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LUKFOOK GROUP

【For Immediate Release】

Lukfook Group (00590.HK) Announces Annual Results for the Year Ended 31 March 2021 Revenue and Profit Attributable to Equity Holders Reached HK\$8.9 billion and HK\$1.0 billion Respectively

Proposed Final and Special Dividends of HK\$0.50 per share each, Totalling HK\$1.00 per share

Financial Highlights:

- Revenue of the year decreased by 21.1% to approximately HK\$8.9 billion
- SSSG¹ for the Hong Kong SAR² and Macau SAR market³ 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

	For the Year Ended 31 March		
	2021	2020	Y-o-Y
	HK\$'000	HK\$'000	Change
Revenue	8,861,335	11,233,771	-21.1%
Gross Profit	2,632,315	3,323,020	-20.8%
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%

(24 June 2021) —The board of directors (the “Board”) of **Luk Fook Holdings (International) Limited** (the “Company”) (Stock Code: 00590.HK) is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the “Group”) 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).

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”

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The Board intends to distribute special dividend for celebrating the 30th anniversary of the establishment of “Lukfook” to reward shareholders. Therefore, the directors proposed 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). 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.

Mr. Wong Wai Sheung, Chairman and Chief Executive Officer of the Group said, “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. 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. The Group looks forward to bringing its business to a new height in the near future.”

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.

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%).

Mainland visitor arrivals to Hong Kong in 2020 decreased by 93.8% year-on-year, its retail revenue declined substantially by 50.8% to HK\$2,103,657,000 (2020: HK\$4,272,284,000) during the Year under review as the border restrictions have not been lifted. Per capita spending of Mainland visitor arrivals to Macau increased by 22.8% year-on-year in 2020, but Mainland visitor arrivals to Macau in 2020 decreased by 83% over last 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:

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HK\$1,566,144,000) during the Year under review. 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. With favorable factors including effective pandemic control in Mainland and overseas travel restriction which helped to stimulate domestic consumption, and the increase in the number of licensed shops, revenue from the Mainland market increased by 7.0% to HK\$5,310,301,000 (2020: HK\$4,964,081,000) during the Year under review.

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.

Mr. Wong Wai Sheung, Chairman and Chief Executive Officer of the Group concluded, “Two years ago, the Group has set up its new three-year corporate strategy to foster its future business growth. 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, with a hope that all these would help promote business development and strengthen operational efficiency. Moreover, 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. 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. Furthermore, the Group has already adopted multi-brand strategy. Apart from ‘Goldstyle’ and ‘Dear Q’, the Group has also established a new product line named ‘Lukfook Joaillerie’ during the year under review to target at the high-end jewellery market. The Group will continue to develop new brands in the future.”

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About Luk Fook Holdings (International) Limited (Stock Code: 00590.HK)

The Group principally engages in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery and gem-set jewellery products, with a total of over 2,430 points of sale in 10 countries and regions. The Group will continue to identify new business opportunities in the international markets in response to its corporate vision, “Brand of Hong Kong, Sparkling the World”.

For more information, please visit the official website of Lukfook Group at www.lukfook.com.

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