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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 2022

### HIGHLIGHTS

- Revenue of the year increased by 32.5% to approximately HK\$11.7 billion
- SSSG<sup>1</sup> for the Hong Kong SAR<sup>2</sup> and Macau SAR<sup>3</sup> market was +42.0% and +40.1% for the Mainland China<sup>4</sup> market
- Operating profit increased by 32.1% to approximately HK\$1.6 billion, while profit attributable to equity holders increased by 36.9% to approximately HK\$1.4 billion
- Proposed final dividend of HK\$0.55 per share, with annual dividend of HK\$1.1 per share and dividend payout ratio of 46.4%
- As at 31 March 2022, the Group had a global network of 2,809 shops, a net growth of 443 shops

### FINANCIAL PERFORMANCE

	2022 HK\$'000	2021 HK\$'000	Y-o-Y Changes
Revenue	11,737,803	8,861,335	+32.5%
Gross Profit	3,233,827	2,632,315	+22.9%
Operating Profit	1,643,224	1,244,113	+32.1%
Profit for the year	1,392,337	1,019,134	+36.6%
Profit Attributable to Equity Holders	1,392,364	1,017,335	+36.9%
Basic Earnings per Share	HK\$2.37	HK\$1.73	+37.0%
Final Dividend per Share	HK\$0.55	HK\$0.50	+10.0%
Special Dividend per Share	–	HK\$0.50	N/A
Annual Dividend per Share	HK\$1.10	HK\$1.50	-26.7%
Gross Margin	27.6%	29.7%	-2.1p.p.
Operating Margin	14.0%	14.0%	–
Net Margin	11.9%	11.5%	+0.4p.p.
EBITDA <sup>5</sup>	1,747,835	1,354,391	+29.0%

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 2022 (“FY2022”) together with the comparative figures as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	3	<b>11,737,803</b>	8,861,335
Cost of sales	4	<u>(8,503,976)</u>	<u>(6,229,020)</u>
Gross profit		<b>3,233,827</b>	2,632,315
Other income	5	<b>279,344</b>	294,773
Other (losses)/gains, net	6	<b>(43,041)</b>	30,572
Selling and distribution costs		<b>(1,626,333)</b>	(1,543,358)
Administrative expenses		<b>(188,778)</b>	(151,122)
Net impairment loss on financial assets and financial guarantee		<u><b>(11,795)</b></u>	<u>(19,067)</u>
<b>Operating profit</b>	4	<u><b>1,643,224</b></u>	<u>1,244,113</u>
Finance income		<b>87,344</b>	63,398
Finance costs		<u><b>(23,097)</b></u>	<u>(28,849)</u>
Finance income, net		<u><b>64,247</b></u>	<u>34,549</u>
Share of results of associates	10	<u><b>(23,838)</b></u>	<u>(23,225)</u>
<b>Profit before income tax</b>		<b>1,683,633</b>	1,255,437
Income tax expenses	7	<u><b>(291,296)</b></u>	<u>(236,303)</u>
<b>Profit for the year</b>		<u><b>1,392,337</b></u>	<u>1,019,134</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>1,392,364</b>	1,017,335
Non-controlling interests		<u><b>(27)</b></u>	<u>1,799</u>
		<u><b>1,392,337</b></u>	<u>1,019,134</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the year</b>			
Basic and diluted	8	<u><b>HK\$2.37</b></u>	<u>HK\$1.73</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Profit for the year</b>		<b>1,392,337</b>	1,019,134
<b>Other comprehensive income:</b>			
<i>Items that may be or have been subsequently reclassified to profit or loss</i>			
Currency translation differences:			
– Group		<b>272,924</b>	509,860
– Associates	<i>10</i>	<b>4,059</b>	8,095
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		<b>(808)</b>	(1,192)
Remeasurements of employee benefit obligations		<b>(4,191)</b>	9,359
<b>Other comprehensive income for the year, net of tax</b>		<b>271,984</b>	524,633
<b>Total comprehensive income for the year</b>		<b>1,664,321</b>	1,543,767
Attributable to:			
– Equity holders of the Company		<b>1,664,348</b>	1,540,068
– Non-controlling interests		<b>(27)</b>	3,699
<b>Total comprehensive income for the year</b>		<b>1,664,321</b>	1,543,767

## CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	As at 31 March	
	2022	2021
Note	HK\$'000	HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	892,590	906,816
Investment properties	1,007,606	909,084
Right-of-use assets	601,635	595,194
Interests in an associate	10 23,146	42,925
Financial assets at fair value through other comprehensive income	365	1,173
Trading licence	1,080	1,080
Gold loan receivables	41,798	50,855
Deposits, prepayments and other receivables	492,020	149,110
Deferred income tax assets	158,023	123,076
	<u>3,218,263</u>	<u>2,779,313</u>
<b>Current assets</b>		
Inventories	8,769,304	7,321,614
Right of return assets	109,627	75,749
Trade receivables	11 187,711	277,338
Deposits, prepayments and other receivables	403,551	489,828
Amount due from an associate	10 –	769
Gold loan receivables	16,719	1,554
Income tax recoverable	23,057	19,525
Cash and cash equivalents	3,492,037	3,546,349
	<u>13,002,006</u>	<u>11,732,726</u>
<b>Total assets</b>	<u><u>16,220,269</u></u>	<u><u>14,512,039</u></u>

		<b>As at 31 March</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		58,710	58,710
Share premium		2,494,040	2,494,040
Reserves		9,526,246	8,771,915
		<u>12,078,996</u>	<u>11,324,665</u>
Non-controlling interests		(468)	(441)
		<u>12,078,528</u>	<u>11,324,224</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		74,692	157,898
Lease liabilities		153,013	81,854
Employee benefit obligations		5,450	1,291
		<u>233,155</u>	<u>241,043</u>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	12	1,156,446	1,022,238
Financial guarantee contract	10	36,831	20,000
Contract liabilities		165,173	150,802
Derivative financial instrument		280	–
Lease liabilities		204,598	338,574
Sales refund liabilities		201,727	155,906
Amount due to an associate	10	411	–
Bank borrowings		1,383,391	711,508
Gold loans		571,445	377,520
Current income tax liabilities		188,284	170,224
		<u>3,908,586</u>	<u>2,946,772</u>
<b>Total liabilities</b>		<u>4,141,741</u>	<u>3,187,815</u>
<b>Total equity and liabilities</b>		<u>16,220,269</u>	<u>14,512,039</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 loan receivables and gold loans 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) Amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2021 and are relevant to the Group’s operations:

The Group has applied the following amendments to existing standards for the first time for the financial year beginning 1 April 2021:

Amendments to HKAS 39, HKFRS 4, Interest Rate Benchmark Reform–Phase 2  
HKFRS 7, HKFRS 9 and HKFRS 16

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

- (b) Certain new standard, amendments to existing standards, interpretation and accounting guideline have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2022, which the Group has not early adopted, are as follows:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>(1)</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>(1)</sup>
Amendments to HKAS 37	Onerous Contracts—Cost of Fulfilling a Contract <sup>(1)</sup>
Amendments to Annual Improvement Project	Annual Improvements 2018-2020 Cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41) <sup>(1)</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations <sup>(1)</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>(2)</sup>
HK-Interpretation 5 (2020)	Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>(2)</sup>
HKFRS 17	Insurance Contracts <sup>(2)</sup>
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors <sup>(2)</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>(2)</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>(2)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>

<sup>(1)</sup> *Effective for annual period beginning on or after 1 January 2022*

<sup>(2)</sup> *Effective for annual period beginning on or after 1 January 2023*

<sup>(3)</sup> *To be announced by HKICPA*

The directors of the Group will adopt the new standard, amendments to existing standards, interpretation and accounting guideline 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, amendments to existing standards, interpretation and accounting guideline, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

### 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 an associate, 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 2022

	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>
<b>Revenue– at a point of time</b>							
Sales to external customers	4,880,879	2,527,026	126,336	2,949,765	–	–	10,484,006
Sales of scrap	–	–	619	–	–	–	619
	4,880,879	2,527,026	126,955	2,949,765	–	–	10,484,625
Inter-segment sales	143,554	2,343	1,183,933	117,832	–	(1,447,662)	–
Sales of merchandises	5,024,433	2,529,369	1,310,888	3,067,597	–	(1,447,662)	10,484,625
<b>Revenue– over time</b>							
Royalty and service income	–	–	–	–	1,122,526	–	1,122,526
Consultancy fee income	–	–	–	–	130,652	–	130,652
Total	5,024,433	2,529,369	1,310,888	3,067,597	1,253,178	(1,447,662)	11,737,803
<b>Results of reportable segments</b>	<b>146,299</b>	<b>215,469</b>	<b>15,204</b>	<b>408,472</b>	<b>964,435</b>	<b>–</b>	<b>1,749,879</b>
A reconciliation of results of reportable segments to profit for the year is as follows:							
<b>Results of reportable segments</b>							1,749,879
Unallocated income							143,540
Unallocated expenses							(250,195)
<b>Operating profit</b>							1,643,224
Finance income							87,344
Finance costs							(23,097)
Share of results of an associate							(23,838)
<b>Profit before income tax</b>							1,683,633
Income tax expenses							(291,296)
<b>Profit for the year</b>							1,392,337
Add: Loss attributable to non-controlling interests							27
<b>Profit attributable to equity holders of the Company</b>							<b>1,392,364</b>

Year ended 31 March 2022								
	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	(31,167)	(12,565)	(743)	(11,152)	(9,294)	–	(34,329)	(99,250)
Depreciation of right-of-use assets	(304,021)	(23,822)	–	(162)	(4,379)	–	(4,038)	(336,422)
Depreciation of investment properties	–	–	–	–	–	–	(29,200)	(29,200)
Impairment loss on property, plant and equipment	(1,610)	–	–	–	–	–	–	(1,610)
Impairment loss on right-of-use assets	(6,360)	(1,494)	–	–	–	–	–	(7,854)
Net provision of impairment loss on financial assets and financial guarantee	–	(1,964)	–	–	–	–	(9,831)	(11,795)
Additions of non-current assets (excluding right-of-use assets)	13,160	13,573	283	38,838	10,001	–	482,357	558,212
Additions of right-of-use assets	315,629	26,655	–	–	–	–	–	342,284

As at 31 March 2022							
	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	5,252,068	2,249,027	884,276	3,057,666	1,506,796	–	12,949,833
Interests in an associate	–	–	–	–	–	23,146	23,146
Leasehold land and buildings	–	–	–	–	–	931,627	931,627
Investment properties	–	–	–	–	–	1,007,606	1,007,606
Deferred income tax assets	–	–	–	–	–	158,023	158,023
Income tax recoverable	–	–	–	–	–	23,057	23,057
Other unallocated assets	–	–	–	–	–	1,126,977	1,126,977
<b>Total assets</b>							<b>16,220,269</b>
Segment liabilities	(557,331)	(36,964)	(105,020)	(210,257)	(818,410)	–	(1,727,982)
Deferred income tax liabilities	–	–	–	–	–	(74,692)	(74,692)
Current income tax liabilities	–	–	–	–	–	(188,284)	(188,284)
Bank borrowings	–	–	–	–	–	(1,383,391)	(1,383,391)
Gold loans	–	–	–	–	–	(571,445)	(571,445)
Financial guarantee contract	–	–	–	–	–	(36,831)	(36,831)
Other unallocated liabilities	–	–	–	–	–	(159,116)	(159,116)
<b>Total liabilities</b>							<b>(4,141,741)</b>

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>
<b>Revenue – at a point of time</b>							
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
<b>Revenue – over time</b>							
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>
<b>Results of reportable segments</b>	<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:							
<b>Results of reportable segments</b>							1,323,269
Unallocated income							150,138
Unallocated expenses							(229,294)
<b>Operating profit</b>							1,244,113
Finance income							63,398
Finance costs							(28,849)
Share of results of associates							(23,225)
<b>Profit before income tax</b>							1,255,437
Income tax expenses							(236,303)
<b>Profit for the year</b>							1,019,134
Less: Profit attributable to non-controlling interests							(1,799)
<b>Profit attributable to equity holders of the Company</b>							<u>1,017,335</u>

	Year ended 31 March 2021							Total HK\$'000		
	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			
	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	(70,896)	(284)	–	–	–	–	–	(71,180)		
Net reversal/(net provision) of impairment loss on financial assets and financial guarantee	–	933	–	–	–	–	(20,000)	(19,067)		
Additions of non-current assets (excluding right-of-use-assets)	26,591	7,998	1,773	22,444	4,272	–	158,466	221,544		
Additions of right-of-use assets	110,650	26,733	–	–	–	–	–	137,383		

	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	–
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
<b>Total assets</b>							<b>14,512,039</b>
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)
<b>Total liabilities</b>							<b>(3,187,815)</b>

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

	2022 HK\$'000	2021 HK\$'000
Revenue		
Hong Kong	2,835,890	2,409,518
Mainland	6,705,611	5,310,301
Macau and overseas	2,196,302	1,141,516
	<b>11,737,803</b>	<b>8,861,335</b>

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

	2022				2021			
	Hong Kong HK\$'000	Mainland HK\$'000	Macau and overseas HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Macau and overseas HK\$'000	Total HK\$'000
Property, plant and equipment	495,136	324,199	73,255	892,590	560,236	260,527	86,053	906,816
Right-of-use assets	124,425	294,404	182,806	601,635	158,695	292,696	143,803	595,194
Investment properties	290,961	716,645	-	1,007,606	300,569	608,515	-	909,084
Prepayments for purchase of properties and equipment	-	376,000	-	376,000	-	-	-	-
Gold loan receivables	-	41,798	-	41,798	-	50,855	-	50,855
Trading licence	1,080	-	-	1,080	1,080	-	-	1,080
	<b>911,602</b>	<b>1,753,046</b>	<b>256,061</b>	<b>2,920,709</b>	<b>1,020,580</b>	<b>1,212,593</b>	<b>229,856</b>	<b>2,463,029</b>

#### 4 OPERATING PROFIT

The operating profit is stated after charging the following:

	2022 HK\$'000	2021 HK\$'000
Cost of sales ( <i>Note (i)</i> )		
– cost of inventories sold	8,245,503	6,016,091
– cost of licensing business	258,473	212,929
	<b>8,503,976</b>	<b>6,229,020</b>
Staff costs (including the directors' emoluments)	730,053	604,811
Expenses relating to short-term leases and variable lease payments	135,040	120,441
Rent concession related to COVID-19 ( <i>Note (ii)</i> )	(14,421)	(69,872)
Commission expenses to payment service providers	58,662	41,365
Depreciation of property, plant and equipment	99,250	106,425
Depreciation of investment properties	29,200	25,552
Depreciation of right-of-use assets	336,422	414,463
Impairment losses on property, plant and equipment	1,610	9,115
Impairment losses on right-of-use assets	7,854	71,180
Advertising and promotion expenses	80,146	74,220
Other taxes	88,886	69,795
Loss on disposal of property, plant and equipment	385	1,438
Gain on lease modification	1,143	-
Legal and professional fees	16,093	10,976
Auditor's remuneration		
– Audit services	5,945	5,640
– Non-audit services	1,274	1,909

Notes:

- (i) Staff costs (including directors' emoluments) of HK\$385,739,000 (2021: HK\$306,378,000) 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 2022, rent concession related to COVID-19 of HK\$14,421,000 (2021: HK\$69,872,000) 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 2022; and
- (c) there is no substantive change to other terms and conditions of the lease.

## 5 OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government subsidies		
– Value-added tax (“VAT”) refund ( <i>Note (i)</i> )	107,613	63,905
– Other government subsidies ( <i>Note (ii)</i> )	91,453	85,052
– Employment Support Scheme ( <i>Note (iii)</i> )	–	80,997
Rental income	55,491	45,485
Others	24,787	19,334
	<u>279,344</u>	<u>294,773</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 (LOSSES)/GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net realised losses on derivative financial instruments ( <i>Note</i> )	(34,018)	(13,527)
Net realised (losses)/gains on gold loans	(53,101)	1,822
Net unrealised gains on gold loans	2,712	9,988
Net realised gains on gold loan receivables	97	8,600
Net unrealised gains on gold loan receivables	5,545	18,538
Net realised gains on forward exchange contracts	1,039	929
Net unrealised losses on forward exchange contracts	(280)	–
Loss on disposal of a subsidiary	–	(199)
Net exchange gains	34,965	4,421
	<u>(43,041)</u>	<u>30,572</u>

*Note:*

Derivative financial instruments mainly represent gold 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 rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2 million of estimated assessable profits of this subsidiary is taxed at 8.25% and the remaining estimated assessable profits are taxed at 16.5% (2021: Same). 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	5,912	4,302
– Overseas taxation	306,766	231,937
– Withholding tax on dividend declared in Mainland	102,673	37,604
– (Over)/under-provision in prior years	(5,902)	2,636
Deferred income tax	(118,153)	(40,176)
	<u>291,296</u>	<u>236,303</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\$1,392,364,000 (2021: HK\$1,017,335,000) and the weighted average number of 587,107,850 (2021: 587,107,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2022 and 2021 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

## 9 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
2021/22 interim dividend, paid, of HK\$0.55 (2020/21 interim dividend: HK\$0.225) per ordinary share	<u>322,909</u>	<u>132,099</u>
2021/22 special dividend, Nil (2020/21 special dividend: HK\$0.275) per ordinary share	<u>–</u>	<u>161,455</u>
2021/22 final dividend, proposed, of HK\$0.55 (2020/21 final dividend: HK\$0.50) per ordinary share ( <i>Note</i> )	<u>322,909</u>	<u>293,554</u>
2021/22 special dividend, proposed, Nil (2020/21 special dividend: HK\$0.50) per ordinary share ( <i>Note</i> )	<u>–</u>	<u>293,554</u>

### *Note:*

At a meeting held on 28 June 2022, the directors recommended the payment of a final dividend of HK\$0.55 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 18 August 2022. The aggregate amount of the proposed dividend is expected to be paid out of retained earnings as at 31 March 2022, but not recognised as a liability at year end.

## 10 INTERESTS IN AN ASSOCIATE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 April	42,925	60,689
Share of results of associates for the year	(23,838)	(23,225)
Share of reserve movement of associates for the year	4,059	8,095
Derecognition upon step acquisition of a subsidiary	<u>–</u>	<u>(2,634)</u>
As at 31 March	<u>23,146</u>	<u>42,925</u>
Amount due from an associate ( <i>Note (i)</i> )	<u>–</u>	<u>769</u>
Amount due to an associate ( <i>Note (i)</i> )	<u>411</u>	<u>–</u>



*Notes:*

- (i) 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 2022 and 2021, the amount due from/(to) an associate was aged within 30 days.
- (ii) The Group's associates did not have any significant capital commitments as at 31 March 2022 and 2021.
- (iii) As at 31 March 2022, the Group issued corporate financial guarantee amounting to HK\$1,075,000,000 (2021: 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 2022, the bank facilities utilised by the associate is approximately HK\$1,565,000,000 (2021: HK\$1,486,000,000).

As at 31 March 2022, the Group recognised loss allowance of HK\$36,831,000 (2021: HK\$20,000,000) in accordance with expected credit loss model under HKFRS 9.

## 11 TRADE RECEIVABLES

The ageing of trade receivables is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	137,566	242,039
31 – 60 days	25,325	26,652
61 – 90 days	14,370	4,225
91 – 120 days	2,648	4,075
Over 120 days	9,833	414
	<u>189,742</u>	<u>277,405</u>
<i>Less:</i> Allowance for impairment of trade receivables	<u>(2,031)</u>	<u>(67)</u>
	<u><u>187,711</u></u>	<u><u>277,338</u></u>

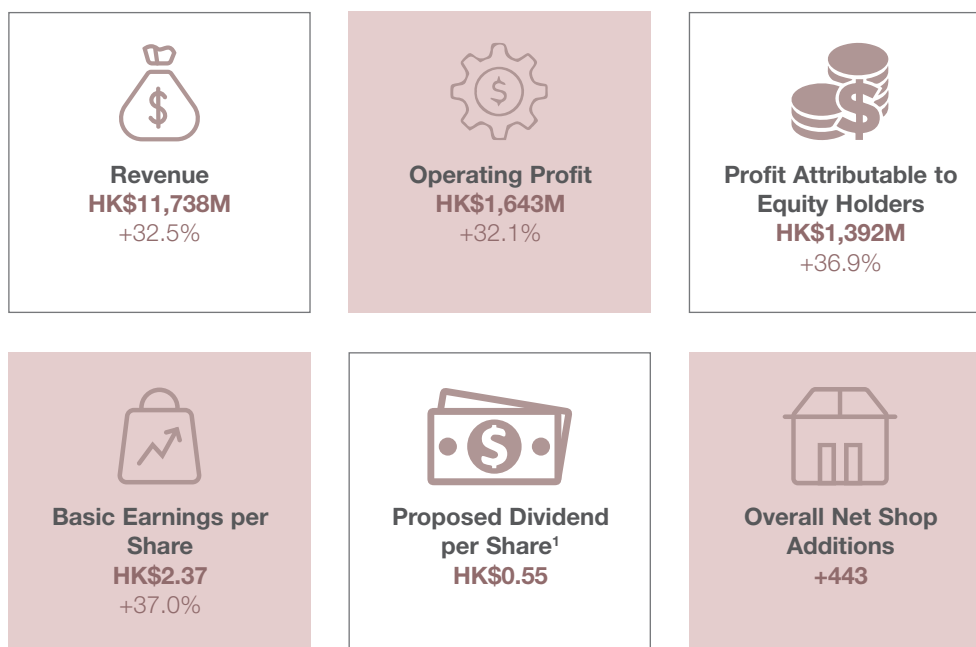
## 12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$242,879,000 (2021: HK\$284,767,000) and the ageing is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	204,743	184,399
31 – 60 days	28,734	87,673
61 – 90 days	5,652	11,188
91 – 120 days	1,917	1,348
Over 120 days	1,833	159
	<u>242,879</u>	<u>284,767</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE



<sup>1</sup> Dividend Payout Ratio: 46.4%

### Results

The Group recorded an increase in revenue of 32.5% to HK\$11,737,803,000 (2021: HK\$8,861,335,000) for the Year under review due to the low base effect, encouraging recovery of retail atmosphere and favorable gold sales. However, the gross margin of gold products declined as it gradually returned to a normal level. Gross profit therefore increased by 22.9% to HK\$3,233,827,000 (2021: HK\$2,632,315,000). Benefitting from the improvement in operating leverage, operating profit increased by 32.1% to HK\$1,643,224,000 (2021: HK\$1,244,113,000), and operating margin remained flattish at 14.0% (2021: 14.0%). In addition, with increased net interest income and reduced effective tax rate due to reversal of prior years' over-provisions, net profit rose by 36.6% to HK\$1,392,337,000 (2021: HK\$1,019,134,000), and net margin was 11.9% (2021: 11.5%). Profit attributable to equity holders increased by 36.9% to HK\$1,392,364,000 (2021: HK\$1,017,335,000) and the basic earnings per share increased by 37.0% to HK\$2.37 (2021: HK\$1.73).

## Overview

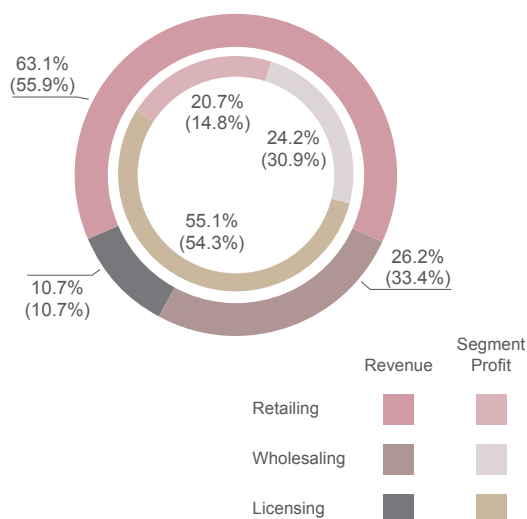
During the Year under review, the Group operated a total of 1 brand and 4 sub-brands/product lines under the multi-brand strategy. There was a net addition of 443 stores that were mainly “Lukfook” shops. During the Year under review, the Group added a net total of 435 “Lukfook” shops worldwide, including a net addition of 434 licensed shops in Mainland. Details are as follows:

### Global Distribution Network

Countries and Regions	31 March 2022	31 March 2021	Y-o-Y Changes
<b>“Lukfook” Shops</b>			
<b>Self-operated</b>			
• Mainland	77	77	0
• Hong Kong	44	47	-3
• Macau	15	13	+2
• Canada	2	2	0
• The United States	3	3	0
• Australia	1	1	0
• Malaysia	2	2	0
• Singapore	1	1	0
Sub-total	145	146	-1
<b>Licensed</b>			
• Mainland	2,569	2,135	+434
• The Philippines	2	2	0
• Cambodia	2	1	+1
• Laos	1	0	+1
Sub-total	2,574	2,138	+436
<b>Total</b>	<b>2,719</b>	<b>2,284</b>	<b>+435</b>
<b>Sub-brands/Product Lines in Mainland</b>			
<b>Self-operated</b>			
• “Goldstyle”	5	8	-3
• “Dear Q”	1	2	-1
<b>Licensed</b>			
• “Goldstyle”	79	72	+7
• “Lukfook Joaillerie”	2	0	+2
• “Heirloom Fortune”	3	0	+3
<b>Worldwide Total</b>	<b>2,809</b>	<b>2,366</b>	<b>+443</b>

As at 31 March 2022, the Group had a global network of 2,809 shops (2021: 2,366 shops), including 2,719 “Lukfook” shops (2021: 2,284 shops), with business spanning across Hong Kong, Macau, Mainland, Singapore, Malaysia, Cambodia, the Philippines, Laos, the United States, Canada and Australia, and operated a total of 84 “Goldstyle” shops (2021: 80 shops), 1 “Dear Q” shop (2021: 2 shops), 2 “Lukfook Joaillerie” shops (2021: Nil) and 3 “Heirloom Fortune” shops (2021: Nil) in Mainland.

## Revenue and Segment Profit by Business



By Business HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing <i>Y-o-Y Changes</i>	7,408 +49.6%	362 +84.9%	4.9% +0.9p.p.
Wholesaling <i>Y-o-Y Changes</i>	3,077 +3.9%	424 +3.6%	13.8% –
Licensing <i>Y-o-Y Changes</i>	1,253 +32.4%	964 +34.2%	77.0% +1.0p.p.
Adjusted Wholesaling <i>Y-o-Y Changes</i>	4,378 <sup>1</sup> +8.6%	424 +3.6%	9.7% +0.4p.p.

Remarks: Comparative figures for FY2021 are shown in brackets

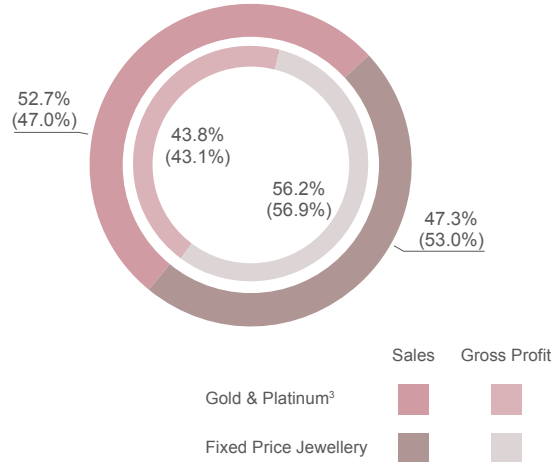
<sup>1</sup> Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue

The retail business was the Group's primary source of revenue. As a result of the low base effect, gradual recovery of retail atmosphere and outstanding gold sales performance, the Group's total retail revenue increased by 49.6% year-on-year to HK\$7,407,905,000 (2021: HK\$4,953,317,000), accounting for 63.1% (2021: 55.9%) of the Group's total revenue. With improved operating leverage, its segment profit increased by 84.9% to HK\$361,768,000 (2021: HK\$195,692,000), accounting for 20.7% (2021: 14.8%) of the total, and its segment profit margin was 4.9% (2021: 4.0%).

Despite the increase in the number of licensed shops, the growth in retail sales in Mainland was mainly driven by the sales of gold products, while the sales of diamond products recorded lackluster performance. The Group's revenue from wholesaling business which mainly comprised of the sales of diamond products, therefore, increased by 3.9% only over the corresponding period last year to HK\$3,076,720,000 (2021: HK\$2,961,827,000), accounting for 26.2% (2021: 33.4%) of the Group's total revenue. Its segment profit increased by 3.6% to HK\$423,676,000 (2021: HK\$408,894,000), accounting for 24.2% (2021: 30.9%) of the total. Its segment profit margin was 13.8% (2021: 13.8%).

During the Year under review, licensing income increased by 32.4% to HK\$1,253,178,000 (2021: HK\$946,191,000) due to the increase in the number of licensed shops, accounting for 10.7% (2021: 10.7%) of the Group's total revenue. Its segment profit margin was 77.0% (2021: 76.0%), while its segment profit increased by 34.2% to HK\$964,435,000 (2021: HK\$718,683,000), accounting for 55.1% (2021: 54.3%) of the total.

## Sales<sup>1</sup> and Gross Profit<sup>2</sup> by Product



By Product HK\$M	Sales	Gross Profit	Gross Margin
Gold & Platinum <i>Y-o-Y Changes</i>	5,527 +48.6%	981 +19.9%	17.7% -4.3p.p.
Fixed Price Jewellery <i>Y-o-Y Changes</i>	4,958 +18.2%	1,258 +16.4%	25.4% -0.4p.p.

Remarks: Comparative figures for FY2021 are shown in brackets

<sup>1</sup> Sales = Revenue – Licensing Income

<sup>2</sup> Gross Profit = Consolidated Gross Profit – Gross Profit of Licensing Income

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

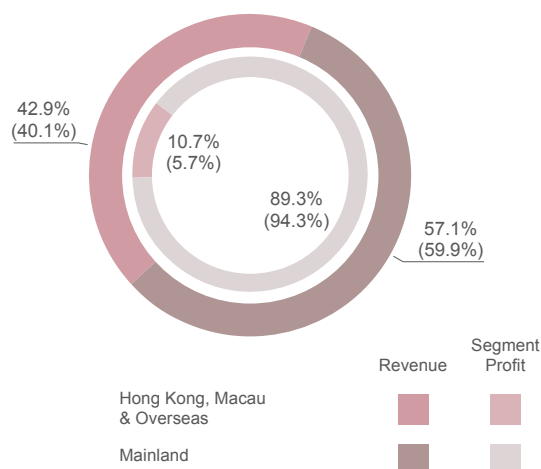
Sales amount of gold and platinum products increased by 48.6% to HK\$5,526,978,000 (2021: HK\$3,720,143,000), accounting for 52.7% (2021: 47.0%) of the overall sales amount (Group revenue minus licensing income). Gross margin of gold and platinum products declined to 17.7% (2021: 22.0%) as the gross margin of gold products gradually returned to a normal level. Its gross profit, therefore, increased by 19.9% only to HK\$980,728,000 (2021: HK\$818,089,000), accounting for 43.8% (2021: 43.1%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income). Besides, sales amount of fixed price jewellery products increased by 18.2% to HK\$4,957,648,000 (2021: HK\$4,195,001,000), accounting for 47.3% (2021: 53.0%) of the overall sales amount. Gross margin of fixed price jewellery products remained roughly flattish at 25.4% (2021: 25.8%). Its gross profit, as a result, increased by 16.4% to HK\$1,258,395,000 (2021: HK\$1,080,964,000), accounting for 56.2% (2021: 56.9%) of the overall gross profit.

During the Year under review, the overall SSSG of the Group has a turnaround to a positive growth of +45.4% (2021: -39.9%). SSSG for the Hong Kong and Macau market was +42.0% (2021: -47.1%) and +40.1% (2021: -4.7%) for the Mainland market. SSSG for gold and platinum products was +51.5% (2021: -31.9%) and +33.8% (2021: -50.7%) for fixed price jewellery products.

The Group has been striving to diversify its product mix to offer customers with more choices and has been engaging in the mid- to high-end watch business since 2010. As at 31 March 2022, 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\$71,702,000 (2021: HK\$43,429,000), accounting for 0.6% (2021: 0.5%) of the Group's total revenue.

## BUSINESS REVIEW

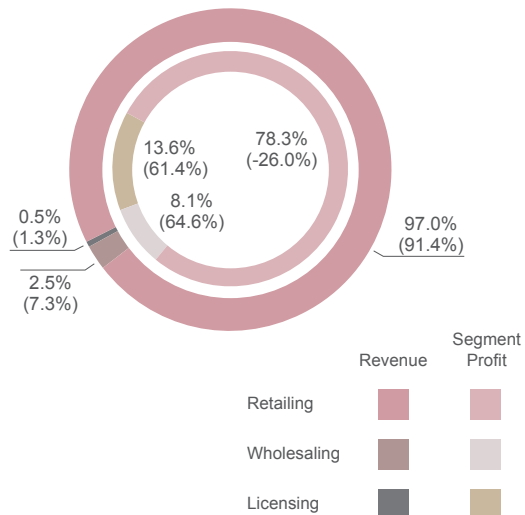
### Revenue and Segment Profit by Market



By Market HK\$M	Revenue	Segment Profit	Segment Profit Margin
Hong Kong, Macau & Overseas <i>Y-o-Y Changes</i>	5,032 +41.7%	187 +148.9%	3.7% +1.6p.p.
Mainland <i>Y-o-Y Changes</i>	6,706 +26.3%	1,563 +25.2%	23.3% -0.2p.p.

Remarks: Comparative figures for FY2021 are shown in brackets

## Hong Kong, Macau and Overseas



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	4,881	147	3.0%
<i>Y-o-Y Changes</i>	+50.4%	+848.4%	+3.6p.p.
Wholesaling	127	15	12.0%
<i>Y-o-Y Changes</i>	-51.2%	-68.6%	-6.6p.p.
Licensing	24	25	104.0%
<i>Y-o-Y Changes</i>	-46.7%	-45.1%	+3.2p.p.
Overall	5,032	187	3.7%
<i>Y-o-Y Changes</i>	+41.7%	+148.9%	+1.6p.p.
Adjusted Wholesaling	1,311 <sup>1</sup>	15	1.2%
<i>Y-o-Y Changes</i>	+37.4%	-68.6%	-3.9p.p.

Remarks: Comparative figures for FY2021 are shown in brackets

<sup>1</sup> 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 February 2022, visitor arrivals from Mainland in 2021 decreased by 97.6% year-on-year to approximately 66,000. According to the statistics on visitor arrivals to Hong Kong published in April 2022, Mainland visitors from January to March 2022 decreased by 25.9% year-on-year to approximately 9,000. Due to sound pandemic control for most of the year and benefiting from the Consumption Voucher Scheme launched by the government, local consumption atmosphere gradually recovered. As a result, the Group's retail revenue in the Hong Kong increased by 27.6% to HK\$2,684,577,000 (2021: HK\$2,103,657,000) during the Year under review. As at 31 March 2022, the Group operated a total of 44 self-operated shops (2021: 47 shops) in Hong Kong.

### ***Macau***

According to the market figures released by the Macao Government Tourism Office, Mainland visitor arrivals to Macau in 2021 increased by 48.2% over last year to 7 million and per capita spending of Mainland visitors increased by 44.7% year-on-year in 2021. The number of Mainland visitor arrivals to Macau from January to March 2022 increased by 9.9% year-on-year. Under the low base effect, the Group's revenue generated from Macau increased substantially by 85.8% to HK\$1,734,715,000 (2021: HK\$933,455,000) during the Year under review. As at 31 March 2022, the Group had a total of 15 self-operated shops (2021: 13 shops) in Macau.

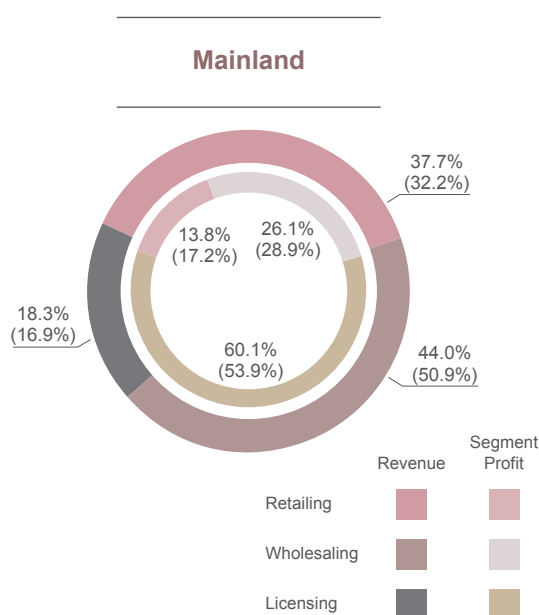
### ***Overseas***

As at 31 March 2022, the Group operated a total of 14 overseas shops (2021: 12 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 2 licensed shops, 2 licensed shops and 1 licensed shop in Cambodia, the Philippines and Laos respectively.

During the Year under review, retail revenue from the Hong Kong, Macau and overseas markets increased by 50.4% to HK\$4,880,879,000 (2021: HK\$3,245,173,000), accounting for 41.6% (2021: 36.6%) of the Group's total revenue. Its segment profit turned around from a loss to a profit of HK\$146,299,000 (2021: loss of HK\$19,547,000), which accounted for 8.4% (2021: -1.5%) of the total. Its segment profit margin was 3.0% (2021: -0.6%). However, its wholesale business revenue decreased by 51.2% to HK\$126,955,000 (2021: HK\$260,135,000) as there was no sale of gold raw material this year, accounting for 1.1% (2021: 2.9%) of the Group's total revenue. Its segment profit decreased by 68.6% to HK\$15,204,000 (2021: HK\$48,489,000), accounting for 0.9% (2021: 3.7%) of the total, while its segment profit margin was 12.0% (2021: 18.6%). 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 1.2% (2021: 5.1%). Apart from that, Hong Kong licensing income decreased by 46.7% to HK\$24,358,000 (2021: HK\$45,726,000) due to shift of certain consultancy services to Mainland, accounting for 0.2% (2021: 0.5%) of the Group's total revenue. Its segment profit was HK\$25,333,000 (2021: HK\$46,110,000), accounting for 1.4% (2021: 3.5%) of the total, and its segment profit margin was 104.0% (2021: 100.8%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets increased by 41.7% to HK\$5,032,192,000 (2021: HK\$3,551,034,000) during the Year under review, accounting for 42.9% (2021: 40.1%) of the Group's total revenue. Its segment profit increased by 148.9% to HK\$186,836,000 (2021: HK\$75,052,000), accounting for 10.7% (2021: 5.7%) of the total, while its segment profit margin was 3.7% (2021: 2.1%).

The SSSG for gold and platinum products in the Hong Kong, Macau and overseas markets was +47.4% (2021: -34.2%) and +40.8% (2021: -55.7%) for fixed price jewellery products.



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	2,527	215	8.5%
<i>Y-o-Y Changes</i>	+47.9%	+0.1%	-4.1p.p.
Wholesaling	2,950	409	13.9%
<i>Y-o-Y Changes</i>	+9.2%	+13.3%	+0.6p.p.
Licensing	1,229	939	76.4%
<i>Y-o-Y Changes</i>	+36.5%	+39.6%	+1.7p.p.
Overall	6,706	1,563	23.3%
<i>Y-o-Y Changes</i>	+26.3%	+25.2%	-0.2p.p.
Adjusted Wholesaling	3,068 <sup>1</sup>	409	13.3%
<i>Y-o-Y Changes</i>	-0.4%	+13.3%	+1.6p.p.

Remarks: Comparative figures for FY2021 are shown in brackets

<sup>1</sup> Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue

## ***Mainland***

During the Year under review, with sound pandemic control for most of the year and strong gold sales, retail revenue of the Mainland market increased significantly by 47.9% to HK\$2,527,026,000 (2021: HK\$1,708,144,000), accounting for 21.5% (2021: 19.3%) of the Group's total revenue. However, as gross margin of gold products declined to a more normal level, its segment profit remained basically flattish at HK\$215,469,000 (2021: HK\$215,239,000), accounting for 12.3% (2021: 16.3%) of the total. Its segment profit margin was 8.5% (2021: 12.6%). The SSSG for gold and platinum products in Mainland was +61.2% (2021: -2.1%) and -4.3% (2021: -9.4%) for fixed price jewellery products.

Despite the increase in the number of licensed shops, with poor retail sales of diamond products, revenue of the wholesale business in the Mainland market, which was mainly sales of diamond products, rose by 9.2% only to HK\$2,949,765,000 (2021: HK\$2,701,692,000), which accounted for 25.1% (2021: 30.5%) of the Group's total revenue. Its segment profit increased by 13.3% to HK\$408,472,000 (2021: HK\$360,405,000), accounting for 23.3% (2021: 27.2%) of the total. Its segment profit margin was 13.9% (2021: 13.3%). 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 13.3% (2021: 11.7%).

Licensing income in the Mainland market rose by 36.5% to HK\$1,228,820,000 (2021: HK\$900,465,000) as a result of the increase in the number of licensed shops, accounting for 10.5% (2021: 10.2%) of the Group's total revenue. Its segment profit increased by 39.6% to HK\$939,102,000 (2021: HK\$672,573,000), accounting for 53.7% (2021: 50.8%) of the total, and its segment profit margin was 76.4% (2021: 74.7%).

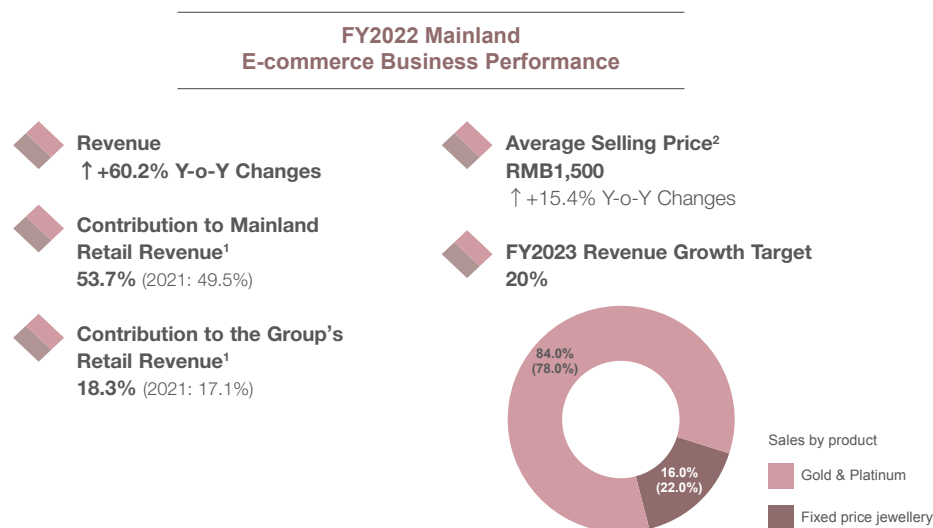
To meet the customer needs of different profiles, the Group actively created different sub-brands and product lines. The Group has developed the popular product collections of "Goldstyle", which was well known for pioneering exquisite techniques, and "Dear Q", which featured creative and playful ideas, into independent shops since May 2019. During the Year under review, the Group also newly added shops of "Lukfook Joaillerie", which were targeting at high-end market, and "Heirloom Fortune", which were famous for traditional craftsmanship. Therefore, during the Year under review, the Group operated a total of 84 "Goldstyle" shops, 1 "Dear Q" shop, 2 "Lukfook Joaillerie" shops and 3 "Heirloom Fortune" shops in Mainland. Apart from that, the Group added a net total of 434 "Lukfook" licensed shops (2021: 257 shops), while the number of "Lukfook" self-operated shops remained unchanged (2021: net reduction of 33 shops). Details are as follows:

## Mainland Distribution Network

Shop number of different brands		31 March 2022	31 March 2021	Changes
“Lukfook”	Self-operated	77	77	0
	Licensed	2,569	2,135	+434
	Sub-total	2,646	2,212	+434
“Goldstyle”	Self-operated	5	8	-3
	Licensed	79	72	+7
	Sub-total	84	80	+4
“Dear Q”	Self-operated	1	2	-1
“Lukfook Joaillerie”	Licensed	2	0	+2
“Heirloom Fortune”	Licensed	3	0	+3
Total	Self-operated	83	87	-4
	Licensed	2,653	2,207	+446
	<b>Total</b>	<b>2,736</b>	<b>2,294</b>	<b>+442</b>

As at 31 March 2022, the Group had a total of 2,736 shops (2021: 2,294 shops), including 2,646 “Lukfook” shops (2021: 2,212 shops), 84 “Goldstyle” shops (2021: 80 shops) which comprised 79 licensed shops (2021: 72 shops) and 5 self-operated shops (2021: 8 shops), 1 “Dear Q” individual self-operated shop (2021: 2 shops), 2 “Lukfook Joaillerie” shops (2021: Nil) and 3 “Heirloom Fortune” shops (2021: Nil) in Mainland.

During the Year under review, the overall same store sales growth of “Lukfook” licensed shops in Mainland was +15.7% (2021: +8.0%), while the same store sales growth for its gold and fixed price jewellery products was +31.7% (2021: +11.9%) and -5.8% (2021: +1.5%) respectively.



Remarks: Figures for FY2021 are shown in brackets

<sup>1</sup> Sales of self-operated shops and e-commerce business

<sup>2</sup> ASP included value-added tax (VAT)

Revenue of e-commerce business from Mainland increased by 60.2% to HK\$1,355,791,000 (2021: HK\$846,112,000) during the Year under review, accounting for 53.7% (2021: 49.5%) of the retail revenue in Mainland. Sales of gold and platinum products accounted for 84.0% (2021: 78.0%) of its sales mix while sales of fixed price jewellery products accounted for 16.0% (2021: 22.0%).

Overall speaking, during the Year under review, revenue from the Mainland market increased by 26.3% to HK\$6,705,611,000 (2021: HK\$5,310,301,000), accounting for 57.1% (2021: 59.9%) of the Group's total revenue. Its segment profit increased by 25.2% to HK\$1,563,043,000 (2021: HK\$1,248,217,000), accounting for 89.3% (2021: 94.3%) of the total, and its segment profit margin was 23.3% (2021: 23.5%).

## Financial Impact in relation to Investments and Operating Activities in HKRH<sup>#</sup> & Its Subsidiaries

Gains/(Losses)			
HK\$M	FY2022	FY2021	Y-o-Y Changes
50% Share of Loss of Associate	(24)	(22)	(2)
Reversal of Impairment Provision on Amount Due From HKRH	7	–	7
Wholesale Gross Profit	1	–	1
Fair Value Loss on Provision for a Financial Guarantee Contract	(17)	(20)	3
Interest Income on Working Capital Loan	2	4	(2)
<b>Total</b>	<b>(31)</b>	<b>(38)</b>	<b>7</b>

During the Year under review, the total losses in relation to investments and operating activities in HKRH & its subsidiaries slightly narrowed to HK\$31,000,000 (2021: loss of HK\$38,000,000).

<sup>#</sup> 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 2022, the Group’s cash and bank balances amounted to HK\$3,492,000,000 (2021: HK\$3,546,000,000). Net cash was HK\$1,537,000,000 (2021: net cash was HK\$2,457,000,000). The debt-to-equity ratio was 34.3% (2021: 28.1%), being the ratio of total liabilities of HK\$4,142,000,000 (2021: HK\$3,188,000,000) against total shareholders’ equity of HK\$12,079,000,000 (2021: HK\$11,325,000,000). As at 31 March 2022, the Group’s banking facilities amounted to approximately HK\$4.2 billion (2021: HK\$4.3 billion), of which HK\$2.0 billion (2021: HK\$1.1 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	
	FY2022	Y-o-Y Changes	FY2022	Y-o-Y Changes
Gold	251	-93	282	-69
Fixed price jewellery	478	-66	513	-14
<b>Overall</b>	<b>356</b>	<b>-95</b>	<b>388</b>	<b>-56</b>

As at 31 March 2022, the Group's inventory increased by 19.8% to HK\$8,769,000,000 (2021: HK\$7,322,000,000). As the retail sales grew significantly, the average inventory turnover days declined to 356 days (2021: 451 days) with the average inventory turnover days of gold products being 251 days (2021: 344 days) and that of fixed price jewellery products being 478 days (2021: 544 days).

The inventory turnover days calculated basing on closing inventory were 388 days (2021: 444 days) with the closing inventory turnover days of gold products being 282 days (2021: 351 days) and that of fixed price jewellery products being 513 days (2021: 527 days).

## Capital Expenditure

During the Year under review, the Group's capital expenditures amounted to approximately HK\$558,000,000 (2021: HK\$243,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipment.

## Capital Commitments

As at 31 March 2022, the Group's total capital commitments amounted to HK\$23,000,000 (2021: HK\$37,000,000).

## Contingent Liabilities and Guarantee

As at 31 March 2022, the Group had corporate financial guarantee amounting to HK\$1,075,000,000 (2021: 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 2022, the banking facilities utilised by the associate were HK\$1,564,000,000 (2021: HK\$1,486,000,000).

As at 31 March 2022, a loss allowance amounted to approximately HK\$37,000,000 estimated under the expected credit loss model in respect of such corporate financial guarantee of the Group was recognised (2021: HK\$20,000,000).

As at 31 March 2022 and 2021, save as disclosed above, the Group had no significant contingent liabilities.



## **Human Capital Policy**

As at 31 March 2022, the number of employees of the Group was 6,000 (2021: 5,900). 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.

## **BRAND PROMOTION**

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 comprehensive marketing strategies, and launched diversified product offerings with exquisite designs, together with meticulous services to seize the development opportunities in the middle-class, wedding and kids markets.

The Group has been staying innovative and keeping pace with the market to adopt different promotion approaches to enhance brand image and strive for continuous innovation and changes. We capitalised on different promotional channels and captured the rapid growth of online marketing by placing advertisements on major social media platforms and search engines. To celebrate the Group's 30th anniversary, the Group held a lucky draw to give away more than 66 taels of gold and launched an online game in Hong Kong, so as to share the joy with the public. The Group also organised gold bar lucky draw on major social media platforms in Mainland, which has recorded over 300 million engagements that effectively enhanced brand visibility and created hot topics. Besides, the Group held the "Love for More, Bling for More" new product launch event and invited Mr. Li Yi Feng, Lukfook Jewellery's global brand ambassador, to show up and interact with audience. The live streaming of the event recorded over 12 million views, raising brand awareness among young consumers. The Group also kept up with the times to leverage the latest technologies by bringing the glasses-free 3D screen to various cities and holding "Love is Beauty 3D Blinging Box" roadshows. The vivid three-dimensional effect attracted a large crowd to take photos. During the Chinese New Year, the Group also invited Chinese table tennis player, Xu Xin, to be the "Chief Fortune Officer of Lukfook Jewellery", and hosted the live-streaming event, which recorded 5 million views and nearly 100 million views on the related topics, and realised rapid traffic growth and improved interactions with customers, greatly enhancing brand penetration.

In addition, in light of customers' demand for new products, we introduced the "New 365" concept to feature the launch of a new product every day, and endeavoured to design and provide more diversified products to cater for the needs of different markets. Riding on the wave of e-sports and animation comics booms in recent years, the Group has created the "King Pro League" champion rings for ten consecutive seasons and has continued to craft the jadeite-set phoenix medals for the "Honour of Kings World Champion Cup", thus stepping up brand publicity and enhancing our brand penetration into the market of younger generation.



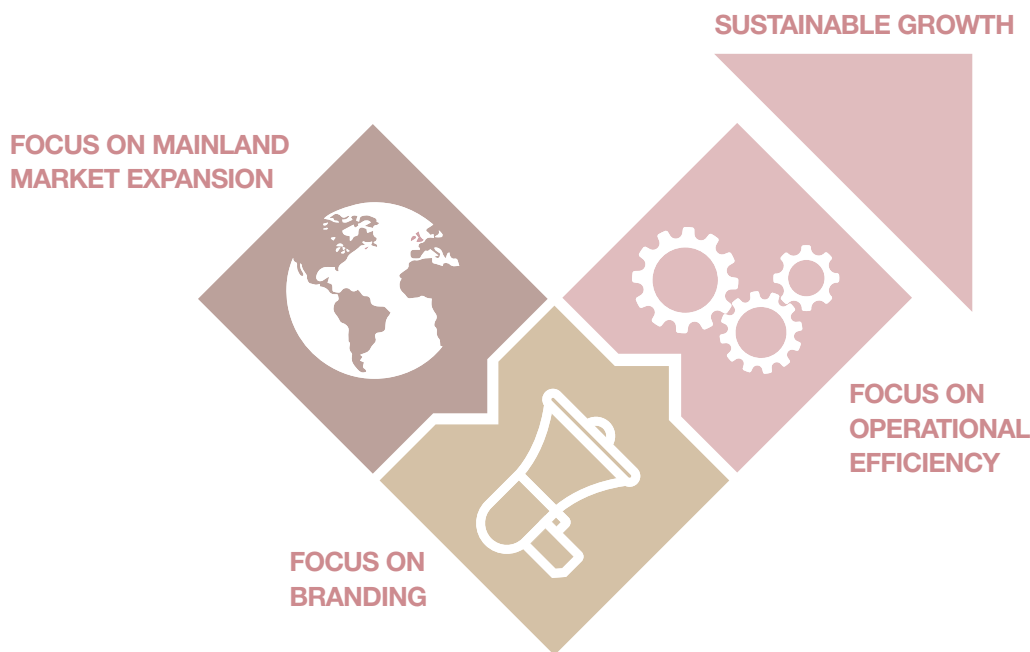
The Group's tireless efforts in escalating brand influence and spreading brand value have been recognised with numerous awards from the industry and market for our outstanding achievements in branding, corporate governance, customer service, community welfare and environmental protection.

## **OUTLOOK**

During the Year under review, due to the low base effect, the same store sales of the Group had a turnaround to a positive growth. However, with the resurgence of the pandemic in Hong Kong and Mainland in February and March 2022, respectively, the Group's overall same store sales from March to April 2022 recorded a decline again. Nevertheless, with the improving pandemic control and the help of a new round of consumption vouchers, the Group recorded a satisfactory sales performance in the Hong Kong market since April 2022. As a result, the same store sales growth of Hong Kong and Macau market recorded a slight growth from 1 April to 21 June 2022, while the overall same store sales of the Mainland market, including both self-operated and licensed shops, recorded a decrease of around 15% for the same period. In addition, the Group's overall SSSG turned around to a positive growth again in May 2022.

Moreover, subject to the pandemic development, with further expansion of our retail network and the progressive relaxation of the lockdown measures in Mainland and the government's commitment to implementing economic push measures and consumption encouragement policies, we target to achieve a double-digit growth in revenue in the coming year and look forward to reaching record high profit in 3 years.

The Group has set up its brand new three-year corporate strategy with Mainland Market Expansion, Branding and Operational Efficiency as its three main focuses so as to foster its future business growth.



### **Mainland Market Expansion**

As the Mainland government continuously launches measures to stabilise economic growth, with a particular focus on policies to promote consumption and investment growth, the Group remains optimistic about the mid- to long-term business prospects. Accordingly, the Group will still focus its expansion in the Mainland market, particularly the markets in fourth- and fifth-tier cities.

In the upcoming year, the target for net addition of “Lukfook” shops in Mainland will be at around 500 shops annually, mainly focusing on opening licensed shops in fourth- and fifth-tier cities, while the target for net addition of new brands’ stores in Mainland is nearly 50 shops, which will also be mainly licensed shops. In addition, the Group is also 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 to sustain the growth in e-commerce revenue at a target of 20% sales growth of e-commerce business in the upcoming year. In light of the enormous spending potential of young consumers on online sales platforms, the Group will continue its endeavours to promote the sales of affordable luxury jewellery products to expand its footprint in the young consumer market.

## **Branding**

The Group will further strengthen its brand image and positioning through leveraging of innovative approaches and making use of various media. Apart from that, the Group will also enhance its product quality assurance, optimise service quality, improve support for licensees and offer products that meet market needs.

Moreover, the Group will adopt holistic approach to seize the development opportunities in the middle-class, wedding and kids markets 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 allocate more resources on various online media and APPs to reach out to target customers and catch up with online marketing trends, including RED, Tiktok, Bilibili and e-sports.

Besides, we will also explore the enhancement of offline shopping experience and possibility of cross-over collaboration with other industries or brands to further enhance synergy between online and offline sales channels.

The Group also recognises the importance of environmental protection and climate change and the increasing awareness of environmental protection among stakeholders, including consumers, and the demand for products, and thus the Group will set up a long-term goal of carbon neutrality and will implement measures to reduce the carbon footprint of its products to enhance the Group's contribution to environmental protection.

## **Operational Efficiency**

In order to enhance its competitive edge, the Group will improve its operational efficiency by revamping its supply chain management, implementing full automation, big data management, and data analytics system. The Group will also strive to maximise employees' productivity by cultivating and nurturing cultures of continuous improvement and innovation.

## **FINAL DIVIDEND**

The directors proposed the final dividend of HK\$0.55 each per ordinary share for the year ended 31 March 2022 (2021: final and special dividends of HK\$0.50 each per ordinary share, totalling HK\$1.00 per ordinary share) to shareholders whose names appear on the register of members of the Company on 24 August 2022. Taking into account of the interim dividend paid, the total dividend for the year would amount to HK\$1.1 per ordinary share, totalling HK\$645,818,000 for the year (2021: HK\$1.50 per ordinary share, totalling HK\$880,662,000). Subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on 18 August 2022, the final dividend will be paid on or around 7 September 2022.

## **CLOSURE OF REGISTER OF MEMBER**

The register of members of the Company for the AGM will be closed from 15 August 2022 to 18 August 2022, 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 18 August 2022, 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 12 August 2022.

The register of members of the Company for the final dividend will also be closed on 24 August 2022 and no transfer of shares will be registered on that day. In order to qualify for the final dividend, 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 23 August 2022.

## **CORPORATE GOVERNANCE**

The Board and management of the Company are committed to maintaining good corporate governance practices and procedures. The corporate governance principles of the Company place emphasis on a quality Board, sound risk management and internal controls as well as transparency and accountability to all shareholders. During the Year under review, the Company has adopted the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (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”), except for the following deviation:

Code Provision C.2.1 of the Corporate Governance Code (Code Provision A.2.1 of the former 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.

With the business growth 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 in the Mainland market 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 assistance of the 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 as set out in Appendix 10 to the Listing Rules (the “Model Code”) as a code of conduct regarding directors’ securities transactions. Having made specific enquiries of all directors, the Company confirmed that all directors have complied with the required standard 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 2022.

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 2022 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 2021/22**

This annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the “HKEx”) ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([lukfook.com](http://lukfook.com)). The Annual Report 2021/22 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 & Chief Executive Officer*

Hong Kong, 28 June 2022

*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.*