,337)
Profit attributable to equity holders of the Company							<u>866,315</u>

Year ended 31 March 2020								
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(43,362)	(16,855)	(475)	(9,861)	(5,513)	–	(36,495)	(112,561)
Depreciation of right-of-use assets	(458,050)	(18,989)	–	(149)	(3,459)	–	(4,105)	(484,752)
Depreciation of investment properties	–	–	–	–	–	–	(20,044)	(20,044)
Impairment loss on property, plant and equipment	(7,771)	(543)	–	–	–	–	–	(8,314)
Impairment loss on right-of-use assets	(54,312)	(2,080)	–	–	–	–	–	(56,392)
Net reversal of impairment loss/(net impairment loss) on financial assets	–	25,430	–	–	–	–	(7,080)	18,350
Additions of non-current assets	67,750	23,992	1,295	6,957	4,384	–	288,104	392,482

As at 31 March 2020							
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	5,489,209	1,553,067	653,756	2,549,080	1,317,452	–	11,562,564
Interests in associates	–	–	–	–	–	60,689	60,689
Leasehold land and buildings	–	–	–	–	–	737,210	737,210
Investment properties	–	–	–	–	–	791,617	791,617
Deferred income tax assets	–	–	–	–	–	71,839	71,839
Income tax recoverable	–	–	–	–	–	59,578	59,578
Other unallocated assets	–	–	–	–	–	641,551	641,551
Total assets							13,925,048
Segment liabilities	(915,824)	(51,989)	(38,628)	(139,033)	(517,837)	–	(1,663,311)
Deferred income tax liabilities	–	–	–	–	–	(146,837)	(146,837)
Current income tax liabilities	–	–	–	–	–	(111,800)	(111,800)
Bank borrowings	–	–	–	–	–	(1,126,072)	(1,126,072)
Gold loans	–	–	–	–	–	(386,739)	(386,739)
Other unallocated liabilities	–	–	–	–	–	(78,178)	(78,178)
Total liabilities							(3,512,937)

An analysis of the Group's revenue by location in which the transaction took place is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Hong Kong	2,409,518	4,442,332
Mainland	5,310,301	4,964,081
Macau and overseas	1,141,516	1,827,358
	8,861,335	11,233,771

An analysis of the Group's non-current assets (other than deferred income tax assets, financial assets at fair value through other comprehensive income, deposits, prepayments and other receivables and interests in associates) by location of assets is as follows:

	2021				2020			
	Hong Kong <i>HK\$'000</i>	Mainland <i>HK\$'000</i>	Macau and overseas <i>HK\$'000</i>	Total <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Mainland <i>HK\$'000</i>	Macau and overseas <i>HK\$'000</i>	Total <i>HK\$'000</i>
Property, plant and equipment	560,236	260,527	86,053	906,816	603,397	217,756	19,851	841,004
Right-of-use assets	158,695	292,696	143,803	595,194	406,775	271,074	241,857	919,706
Investment properties	300,569	608,515	-	909,084	310,178	481,439	-	791,617
Prepayments for purchase of properties	-	-	-	-	-	48,013	-	48,013
Gold loan receivables	-	50,855	-	50,855	-	-	-	-
Trading licence	1,080	-	-	1,080	1,080	-	-	1,080
	<u>1,020,580</u>	<u>1,212,593</u>	<u>229,856</u>	<u>2,463,029</u>	<u>1,321,430</u>	<u>1,018,282</u>	<u>261,708</u>	<u>2,601,420</u>

4 OPERATING PROFIT

The operating profit is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of sales (<i>Note (i)</i>)		
– cost of inventories sold	6,016,091	7,684,436
– cost of licencing business	212,929	226,315
	<u>6,229,020</u>	<u>7,910,751</u>
Staff costs (including the directors' emoluments)	604,811	753,339
Expenses relating to short-term leases and variable lease payments	120,441	201,005
Rent concession related to COVID-19 (<i>Note (ii)</i>)	(69,872)	(18,561)
Commission expenses to payment service providers	41,365	65,841
Depreciation of property, plant and equipment	106,425	112,561
Depreciation of investment properties	25,552	20,044
Depreciation of right-of-use assets	414,463	484,752
Impairment losses on property, plant and equipment	9,115	8,314
Impairment losses on right-of-use assets	71,180	56,392
Advertising and promotion expenses	74,220	81,430
Loss on disposal of property, plant and equipment	1,438	15,454
Auditor's remuneration		
– Audit services	5,640	5,640
– Non-audit services	1,909	1,867
	<u>1,909</u>	<u>1,867</u>

Notes:

- (i) Staff costs (including directors' emoluments) of HK\$306,378,000 (2020: HK\$289,599,000) are included in cost of sales.

- (ii) The group has early adopted Amendment to HKFRS 16, “Covid-19-Related Rent Concessions” for the year ended 31 March 2020.

For the year ended 31 March 2021, rent concession related to COVID-19 of HK\$69,872,000 (2020: HK\$18,561,000) has been credited to the consolidated income statement and included in “selling and distribution costs” in accordance to the amendment that provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees to apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications.

The amendment requires the lessees to apply such exemption only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions were met and consistently to all lease contracts with similar characteristics and in similar circumstances:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

5 OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government subsidies		
– Value-added tax (“VAT”) refund (<i>Note (i)</i>)	63,905	23,036
– Other government subsidies (<i>Note (ii)</i>)	85,052	51,076
– Employment Support Scheme (<i>Note (iii)</i>)	80,997	–
Rental income	45,485	35,687
Others	19,334	20,331
	<u>294,773</u>	<u>130,130</u>

Notes:

- (i) This represents refund from the tax authority in Mainland. The amount of refund is based on the VAT payment made in excess of 4% of the original input VAT. The Group is entitled to the refund as it is a member of the Shanghai Diamond Exchange and the diamonds are imported through the Shanghai Diamond Exchange.
- (ii) This represents subsidies mainly from a municipal government in Mainland.
- (iii) The amount represents salaries and wage subsidies granted under Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to November 2020.

6 OTHER GAINS/(LOSSES), NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net realised losses on derivative financial instruments (Note)	(13,527)	(37,854)
Fair value gains on convertible bond	–	861
Net realised gains/(losses) on gold loans	1,822	(108,462)
Net unrealised gains/(losses) on gold loans	9,988	(4,751)
Net realised gains on gold loan receivables	8,600	–
Net unrealised gains on gold loan receivables	18,538	–
Net realised gains on forward exchange contracts	929	6,665
Net unrealised losses on forward exchange contracts	–	(22)
Loss on disposal of a subsidiary	(199)	–
Net exchange gains/(losses)	4,421	(53,919)
	<u>30,572</u>	<u>(197,482)</u>

Note:

Derivative financial instruments mainly represent gold contracts, gold future contracts and platinum future contracts. These derivative financial instruments are not qualified for hedge accounting within the context of HKFRS 9.

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the applicable rates of 8.25% and 16.5% (2020: 8.25% and 16.5%) on the estimated assessable profit for the year. Under the new two-tiered profits tax rates regime introduced on 29 March 2018, Hong Kong profits tax rate for the first HK\$2 million of assessable profits is 8.25%. Assessable profits above HK\$2 million is taxed at the rate of 16.5%. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	4,302	19,346
– Overseas taxation	231,937	210,822
– Withholding tax on dividend declared in Mainland	37,604	–
– Under/(over)-provision in prior years	2,636	(6,739)
Deferred income tax	(40,176)	(20)
	<u>236,303</u>	<u>223,409</u>

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$1,017,335,000 (2020: HK\$866,315,000) and the weighted average number of 587,107,850 (2020: 587,107,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2021 and 2020 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

9 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2020/21 interim dividend, paid, of HK\$0.225 (2019/20 interim dividend: HK\$0.50) per ordinary share	<u>132,099</u>	<u>293,554</u>
2020/21 special dividend, paid, of HK\$0.275 (2019/20 special dividend: Nil) per ordinary share	<u>161,455</u>	<u>–</u>
2020/21 final dividend, proposed, of HK\$0.50 (2019/20 final dividend: HK\$0.50) per ordinary share (<i>Note</i>)	<u>293,554</u>	<u>293,554</u>
2020/21 special dividend, proposed, of HK\$0.50 (2019/20 special dividend: Nil) per ordinary share (<i>Note</i>)	<u>293,554</u>	<u>–</u>

Note:

At a meeting held on 24 June 2021, the directors recommended the payment of a final dividend and a special dividend of HK\$0.50 per ordinary share, respectively. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 19 August 2021. The aggregate amount of the proposed dividend is expected to be paid out of retained earnings at 31 March 2021, but not recognised as a liability at year end.

10 Interests in associates

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
As at 1 April	60,689	13,279
Reclassified from loan to an associate (<i>Note(i)</i>)	–	100,000
Share of results of associates for the year	(23,225)	(47,080)
Share of reserve movement of associates for the year	8,095	(5,510)
Derecognition upon step acquisition of a subsidiary	<u>(2,634)</u>	<u>–</u>
As at 31 March	<u>42,925</u>	<u>60,689</u>
Amount due from an associate (<i>Note (ii)</i>)	<u>769</u>	<u>1,372</u>
Amount due to an associate (<i>Note (ii)</i>)	<u>–</u>	<u>(20)</u>

Notes:

- (i) During the year ended 31 March 2020, having considered the financial position and future business development of CGS, it is not expected that this shareholder loan will be demanded for in the near future and therefore the balance is reclassified as part of interest in the associate.
- (ii) Amount due from/(to) an associate was trade in nature. Amount due from/(to) an associate was denominated in HK\$ and were unsecured, interest-free and repayable on demand. As at 31 March 2021 and 2020, the amount due from/(to) an associate was aged within 30 days.
- (iii) The Group's associates did not have any significant capital commitments as at 31 March 2021 and 2020.
- (iv) As at 31 March 2021, the Group issued corporate financial guarantee amounting to HK\$1,075,000,000 (2020: HK\$1,075,000,000) to banks in respect of 50% of the aggregated amount of bank facilities granted to an associate. As at 31 March 2021, the bank facilities utilised by the associate is approximately HK\$1,486,000,000 (2020: HK\$1,678,000,000).

As at 31 March 2021, the Group recognised loss allowance of HK\$20,000,000 (2020: Nil) in accordance with expected credit loss model under HKFRS 9.

11 Trade receivables

The ageing of trade receivables is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	242,039	163,081
31 – 60 days	26,652	6,138
61 – 90 days	4,225	49,657
91 – 120 days	4,075	8,966
Over 120 days	414	4,467
	<u>277,405</u>	<u>232,309</u>
<i>Less: Allowance for impairment of trade receivables</i>	<u>(67)</u>	<u>(1,000)</u>
	<u><u>277,338</u></u>	<u><u>231,309</u></u>

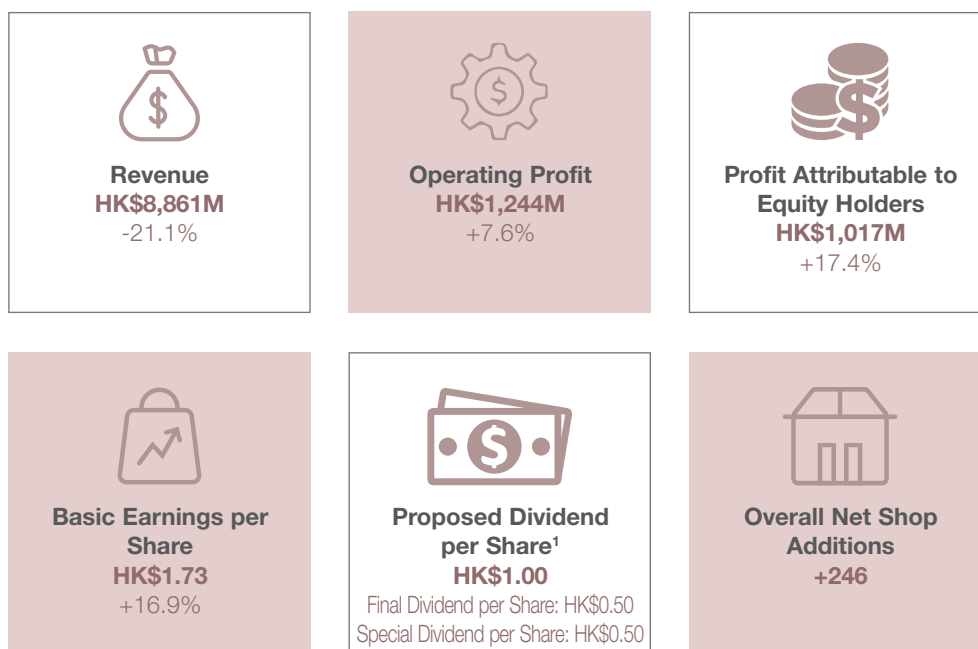
12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$284,767,000 (2020: HK\$98,440,000) and the ageing is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	184,399	73,096
31 – 60 days	87,673	17,201
61 – 90 days	11,188	7,187
91 – 120 days	1,348	617
Over 120 days	159	339
	<u>284,767</u>	<u>98,440</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE



¹ Annual Dividend Payout Ratio: 86.6%

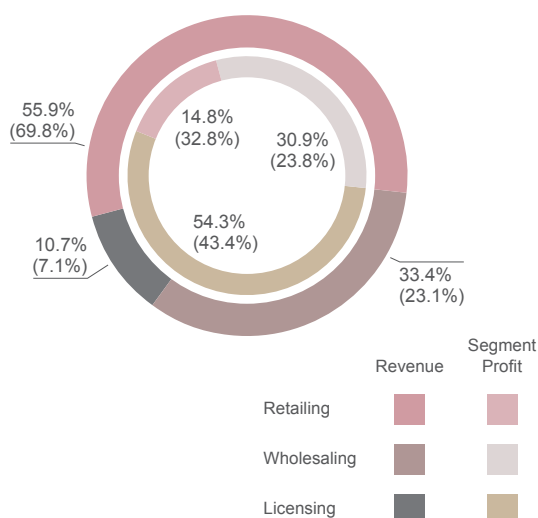
Results

With the impact of COVID-19 pandemic, the retail sales in Hong Kong and Macau decreased substantially. Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) therefore recorded a revenue drop of 21.1% to HK\$8,861,335,000 (2020: HK\$11,233,771,000) for the year ended 31 March 2021 (the “Year under review”). Gross profit also decreased by 20.8% to HK\$2,632,315,000 (2020: HK\$3,323,020,000). But the steadily declining gold price in the second half of FY2021 and the strengthening RMB led to a turnaround gain on gold hedging and net exchange from losses last year. Together with the government subsidies in response to the pandemic, operating profit thus increased by 7.6% to HK\$1,244,113,000 (2020: HK\$1,155,766,000), while operating margin increased by 3.7 p.p. to 14.0% (2020: 10.3%). In addition, the strong cash position led to a substantial improvement in the net finance income, together with the narrowed share of losses of associates, net profit therefore rose by 17.5% to HK\$1,019,134,000 (2020: HK\$867,652,000), and net margin was 11.5% (2020: 7.7%). Profit attributable to equity holders increased by 17.4% to HK\$1,017,335,000 (2020: HK\$866,315,000) and basic earnings per share thus increased by 16.9% to HK\$1.73 (2020: HK\$1.48).

Overview

During the Year under review, the Group operated a total of 3 brands under the multi-brand strategy. There was a net increase of 246 stores that were mainly Lukfook shops. During the Year under review, the Group added a net total of 222 Lukfook shops worldwide, including 224 shops in Mainland which comprised a net addition of 257 licensed shops and a net reduction of 33 self-operated shops, and there was a net reduction of 2 self-operated shops overseas. As at 31 March 2021, the Group had a global network of 2,366 shops (2020: 2,120 shops), including 2,284 “Lukfook” shops (2020: 2,062 shops), with business spanning across Hong Kong, Macau, Mainland, Singapore, Malaysia, Cambodia, the Philippines, the United States, Canada and Australia, and operated a total of 80 “Goldstyle” shops (72 licensed shops and 8 self-operated shops) (2020: 49 licensed shops and 3 self-operated shops) and 2 “Dear Q” shops (2020: 3 shops) in Mainland.

Revenue and Segment Profit by Business



By Business HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	4,953 -36.8%	195 -54.1%	4.0% -1.4p.p.
Wholesaling	2,962 +14.2%	409 +32.1%	13.8% +1.9p.p.
Licensing	946 +18.2%	719 +27.4%	76.0% +5.6p.p.
Adjusted Wholesaling	4,033 ¹ -15.4%	409 +32.1%	10.1% +3.6p.p.

Remarks: Figures for FY2020 are shown in brackets

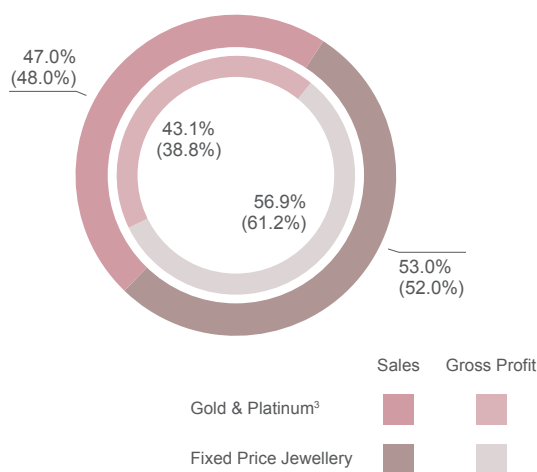
¹ Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue

The retail business was the Group's primary source of revenue. As the retail sales in Hong Kong and Macau dropped significantly, the Group's total retail revenue decreased by 36.8% year-on-year to HK\$4,953,317,000 (2020: HK\$7,839,502,000), accounting for 55.9% (2020: 69.8%) of the Group's total revenue. Its segment profit also decreased by 54.1% to HK\$195,692,000 (2020: HK\$425,916,000), accounting for 14.8% (2020: 32.8%) of the total, and its segment profit margin was 4.0% (2020: 5.4%).

Attributable to the increase in the number of licensed shops, the Group's wholesale business revenue rose by 14.2% over the corresponding period last year to HK\$2,961,827,000 (2020: HK\$2,593,498,000), accounting for 33.4% (2020: 23.1%) of the Group's total revenue. Its segment profit increased by 32.1% to HK\$408,894,000 (2020: HK\$309,605,000), accounting for 30.9% (2020: 23.8%) of the total. Its segment profit margin was 13.8% (2020: 11.9%).

During the Year under review, licensing income increased by 18.2% to HK\$946,191,000 (2020: HK\$800,771,000) due to the increase in the number of licensed shops as well, accounting for 10.7% (2020: 7.1%) of the Group's total revenue. Its segment profit margin was 76.0% (2020: 70.4%), while its segment profit increased by 27.4% to HK\$718,683,000 (2020: HK\$563,951,000), accounting for 54.3% (2020: 43.4%) of the total.

Sales¹ and Gross Profit² by Product



By Product HK\$M	Sales	Gross Profit	Gross Margin
Gold & Platinum	3,720 -25.8%	818 -23.2%	22.0% +0.7p.p.
Fixed Price Jewellery	4,195 -22.6%	1,081 -35.8%	25.8% -5.2p.p.

Remarks: Figures for FY2020 are shown in brackets

¹ Sales = Revenue – Licensing Income

² Gross Profit = Consolidated Gross Profit – Gross Profit of Licensing Income

³ Gold & Platinum refers to gold & platinum products sold by weight based on international market price, i.e. at non-fixed price

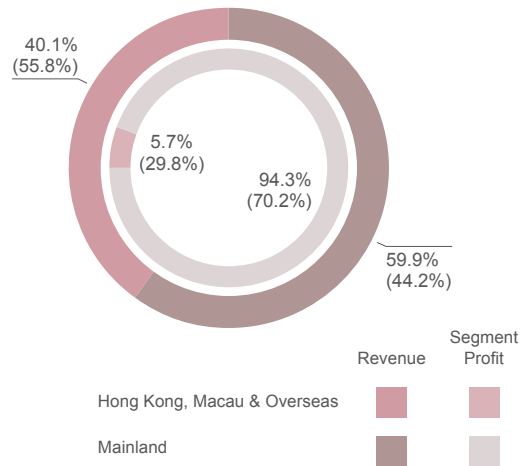
Due to the impact of strong gold price in most of the time during the Year under review and the drop of retail sales in Hong Kong and Macau, sales amount of gold and platinum products decreased by 25.8% to HK\$3,720,143,000 (2020: HK\$5,012,405,000), accounting for 47.0% (2020: 48.0%) of the overall sales amount (Group revenue minus licensing income). Gross profit of gold and platinum products declined by 23.2% to HK\$818,089,000 (2020: HK\$1,065,841,000), accounting for 43.1% (2020: 38.8%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income). Its gross margin was 22.0% (2020: 21.3%). Besides, sales amount of fixed price jewellery products fell by 22.6% to HK\$4,195,001,000 (2020: HK\$5,420,595,000), accounting for 53.0% (2020: 52.0%) of the overall sales amount. Gross margin of fixed price jewellery products dropped by 5.2 p.p. to 25.8% (2020: 31.0%) because of increase in revenue mix of wholesale business which was at relatively lower gross margin. Its gross profit, as a result, decreased by 35.8% to HK\$1,080,964,000 (2020: HK\$1,682,722,000), accounting for 56.9% (2020: 61.2%) of the overall gross profit.

During the Year under review, the overall SSSG of the Group was -39.9% (2020: -31.5%). SSSG for the Hong Kong and Macau market and that for the Mainland market were -47.1% (2020: -33.3%) and -4.7% (2020: -20.2%) respectively. SSSG for gold and platinum products was -31.9% (2020: -33.2%) and that for fixed price jewellery products was -50.7% (2020: -29.2%).

The Group has been striving to diversify its product mix to offer customers with more choices. Since 2010, the Group has been engaging in the mid- to high-end watch business. As at 31 March 2021, the Group was the authorised dealer of 11 watch brands, including COINWATCH, DOXA, ENICAR, HAMILTON, LONGINES, MIDO, OMEGA, RADO, ROMAGO SWISS, TISSOT and BIJOU MONTRE. For the Year under review, the watch business contributed revenue of HK\$43,429,000 (2020: HK\$99,709,000), accounting for 0.5% (2020: 0.9%) of the Group's total revenue with 56.4% decrease when compared with the same period last year.

BUSINESS REVIEW

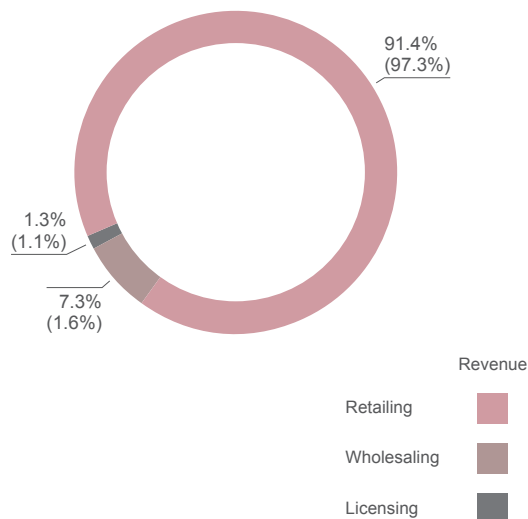
Revenue and Segment Profit by Market



By Market HK\$M	Revenue	Segment Profit	Segment Profit Margin
Hong Kong, Macau & Overseas	3,551 -43.4%	75 -80.6%	2.1% -4.1p.p.
Mainland	5,310 +7.0%	1,248 +36.8%	23.5% +5.1p.p.

Remarks: Figures for FY2020 are shown in brackets

Hong Kong, Macau and Overseas



HK\$M	Revenue	Segment Profit		Segment Profit Margin
			Mix	
Retailing	3,245 -46.8%	-19 -107.7%	-26.0% (65.6%)	-0.6% -4.8p.p.
Wholesaling	260 +159.8%	48 -23.5%	64.6% (16.4%)	18.6% -44.7p.p.
Licensing	46 -34.6%	46 -33.8%	61.4% (18.0%)	100.8% +1.2p.p.
Overall	3,551 -43.4%	75 -80.6%	100% (100%)	2.1% -4.1p.p.
Adjusted Wholesaling	954 ¹ -45.8%	48 -23.5%	N/A	5.1% +1.5p.p.

Remarks: Figures for FY2020 are shown in brackets

¹ Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue

Hong Kong, Macau and Overseas

Hong Kong

According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in January 2021, visitor arrivals from Mainland in 2020 decreased by 93.8% year-on-year to approximately 2.71 million. According to the statistics on visitor arrivals to Hong Kong published in April 2021, Mainland visitors from January to March 2021 decreased by 99.6% year-on-year to approximately 12,000. During the Year under review, the Group net reduced 2 shops in the Hong Kong market, and its retail revenue declined substantially by 50.8% to HK\$2,103,657,000 (2020: HK\$4,272,284,000) as the border restrictions have not been lifted. As at 31 March 2021, the Group operated a total of 47 self-operated shops (2020: 49 shops) in Hong Kong.

Macau

According to the market figures released by the Macao Government Tourism Office, per capita spending of Mainland visitors increased by 22.8% year-on-year in 2020, but Mainland visitor arrivals to Macau in 2020 decreased by 83% over last year to 4.75 million. Besides, the number of Mainland visitor arrivals to Macau from January to March 2021 fell by 31.7% to 1.57 million year-on-year. As the border restrictions has just been lifted partially and progressively since the end of September 2020, the Group's revenue generated from the Macau market also decreased substantially by 40.4% to HK\$933,455,000 (2020: HK\$1,566,144,000) during the Year under review. As at 31 March 2021, the Group had a total of 13 self-operated shops (2020: 11 shops) in Macau.

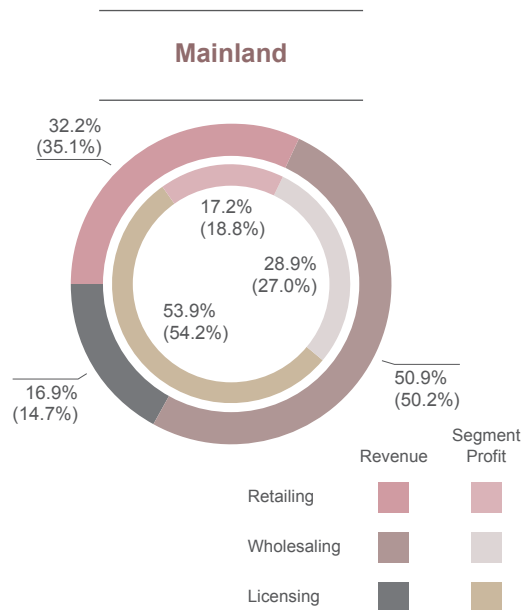
Overseas

As at 31 March 2021, the Group operated a total of 12 overseas shops (2020: 14 shops), including self-operated shops of 1 in Singapore, 2 in Malaysia, 3 in the United States, 2 in Canada and 1 in Australia, as well as 1 licensed shop and 2 licensed shops in Cambodia and the Philippines respectively.

During the Year under review, retail revenue from the Hong Kong, Macau and overseas markets decreased by 46.8% to HK\$3,245,173,000 (2020: HK\$6,099,642,000), accounting for 36.6% (2020: 54.3%) of the Group's total revenue. Its segment loss was HK\$19,547,000 (2020: profit of HK\$253,864,000), which accounted for -1.5% (2020: 19.5%) of the total. Its segment profit margin was -0.6% (2020: 4.2%). On the other hand, because of the sales of raw material gold, its wholesale business revenue increased by 159.8% to HK\$260,135,000 (2020: HK\$100,148,000), accounting for 2.9% (2020: 0.9%) of the Group's total revenue. Its segment profit decreased by 23.5% to HK\$48,489,000 (2020: HK\$63,374,000), accounting for 3.7% (2020: 4.9%) of the total revenue, while its segment profit margin was 18.6% (2020: 63.3%). As the segment profit of wholesale business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be 5.1% (2020: 3.6%). Apart from that, Hong Kong licensing income decreased by 34.6% to HK\$45,726,000 (2020: HK\$69,900,000), accounting for 0.5% (2020: 0.6%) of the Group's total revenue. Its segment profit was HK\$46,110,000 (2020: HK\$69,602,000), accounting for 3.5% (2020: 5.4%) of the total, and its segment profit margin was 100.8% (2020: 99.6%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets decreased by 43.4% to HK\$3,551,034,000 (2020: HK\$6,269,690,000) during the Year under review, accounting for 40.1% (2020: 55.8%) of the Group's total revenue. Its segment profit decreased by 80.6% to HK\$75,052,000 (2020: HK\$386,840,000), accounting for 5.7% (2020: 29.8%) of the total, while its segment profit margin was 2.1% (2020: 6.2%).

The SSSG for gold and platinum products in the Hong Kong, Macau and overseas markets was -34.2% (2020: -34.5%), while that for fixed price jewellery products was -55.7% (2020: -30.0%).



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	1,708 -1.8%	215 +25.1%	12.6% +2.7p.p.
Wholesaling	2,702 +8.4%	360 +46.4%	13.3% +3.4p.p.
Licensing	900 +23.2%	673 +36.1%	74.7% +7.1p.p.
Overall	5,310 +7.0%	1,248 +36.8%	23.5% +5.1p.p.
Adjusted Wholesaling	3,079 ¹ +2.4%	360 +46.4%	11.7% +3.5p.p.

Remarks: Figures for FY2020 are shown in brackets

¹ Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue

Mainland

During the Year under review, despite of the decrease in the number of self-operated shops, with effective pandemic control in Mainland and overseas travel restriction which helped to stimulate domestic consumption, retail revenue from the Mainland market decreased by 1.8% only to HK\$1,708,144,000 (2020: HK\$1,739,860,000), accounting for 19.3% (2020: 15.5%) of the Group's total revenue. Benefiting from the closures of some loss-making shops, its segment profit increased by 25.1% to HK\$215,239,000 (2020: HK\$172,052,000), accounting for 16.3% (2020: 13.3%) of the total. Its segment profit margin was 12.6% (2020: 9.9%). The SSSG for gold and platinum products in Mainland was -2.1% (2020: -21.5%) and that for fixed price jewellery products was -9.4% (2020: -17.2%).

Due to an increase in the number of licensed shops, revenue of the wholesale business in the Mainland market rose by 8.4% to HK\$2,701,692,000 (2020: HK\$2,493,350,000), which accounted for 30.5% (2020: 22.2%) of the Group's total revenue. Because of effective cost control and the increase in VAT refund due to increased diamond imports, its segment profit increased by 46.4% to HK\$360,405,000 (2020: HK\$246,231,000), accounting for 27.2% (2020: 18.9%) of the total. Its segment profit margin was 13.3% (2020: 9.9%). As the segment profit of wholesale business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be 11.7% (2020: 8.2%).

Licensing income in the Mainland market rose by 23.2% to HK\$900,465,000 (2020: HK\$730,871,000) as a result of the increase in the number of licensed shops, accounting for 10.2% (2020: 6.5%) of the Group's total revenue. Its segment profit increased by 36.1% to HK\$672,573,000 (2020: HK\$494,349,000), accounting for 50.8% (2020: 38.0%) of the total, and its segment profit margin was 74.7% (2020: 67.6%).

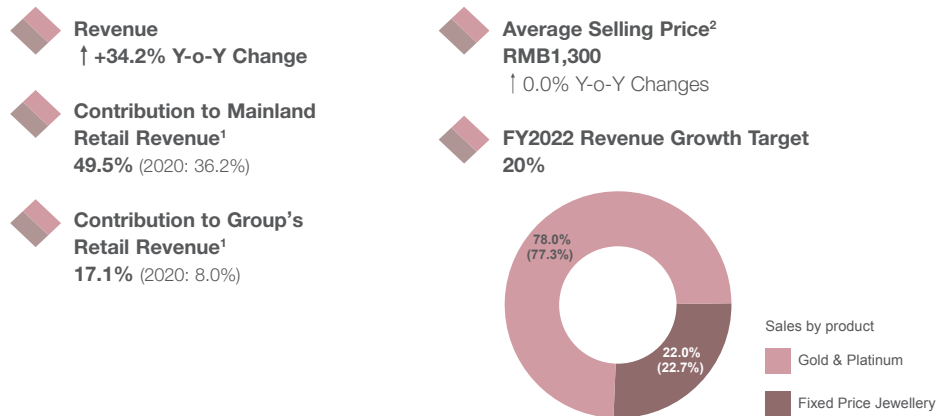
Mainland distribution network

Shop number of different brands		31 March 2021	31 March 2020	Changes
"Lukfook"	Self-operated	77	110	-33
	Licensed	2,135	1,878	+257
	Sub-total	2,212	1,988	+224
"Goldstyle"	Self-operated	8	3	+5
	Licensed	72	49	+23
	Sub-total	80	52	+28
"Dear Q"	Self-operated	2	3	-1
"3D-GOLD"	Self-operated	-	3	-3
Total	Self-operated	87	119	-32
	Licensed	2,207	1,927	+280
	Total	2,294	2,046	+248

With the adoption of multi-brand strategy, the Group has developed the popular product collections of "Goldstyle" and "Dear Q" into independent brands since May 2019. During the Year under review, the Group operated a total of 80 "Goldstyle" and 2 "Dear Q" individual shops in Mainland. Apart from that, the Group reported a net increase of 257 "Lukfook" licensed shops (2020: 264 shops) and a net reduction of 33 "Lukfook" self-operated shops (2020: net reduction of 31 shops) in Mainland. As at 31 March 2021, the Group had a total of 2,212 shops (2020: 1,988 shops) under the "Lukfook" brand name in Mainland, including 77 self-operated shops (2020: 110 shops) and 2,135 licensed shops (2020: 1,878 shops).

During the Year under review, the overall same store sales growth of "Lukfook" licensed shops in Mainland was +8.0% (2020: -11.8%), while the same store sales growth for its gold and fixed price jewellery products was +11.9% (2020: -14.5%) and +1.5% (2020: -4.6%) respectively.

**FY2021 Mainland
E-commerce Business Performance**



Remarks: Figures for FY2020 are shown in brackets

¹ Sales of self-operated shops and e-commerce business

² ASP included value-added tax (VAT)

Revenue of e-commerce business from Mainland increased by 34.2% to HK\$846,112,000 (2020: HK\$630,281,000) during the Year under review, accounting for 49.5% (2020: 36.2%) of the retail revenue in Mainland. Sales of gold and platinum products accounted for 78.0% (2020: 77.3%) of its sales mix while sales of fixed price jewellery products accounted for 22.0% (2020: 22.7%).

Overall speaking, during the Year under review, revenue from the Mainland market increased by 7.0% to HK\$5,310,301,000 (2020: HK\$4,964,081,000), accounting for 59.9% (2020: 44.2%) of the Group's total revenue. Its segment profit increased by 36.8% to HK\$1,248,217,000 (2020: HK\$912,632,000), accounting for 94.3% (2020: 70.2%) of the total, and its segment profit margin was 23.5% (2020: 18.4%).

Financial Impact in relation to Investments and Operating Activities in HKRH[#] & Its Subsidiaries

Gain/(Loss)			
HK\$M	FY2021	FY2020	Y-o-Y Changes
50% share of loss of associate	(22)	(43)	21
Valuation gain on convertible bond	–	6	(6)
Impairment provision on amount due from HKRH	–	(7)	7
Wholesale gross profit	–	2	(2)
Loss on a financial guarantee contract	(20)	–	(20)
Interest income on working capital loan	–	1	(1)
Interest income on convertible bond and amount due from HKRH	4	3	1
Overall	(38)	(38)	–

During the Year under review, the loss of an associate of the Group narrowed, while taking into account the other losses arising from its parent company, HKRH, the total loss in relation to investments and operating activities in HKRH & its subsidiaries remained flattish at HK\$38,000,000 (2020: loss of HK\$38,000,000).

[#] HKRH represents Hong Kong Resources Holdings Company Limited (Stock Code: 2882) which conducts jewellery retail and franchise businesses under the brand name of “3D-GOLD” in Hong Kong, Macau and Mainland.

FINANCIAL REVIEW

Non-HKFRS Financial Measure

To supplement the consolidated results of the Group prepared in accordance with HKFRS, certain non-HKFRS financial measures, EBITDA, EBITDA margin and total operating expenses to revenue ratio have been presented in this report. The Company's management believes that such non-HKFRS financial measures provide investors with clearer view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding the impact of certain non-cash items. Nevertheless, the use of this non-HKFRS financial measure has limitations as an analytical tool. These unaudited non-HKFRS financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

Liquidity and Financial Resources

As at 31 March 2021, the Group's cash and bank balances amounted to HK\$3,546,000,000 (2020: HK\$2,714,000,000). Net cash was HK\$2,457,000,000 (2020: HK\$1,201,000,000). The debt-to-equity ratio was 28.1% (2020: 33.9%), being the ratio of total liabilities of HK\$3,188,000,000 (2020: HK\$3,513,000,000) against total shareholders' equity of HK\$11,325,000,000 (2020: HK\$10,372,000,000). As at 31 March 2021, the Group's banking facilities amounted to HK\$3.9 billion (2020: HK\$4.3 billion), of which HK\$1.1 billion (2020: HK\$1.5 billion) has been utilised. The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

Inventory

Inventory Turnover Days (By Product)

Turnover Days	Average Inventory		Closing Inventory	
	FY2021	Y-o-Y Changes	FY2021	Y-o-Y Changes
Gold	344	+70	351	+102
Fixed Price Jewellery	544	+17	527	+58
Overall	451	+50	444	+85

As at 31 March 2021, the Group's inventory further decreased to HK\$7,322,000,000 (2020: HK\$7,533,000,000). However, as the decline was smaller than the drop in sales, the average inventory turnover days grew to 451 days (2020: 401 days) with the average inventory turnover days of gold products being 344 days (2020: 274 days) and that of fixed price jewellery products being 544 days (2020: 527 days).

The inventory turnover days calculated basing on closing inventory were 444 days (2020: 359 days) with the closing inventory turnover days of gold products being 351 days (2020: 249 days) and that of fixed price jewellery products being 527 days (2020: 469 days).

Capital Expenditure

During the Year under review, the Group's capital expenditures amounted to approximately HK\$243,000,000 (2020: HK\$392,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipment.

Capital Commitments

As at 31 March 2021, the Group's total capital commitments amounted to HK\$37,000,000 (2020: HK\$11,000,000).

Contingent Liabilities and Guarantee

As at 31 March 2021, the Group had corporate financial guarantee amounting to HK\$1,075,000,000 (2020: HK\$1,075,000,000) to banks in respect of 50% of the aggregated amount of banking facilities granted to an associate. As at 31 March 2021, the banking facilities utilised by the associate was HK\$1,486,000,000 (2020: HK\$1,678,000,000).

As at 31 March 2021, a loss allowance of HK\$20,000,000 estimated under the expected credit loss model in respect of such corporate financial guarantee of the Group was recognised (2020: Nil).

As at 31 March 2021 and 2020, save as disclosed above, the Group had no significant contingent liabilities.

Human Capital Policy

As at 31 March 2021, the number of employees of the Group was 5,900 (2020: 6,500). The management reviews and examines the remuneration policies on a regular basis to ensure that fair rewards and compensation are provided to our employees. Remuneration packages are determined with reference to comparable market rates while bonuses and other rewards are linked to the performances of the Group and the employees. This policy aims to motivate employees with monetary incentives to work together to enhance the Group's business performance.

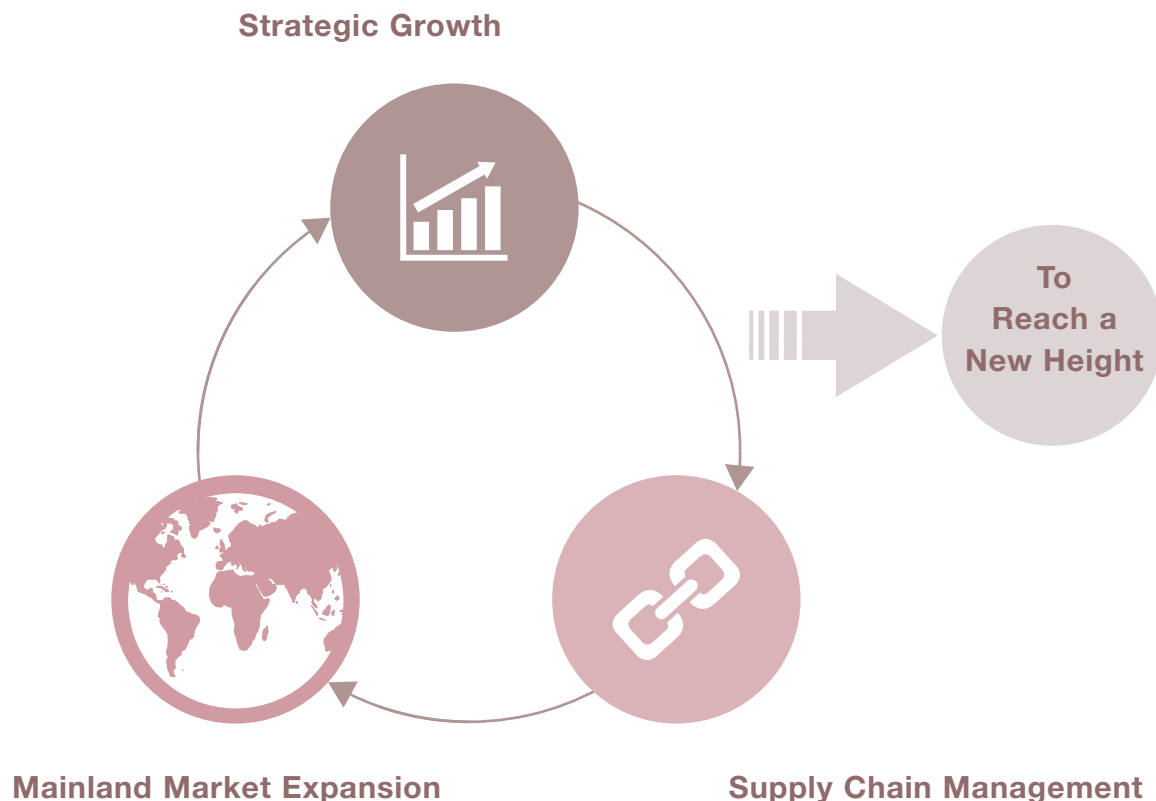
BRANDING

In order to align with the branding theme of “Love is Beauty”, the Group has built a welcoming and warm-hearted brand image to strengthen customers’ recognition and emotional attachment to the brand, and has strived to become a globally recognised jewellery brand through outstanding marketing campaigns and excellent customer service programmes. Targeting the mid- to high-end markets, the Group has adopted effective marketing strategies to keep abreast of the times, and launched diversified product offerings with exquisite designs, together with quality and sincere services to seize the development opportunities in the middle-class, wedding and kids markets.

To further enhance our brand awareness, the Group capitalised on different promotional channels and captured the rapid growth of online marketing by placing advertisements on major social media platforms and search engines. As the Group’s anniversary this year fell on the day of Double Seventh Festival, we invited Mr. Li Yi Feng, Lukfook Jewellery’s global brand ambassador, to show up and interact with audience at the live-streaming event, which recorded over 12 million views that effectively enhanced brand visibility and created hot topics. At the same time, we also cooperated with a total of nearly 120 KOLs on four major platforms including Bilibili, Xiaohongshu, Weibo and Douyin, driving our online exposure to a new height, so as to raise our brand awareness among young consumers. Besides, the Group held the “Love for More, Bling for More” new product launch event in Shanghai to celebrate the sparkling beauty of love with Mr. Li Yi Feng. The event was simultaneously live-streamed on both Lukfook Jewellery’s official Weibo and Tmall flagship store, which recorded over 10 million views. During the Chinese New Year, the Group teamed up with AliPay again to participate in the “Chinese New Year Five Auspicious Cards Campaign” event, which realised brand exposure of 150 million viewers, rapid traffic growth and improved interactions with customers, greatly enhancing the brand penetration. Riding on the wave of e-sports and animation comics booms in recent years, the Group has made the champion rings for the “King Pro League” for eight consecutive seasons to enhance our brand’s penetration into the market of younger generation.

The Group’s tireless efforts in escalating brand influence and spreading brand value have been recognised with numerous awards from the industry and market for our outstanding achievements in branding, corporate governance, customer service, community welfare and environmental protection.

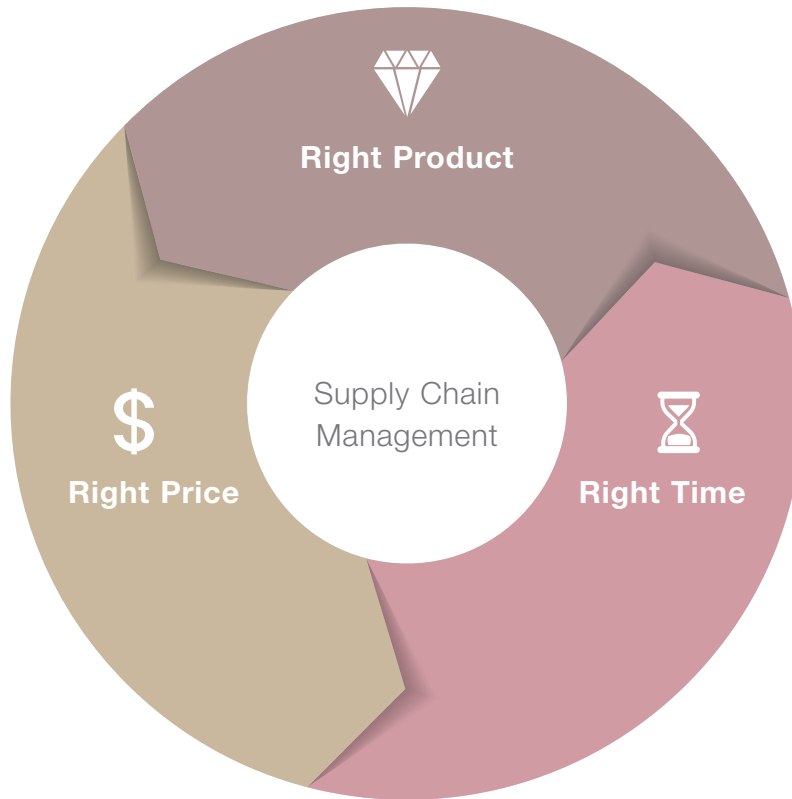
OUTLOOK



During the Year under review, due to the low base effect, the same store sales of the Group for the quarter from January to March 2021 has a turnaround to a positive growth and the Group's business is expected to restore growth in the coming year. The Group also recorded a satisfactory same store sales growth for the period from April to the first two weeks of June 2021, with SSSG of around +120% for the Hong Kong and Macau market and same store sales growth of around +50% for the Mainland market.

With better border restriction lifting in Macau, the Group will net add 2 shops in Macau and 1 overseas licensed shop in the coming year. In view of the anticipated considerable growth of the middle-class population in Mainland, the Group remains optimistic about the mid- to long-term business prospects. Therefore, the Group will focus its expansion in the Mainland market, and expect to net add 350 shops which will be mainly licensed shops in fourth- and fifth-tier cities in the new financial year.

Two years ago, the Group has set up its new three-year corporate strategy with Supply Chain Management, Mainland Market Expansion and Strategic Growth as its three main focuses so as to foster its future business growth.



Supply Chain Management

In order to further enhance its competitive edge, the Group will focus on strengthening supply chain management through various means. The Group will revamp its supply chain management, and identify right product, set right price and offer products to market at the right time by implementing full automation, big data management and full integration in supply chain management; improving factory productivity; improving inventory turnover period; establishing strategic partnership with suppliers; streamlining logistics on distribution and intensifying support to licensees, with a hope that all these would help promote business development and strengthen operational efficiency.

Mainland Market Expansion

As Mainland remains to be a market with growth potential in the mid- to long-term, the Group will continue to focus on business expansion in Mainland. The target for net addition of “Lukfook” shops in Mainland in the coming year will be not less than 300 shops, mainly focuses on opening licensed shops in fourth- and fifth-tier cities, while the target for net addition of new brands’ stores in Mainland is 50 shops. In addition, the Group is committed to further developing its e-commerce business and strengthening cooperation with various e-commerce platforms in Mainland, and at the same time will also establish its own e-commerce platform, aiming at a 20% sales growth of e-commerce business for the upcoming year. In light of the enormous spending potential of young consumers on online sales platforms, the Group will step up its efforts to promote the sales of affordable luxury jewellery products to expand its footprint in the young consumer market.

Strategic Growth

The Group has already adopted multi-brand strategy. Apart from “Goldstyle” and “Dear Q”, the Group will continue to develop new brands in the future. During the Year under review, the Group has also established a new product line named “Lukfook Joaillerie” to target at the high-end jewellery market, and has opened a total of 3 shop-in-shops in Macau and Mainland in FY2021. In addition, the Group will adopt holistic approach to penetrate into the markets for the middle-class, wedding couples and kids by understanding customers’ spending habits. It will also continue to attract customers and encourage local consumption by visual merchandising enhancement, cross-selling boosting and VIP promotional activities, so as to improve sales and profits. Given the importance of social media in product promotion, the Group will continue to showcase and promote its products on mobile applications and social media platforms such as Facebook and WeChat, etc. Besides, we will also explore the enhancement of offline shopping experience and possibility of cross-over collaboration with other industries or brands. Furthermore, we believe that customers are increasingly focusing on jewellery with unique design. Following the introduction of the DIY Ordering Service System (the “DIY System”) in Mainland in the Year under review, the Group will also launch the DIY System in Hong Kong, Macau and overseas. Customers may directly choose polished diamonds and diamond holders via the system to create their personalised diamond products and enjoy customised service experience. This bespoke service not only caters to the needs of customers who are pursuing unique experience, but also increases the sales amount and average selling price of high-end and high-quality diamond products and achieves the cost-effectiveness of mass customisation, which helps the Group to gradually penetrate the high-end jewellery market.

FINAL AND SPECIAL DIVIDENDS

The board of directors intends to distribute special dividend for celebrating the 30th anniversary of the establishment of “Lukfook” to reward shareholders. Therefore, the directors proposed a final and special dividends of HK\$0.50 each per ordinary share, totalling HK\$1.00 per ordinary share for the year ended 31 March 2021 (2020: HK\$0.50 per share) to shareholders whose names appear on the register of members of the Company on 25 August 2021. Taking into account of the interim and special dividends paid, the total dividend for the year would amount to HK\$1.50 per ordinary share, totalling HK\$880,662,000 for the year (2020: HK\$1.00 per ordinary share, totalling HK\$587,108,000). Subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on 19 August 2021, the final and special dividends will be paid on or around 8 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the AGM will be closed from 16 August 2021 to 19 August 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the AGM to be held on 19 August 2021, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 August 2021.

The register of members of the Company for the final and special dividends will also be closed on 25 August 2021 and no transfer of shares will be registered on that day. In order to qualify for the final and special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 August 2021.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound risk management and internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Year under review, except for the following deviation:

Code Provision A.2.1 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, so that there is a clear division of responsibilities for the management of the Board and the day-to-day management of the Group's business to ensure a balance of power and authority.

In view of the increasing trend of business deriving from the Mainland market, it is believed that Mr. WONG Wai Sheung, being the Chairman and Chief Executive Officer of the Company, will further enhance the business development of the Group there due to the norms on "status parity" when future business negotiations are conducted in Mainland. Besides, members of the Board also include qualified professionals and other prominent and experienced individuals from the community. The Board considers that the existing Board composition, with the support of Board Committees and two Deputy Chairmen, can ensure a balance of power and authority.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the Year under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year under review.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Company for the year ended 31 March 2021.

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2020/21

This annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the "HKEx") (www.hkexnews.hk) and the Company (lukfook.com). The Annual Report 2020/21 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to all our staff members, shareholders, customers, business partners and other stakeholders for their strong support and contributions to the Group's success. Moving forward, the Group will continue to implement pragmatic and sound growth measures, strengthen its competitive advantages and further consolidate its leading position in the market with a view to generating sustainable returns for our shareholders and establishing a new benchmark for corporate excellence.

By Order of the Board
Luk Fook Holdings (International) Limited
WONG Wai Sheung
Chairman and Chief Executive Officer

Hong Kong, 24 June 2021

As at the date of this announcement, the Company's Executive Directors are Mr. WONG Wai Sheung (Chairman and Chief Executive Officer), Mr. TSE Moon Chuen (Deputy Chairman), Ms. WONG Hau Yeung, Ms. WONG Lan Sze, Nancy and Dr. CHAN So Kuen; the Non-executive Directors are Mr. WONG Ho Lung, Danny (Deputy Chairman), Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, BBS, MH, JP; the Independent Non-executive Directors are Mr. IP Shu Kwan, Stephen, GBS, JP, Mr. MAK Wing Sum, Alvin, Ms. WONG Yu Pok, Marina, JP and Mr. HUI King Wai.