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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 2020

HIGHLIGHTS

- Revenue of the year decreased by 29.2% to approximately HK\$11.2 billion
- SSSG¹ for the Hong Kong SAR² and Macau SAR³ market and the Mainland China⁴ market was -33.3% and -20.2% respectively
- Operating profit decreased by 37.6% to approximately HK\$1.2 billion, while profit attributable to equity holders decreased by 42.0% to approximately HK\$866 million
- A final dividend of HK\$0.50 per share was proposed, with annual dividend of HK\$1.00 per share and dividend payout ratio is 67.8%
- As at 31 March 2020, the Group had a global network of 2,120 shops, a net growth of 287 shops

FINANCIAL PERFORMANCE

| | 2020 HK\$'000 | 2019 HK\$'000 | Y-o-Y Change |
|---------------------------------------|------------------|------------------|-----------------|
| Revenue | 11,233,771 | 15,859,990 | -29.2% |
| Gross Profit | 3,323,020 | 4,033,836 | -17.6% |
| Operating Profit | 1,155,766 | 1,853,042 | -37.6% |
| Profit for the year | 867,652 | 1,503,655 | -42.3% |
| Profit Attributable to Equity Holders | 866,315 | 1,492,747 | -42.0% |
| Basic Earnings per Share | HK\$1.48 | HK\$2.54 | -41.7% |
| Final Dividend per Share | HK\$0.50 | HK\$0.60 | -16.7% |
| Annual Dividend per Share | HK\$1.00 | HK\$1.15 | -13.0% |
| Gross Margin | 29.6% | 25.4% | +4.2p.p. |
| Operating Margin | 10.3% | 11.7% | -1.4p.p. |
| Net Margin | 7.7% | 9.5% | -1.8p.p. |
| EBITDA ^{5, 6} | 1,241,291 | 1,937,010 | -35.9% |

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 Upon adoption of HKFRS 16, operating lease rental of premises under HKAS 17 is no longer incurred. Instead, depreciation of right-of-use assets and finance costs associated with lease liabilities are recorded, both of which are not adjusted in the calculation of EBITDA for the year ended 31 March 2020.

6 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 2020 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

| | Note | 2020 HK\$'000 | 2019 HK\$'000 |
|--|------|-------------------------|---------------------|
| Revenue | 4 | 11,233,771 | 15,859,990 |
| Cost of sales | | <u>(7,910,751)</u> | <u>(11,826,154)</u> |
| Gross profit | | 3,323,020 | 4,033,836 |
| Other income | 6 | 130,130 | 278,197 |
| Other losses, net | 7 | (197,482) | (16,345) |
| Selling and distribution costs | | (1,945,100) | (2,231,871) |
| Administrative expenses | | (173,152) | (184,898) |
| Net reversal of impairment loss/ (net impairment loss) on financial assets | | <u>18,350</u> | <u>(25,877)</u> |
| Operating profit | 5 | <u>1,155,766</u> | <u>1,853,042</u> |
| Finance income | | 45,450 | 30,053 |
| Finance costs | | <u>(63,075)</u> | <u>(34,253)</u> |
| Finance costs, net | | <u>(17,625)</u> | <u>(4,200)</u> |
| Share of results of associates | 11 | <u>(47,080)</u> | <u>(42,479)</u> |
| Profit before income tax | | 1,091,061 | 1,806,363 |
| Income tax expenses | 8 | <u>(223,409)</u> | <u>(302,708)</u> |
| Profit for the year | | <u>867,652</u> | <u>1,503,655</u> |
| Profit attributable to: | | | |
| Equity holders of the Company | | 866,315 | 1,492,747 |
| Non-controlling interests | | <u>1,337</u> | <u>10,908</u> |
| | | <u>867,652</u> | <u>1,503,655</u> |
| Earnings per share for profit attributable to equity holders of the Company during the year | | | |
| Basic and diluted | 9 | <u>HK\$1.48</u> | <u>HK\$2.54</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

| | 2020 | 2019 |
|--|------------------------|-----------------|
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the year | 867,652 | 1,503,655 |
| Other comprehensive income: | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | |
| Currency translation differences: | | |
| – Group | (338,587) | (300,872) |
| – Associates | (5,510) | (11,835) |
| <i>Items that will not be subsequently reclassified to profit or loss</i> | | |
| Revaluation of financial assets at fair value through other comprehensive income | (769) | (2,941) |
| Remeasurements of employee benefit obligations | 558 | (1,767) |
| Other comprehensive income for the year, net of tax | (344,308) | (317,415) |
| Total comprehensive income for the year | 523,344 | 1,186,240 |
| Attributable to: | | |
| – Equity holders of the Company | 524,733 | 1,178,322 |
| – Non-controlling interests | (1,389) | 7,918 |
| | 523,344 | 1,186,240 |

CONSOLIDATED BALANCE SHEET

As at 31 March 2020

| | | As at 31 March | |
|--|------|--------------------------|--------------------------|
| | Note | 2020 HK\$'000 | 2019 HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 841,004 | 951,782 |
| Land use rights | | – | 483,131 |
| Investment properties | | 791,617 | 311,716 |
| Right-of-use assets | | 919,706 | – |
| Interests in associates | 11 | 60,689 | 13,279 |
| Loan to an associate | | – | 99,208 |
| Financial assets at fair value through other comprehensive income | | 2,365 | 3,134 |
| Trading licence | | 1,080 | 1,080 |
| Non-current deposits and prepayments | | 156,284 | 105,101 |
| Deferred income tax assets | | 71,839 | 54,643 |
| | | <u>2,844,584</u> | <u>2,023,074</u> |
| Current assets | | | |
| Inventories | | 7,533,146 | 9,321,522 |
| Right of return assets | | 93,383 | 85,897 |
| Trade receivables | 12 | 231,309 | 362,675 |
| Deposits, prepayments and other receivables | | 447,443 | 474,014 |
| Amount due from an associate | 11 | 1,372 | 3,078 |
| Derivative financial instruments | | – | 56,219 |
| Income tax recoverable | | 59,578 | 10,571 |
| Cash and bank balances | | 2,714,233 | 2,086,522 |
| | | <u>11,080,464</u> | <u>12,400,498</u> |
| Total assets | | <u>13,925,048</u> | <u>14,423,572</u> |

| | | As at 31 March | |
|---|-------------|-----------------------|-------------------|
| | | 2020 | 2019 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| 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 | | 7,818,955 | 7,964,520 |
| | | <u>10,371,705</u> | <u>10,517,270</u> |
| Non-controlling interests | | 40,406 | 45,646 |
| | | <u>10,412,111</u> | <u>10,562,916</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 146,837 | 133,690 |
| Lease liabilities | | 283,661 | – |
| Employee benefit obligations | | 9,618 | 10,823 |
| | | <u>440,116</u> | <u>144,513</u> |
| Current liabilities | | | |
| Trade payables, other payables and accruals | 13 | 707,861 | 975,840 |
| Contract liabilities | | 97,692 | 122,502 |
| Derivative financial instrument | | 22 | 3,929 |
| Lease liabilities | | 469,394 | – |
| Sales refund liabilities | | 173,221 | 155,768 |
| Amount due to an associate | 11 | 20 | 2,715 |
| Bank borrowings | | 1,126,072 | 1,855,224 |
| Gold loans | | 386,739 | 450,889 |
| Current income tax liabilities | | 111,800 | 149,276 |
| | | <u>3,072,821</u> | <u>3,716,143</u> |
| Total liabilities | | <u>3,512,937</u> | <u>3,860,656</u> |
| Total equity and liabilities | | <u>13,925,048</u> | <u>14,423,572</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 that certain financial assets, financial assets at fair value through other comprehensive income, gold loans and financial liabilities (including derivative financial instruments) are carried at fair values.

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 standards, amendments to existing standards and interpretation that are effective for the first time for the financial year beginning 1 April 2019 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 2019:

| | |
|---|--|
| Amendments to Annual Improvements Project | Annual improvements 2015-2017 cycle |
| Amendments to HKFRS 9 | Prepayment features with negative compensation |
| Amendments to HKAS 19 | Plan amendment, curtailment or settlement |
| Amendments to HKAS 28 | Long-term interests in associates and joint ventures |
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over income tax treatments |

Except as disclosed in Note 3 for the adoption of HKFRS 16 “Leases” (“HKFRS 16”), the adoption of the above new interpretation and amendments to existing standards do not have a material impact on the consolidated financial statements of the Group.

- (b) Certain new standards, interpretations and amendments to existing standards relevant to the Group have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2020, which the Group has not early adopted, are as follows:

| | |
|---|--|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material ⁽¹⁾ |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Hedge accounting ⁽¹⁾ |
| Amendments to HKFRS 3 | Definition of a business ⁽¹⁾ |
| Conceptual Framework for Financial Reporting 2018 | Revised conceptual framework for financial reporting ⁽¹⁾ |
| HKFRS 17 | Insurance contracts ⁽²⁾ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture ⁽³⁾ |

⁽¹⁾ Effective for annual period beginning on or after 1 January 2020

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

⁽³⁾ Effective date to be announced by HKICPA

The above new standards, interpretations and amendments to existing standards are not expected to have a material impact on the consolidated financial statements of the Group. The Group will adopt the new standards, interpretations and amendments to existing standards when they become effective.

- (c) Early adoption of amendment to standard during the year ended 31 March 2020 where early adoption is permitted is as follows:

HKFRS 16 (Amendment), "COVID-19 Related Rent Concessions" (effective for annual periods beginning on or after 1 April 2020). The amendment provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying HKFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification.

3 CHANGE IN ACCOUNTING POLICIES

Below explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from 1 April 2019 where they are different to those applied in prior period.

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard using a modified retrospective approach. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognised in the opening consolidated balance sheet as at 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.14%.

Set out below is a reconciliation of the operating lease commitments disclosed at 31 March 2019 to lease liabilities recognised on 1 April 2019:

| | <i>HK\$'000</i> |
|---|-----------------------|
| Operating lease commitments disclosed as at 31 March 2019 | 817,010 |
| Less: Short-term leases to be recognised on a straight-line basis as expense | <u>(87,382)</u> |
| | 729,628 |
| Effect of discounting at incremental borrowing rate at the date of initial adoption | <u>(14,373)</u> |
| Lease liabilities recognised upon initial adoption of HKFRS 16 | <u><u>715,255</u></u> |
| Representing: | |
| Current lease liabilities | 358,126 |
| Non-current lease liabilities | <u>357,129</u> |
| | <u><u>715,255</u></u> |

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. In addition, land use rights previously presented as a separate item and certain property, plant and equipment on the consolidated balance sheet are grouped as part of right-of-use assets with effect from 1 April 2019.

The recognised right-of-use assets relate to the following types of assets:

| | As at 31 March 2020 HK\$'000 | As at 1 April 2019 HK\$'000 |
|-----------------------------|---|--|
| Land use rights in Mainland | 244,442 | 483,131 |
| Properties leases | <u>675,264</u> | <u>696,336</u> |
| Total right-of use assets | <u><u>919,706</u></u> | <u><u>1,179,467</u></u> |

Adjustments recognised on adoption of HKFRS 16

The change in accounting policy affected the following items in the consolidated balance sheet on 1 April 2019:

| Consolidated balance sheet (Extract) | 31 March 2019 as originally presented HK\$'000 | Effects of the adoption of HKFRS 16 HK\$'000 | 1 April 2019 Restated HK\$'000 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | – | 1,179,467 | 1,179,467 |
| Property, plant and equipment | 951,782 | (2,714) | 949,068 |
| Land use rights | 483,131 | (483,131) | – |
| Deferred income tax assets | 54,643 | 4,029 | 58,672 |
| Current assets | | | |
| Deposits, prepayments and other receivables | 474,014 | (12,331) | 461,683 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | – | 357,129 | 357,129 |
| Current liabilities | | | |
| Lease liabilities | – | 358,126 | 358,126 |
| Trade payables, other payables and accruals | 975,840 | (5,456) | 970,384 |
| EQUITY | | | |
| Retained earnings | <u>7,964,520</u> | <u>(24,479)</u> | <u>7,940,041</u> |

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”.

Investment property

Under HKFRS 16, the Group is required to account for properties that are held to earn rental income and/or for capital appreciation as investment properties. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its investment properties that were held for investment purposes as at 31 March 2019. Consequentially, the investment properties continue to be carried at cost.

Lessor accounting

In addition to leasing out the investment property referred to in paragraph above, the Group leases out certain of its leasehold buildings and sub-leases certain of its leased premise under operating lease arrangements. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17. Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. Under the sub-lease agreement, sub-leases of the Group are classified as the operating lease by reference to the head lease, thus the adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

4 SEGMENT INFORMATION

The chief operating decision-makers (“CODM”) have been identified as the executive directors and senior management collectively. The CODM review 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 consider 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 assess 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 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 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 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 |
| | 6,099,642 | 1,739,860 | 100,148 | 2,493,350 | – | – | 10,433,000 |
| 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 |
| Total | 6,226,524 | 1,749,487 | 1,760,854 | 3,006,623 | 800,771 | (2,310,488) | 11,233,771 |
| Results of reportable segments | 253,864 | 172,052 | 63,374 | 246,231 | 563,951 | – | 1,299,472 |
| 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 interests | | | | | | | (1,337) |
| Profit attributable to equity holders of the Company | | | | | | | 866,315 |

| | Year ended 31 March 2020 | | | | | | | 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 | (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) | | |
| 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 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 | 5,489,209 | 1,553,067 | 653,756 | 2,549,080 | 1,317,452 | – | 11,562,564 |
| Interests in associates | – | – | – | – | – | 60,689 | 60,689 |
| 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) |

Year ended 31 March 2019

| | 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 | 9,660,983 | 2,414,204 | 106,835 | 2,842,039 | – | – | 15,024,061 |
| Sales of scrap | – | – | 28,937 | – | – | – | 28,937 |
| | <u>9,660,983</u> | <u>2,414,204</u> | <u>135,772</u> | <u>2,842,039</u> | <u>–</u> | <u>–</u> | <u>15,052,998</u> |
| Inter-segment sales | 104,741 | 602 | 2,374,997 | 682,588 | – | (3,162,928) | – |
| Sales of merchandises | 9,765,724 | 2,414,806 | 2,510,769 | 3,524,627 | – | (3,162,928) | 15,052,998 |
| Revenue – over time | | | | | | | |
| Royalty and service income | – | – | – | – | 718,560 | – | 718,560 |
| Consultancy fee income | – | – | – | – | 88,432 | – | 88,432 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>806,992</u> | <u>(3,162,928)</u> | <u>15,859,990</u> |
| Total | <u>9,765,724</u> | <u>2,414,806</u> | <u>2,510,769</u> | <u>3,524,627</u> | <u>806,992</u> | <u>(3,162,928)</u> | <u>15,859,990</u> |
| Results of reportable segments | <u>776,769</u> | <u>164,122</u> | <u>130,993</u> | <u>274,749</u> | <u>554,192</u> | <u>–</u> | <u>1,900,825</u> |

A reconciliation of results of reportable segments to profit for the year is as follows:

| | |
|---|------------------|
| Results of reportable segments | 1,900,825 |
| Unallocated income | 74,906 |
| Unallocated expenses | (122,689) |
| Operating profit | 1,853,042 |
| Finance income | 30,053 |
| Finance costs | (34,253) |
| Share of results of associates | (42,479) |
| Profit before income tax | 1,806,363 |
| Income tax expenses | (302,708) |
| Profit for the year | 1,503,655 |
| Less: Profit attributable to non-controlling interest | (10,908) |
| Profit attributable to equity holders of the Company | <u>1,492,747</u> |

| | Year ended 31 March 2019 | | | | | | | |
|---|---|--|---|--|------------------------------|---|--------------------------------|--------------------------|
| | 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 | (41,846) | (18,835) | (3,778) | (12,635) | (6,578) | – | (28,829) | (112,501) |
| Amortisation of land use rights | – | – | – | (427) | (8,845) | – | (1,672) | (10,944) |
| Depreciation of investment properties | – | – | – | – | – | – | (3,002) | (3,002) |
| Additions of non-current assets | 29,737 | 24,937 | 1,359 | 10,311 | 14,484 | – | 852,783 | 933,611 |

| | As at 31 March 2019 | | | | | | |
|---------------------------------|---|--|---|--|------------------------------|--------------------------------|--------------------------|
| | 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 | 5,352,196 | 1,683,713 | 1,263,750 | 3,542,066 | 587,827 | – | 12,429,552 |
| Interests in associates | – | – | – | – | – | 13,279 | 13,279 |
| Land and buildings | – | – | – | – | – | 620,470 | 620,470 |
| Investment properties | – | – | – | – | – | 311,716 | 311,716 |
| Deferred income tax assets | – | – | – | – | – | 54,643 | 54,643 |
| Income tax recoverable | – | – | – | – | – | 10,571 | 10,571 |
| Other unallocated assets | – | – | – | – | – | 983,341 | 983,341 |
| Total assets | | | | | | | 14,423,572 |
| Segment liabilities | (370,099) | (52,961) | (66,092) | (206,891) | (488,507) | – | (1,184,550) |
| Deferred income tax liabilities | – | – | – | – | – | (133,690) | (133,690) |
| Current income tax liabilities | – | – | – | – | – | (149,276) | (149,276) |
| Bank borrowings | – | – | – | – | – | (1,855,224) | (1,855,224) |
| Gold loans | – | – | – | – | – | (450,889) | (450,889) |
| Other unallocated liabilities | – | – | – | – | – | (87,027) | (87,027) |
| Total liabilities | | | | | | | (3,860,656) |

The Group's revenues are mainly derived from Hong Kong customers, Mainland visitors to Hong Kong and Macau and Mainland customers. An analysis of the Group's revenue by location in which the transaction took place is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Revenue | | |
| Hong Kong | 4,442,332 | 7,633,013 |
| Mainland | 4,964,081 | 6,006,981 |
| Macau and overseas | 1,827,358 | 2,219,996 |
| | 11,233,771 | 15,859,990 |

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

| | 2020 | | | | 2019 | | | |
|---|------------------------------|-----------------------------|--|--------------------------|------------------------------|-----------------------------|--|--------------------------|
| | 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 | 603,397 | 217,756 | 19,851 | 841,004 | 688,225 | 240,887 | 22,670 | 951,782 |
| Right-of-use assets | 406,775 | 271,074 | 241,857 | 919,706 | - | - | - | - |
| Land use rights | - | - | - | - | - | 483,131 | - | 483,131 |
| Investment properties | 310,178 | 481,439 | - | 791,617 | 252,609 | 59,107 | - | 311,716 |
| Prepayments for purchase of properties | - | 48,013 | - | 48,013 | - | - | - | - |
| Trading licence | 1,080 | - | - | 1,080 | 1,080 | - | - | 1,080 |
| | <u>1,321,430</u> | <u>1,018,282</u> | <u>261,708</u> | <u>2,601,420</u> | <u>941,914</u> | <u>783,125</u> | <u>22,670</u> | <u>1,747,709</u> |

5 OPERATING PROFIT

The operating profit is stated after charging the following:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of sales (<i>Note</i>) | | |
| – cost of inventories sold | 7,684,436 | 11,588,145 |
| – cost of licensing business | 226,315 | 238,009 |
| | <u>7,910,751</u> | <u>11,826,154</u> |
| Staff costs (including the directors' emoluments) (<i>Note</i>) | 753,339 | 913,928 |
| Rental expenses in respect of | | |
| – Minimum and short term lease payments | - | 591,677 |
| – Contingent rents | - | 193,491 |
| Expenses relating to short-term leases and variable lease payments | 182,444 | - |
| Commission expenses to credit card companies | 65,841 | 103,354 |
| Depreciation of property, plant and equipment | 112,561 | 112,501 |
| Depreciation of investment properties | 20,044 | 3,002 |
| Depreciation of right-of-use assets | 484,752 | - |
| Amortisation of land use rights | - | 10,944 |
| Impairment losses on property, plant and equipment | 8,314 | - |
| Impairment losses on right-of-use assets | 56,392 | - |
| Loss on disposal of property, plant and equipment | 15,454 | 11,034 |
| Auditor's remuneration | | |
| – Audit services | 5,640 | 5,640 |
| – Non-audit services | 1,867 | 1,157 |
| | <u>7,910,751</u> | <u>11,826,154</u> |

Note:

Staff costs (including directors' emoluments) of HK\$289,599,000 (2019: HK\$376,850,000) are included in cost of sales.

6 OTHER INCOME

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Government subsidies | | |
| – Value-added tax (“VAT”) refund (<i>Note i</i>) | 23,036 | 204,811 |
| – Other subsidies (<i>Note ii</i>) | 51,076 | 48,265 |
| Rental income | 35,687 | 8,522 |
| Others | 20,331 | 16,599 |
| | <u>130,130</u> | <u>278,197</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 from a municipal government in Mainland.

7 OTHER LOSSES, NET

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Net realised (losses)/gains on derivative financial instruments (<i>Note</i>) | (37,854) | 9,844 |
| Fair value gains on convertible bond | 861 | 5,437 |
| Net realised losses on gold loans | (108,462) | (14,002) |
| Net unrealised (losses)/gains on gold loans | (4,751) | 12,532 |
| Net unrealised losses on forward exchange contracts | (22) | (3,929) |
| Net realised gains on forward exchange contracts | 6,665 | 6,707 |
| Net exchange losses | (53,919) | (32,934) |
| | <u>(197,482)</u> | <u>(16,345)</u> |

Note:

Derivative financial instruments mainly represent gold contracts and gold future contracts. These derivative financial instruments are not qualified for hedge accounting.

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Current taxation: | | |
| – Hong Kong profits tax | 19,346 | 83,601 |
| – Overseas taxation | 210,822 | 231,522 |
| – Over-provision in prior years | (6,739) | (37,862) |
| Deferred income tax | (20) | 25,447 |
| | <u>223,409</u> | <u>302,708</u> |

9 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\$866,315,000 (2019: HK\$1,492,747,000) and the weighted average number of 587,107,850 (2019: 587,107,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2020 and 2019 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

10 DIVIDENDS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 2019/20 interim dividend, paid, of HK\$0.50 (2018/19 interim dividend: HK\$0.55) per ordinary share | <u>293,554</u> | <u>322,909</u> |
| 2019/20 final dividend, proposed, of HK\$0.50 (2018/19 final dividend: HK\$0.60) per ordinary share (<i>Note</i>) | <u>293,554</u> | <u>352,265</u> |

Note:

At a meeting held on 26 June 2020, the directors recommended the payment of a final dividend of HK\$0.50 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 20 August 2020. This proposed dividend is not reflected as dividends payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 March 2021.

11 INTERESTS IN ASSOCIATES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| As at 1 April | 13,279 | 67,593 |
| Reclassified from loan to an associate (<i>Note iii</i>) | 100,000 | – |
| Share of results of associates for the year | (47,080) | (42,479) |
| Share of reserve movement of associates for the year | (5,510) | (11,835) |
| | <u>60,689</u> | <u>13,279</u> |
| As at 31 March | | |
| Amount due from an associate (<i>Note i</i>) | <u>1,372</u> | <u>3,078</u> |
| Amount due to an associate (<i>Note i</i>) | <u>(20)</u> | <u>(2,715)</u> |

- (i) Amount due from an associate of HK\$1,372,000 (2019: HK\$3,078,000) is trade in nature. Amount due from/(to) an associate are denominated in HK\$ and are unsecured, interest-free and repayable on demand. As at 31 March 2020 and 2019, amount due from/(to) an associate are aged within 0-30 days.
- (ii) The financial year of one of the associates is not conterminous with that of the Group and the financial statements used for equity accounting are for the 12 months period ended 31 December 2019. This associate uses 30 June as its financial year end, which is conformed with its holding company's reporting date.
- (iii) During the year ended 31 March 2020, having considered the financial position and future business development of an associate, 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 an associate from loan to an associate.
- (iv) The Group's associates did not have any significant capital commitments as at 31 March 2020 and 2019.

12 TRADE RECEIVABLES

The ageing of trade receivables is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| 0 – 30 days | 163,081 | 311,167 |
| 31 – 60 days | 6,138 | 34,784 |
| 61 – 90 days | 49,657 | 12,103 |
| 91 – 120 days | 8,966 | 2,214 |
| Over 120 days | 4,467 | 3,703 |
| | <u>232,309</u> | <u>363,971</u> |
| <i>Less: Allowance for impairment of trade receivables</i> | <u>(1,000)</u> | <u>(1,296)</u> |
| | <u><u>231,309</u></u> | <u><u>362,675</u></u> |

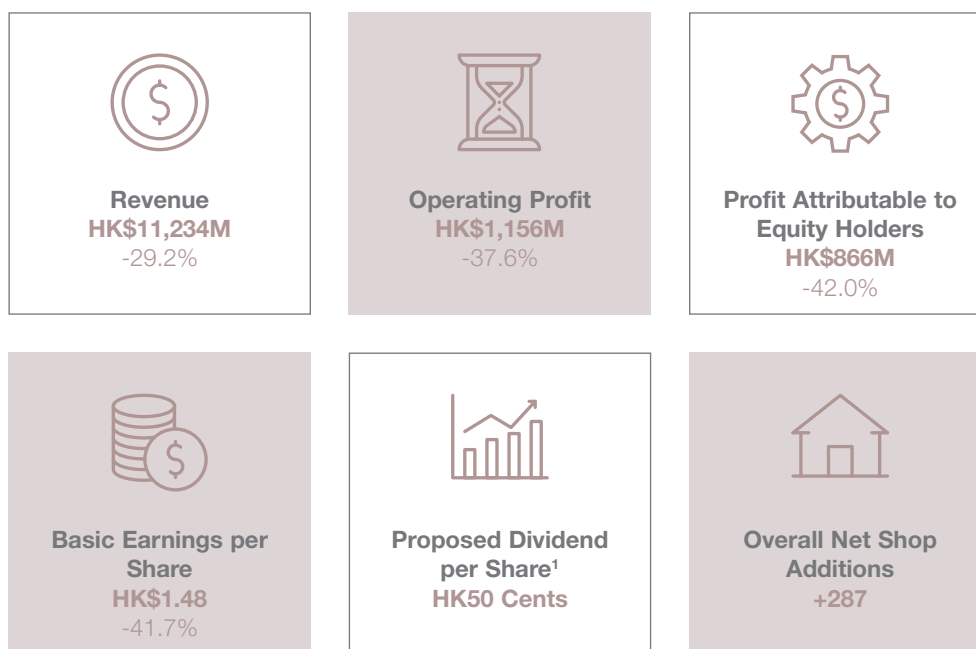
13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$98,440,000 (2019: HK\$292,456,000) and the ageing is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 – 30 days | 73,096 | 255,580 |
| 31 – 60 days | 17,201 | 25,396 |
| 61 – 90 days | 7,187 | 7,908 |
| 91 – 120 days | 617 | 2,663 |
| Over 120 days | 339 | 909 |
| | <u>98,440</u> | <u>292,456</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE



¹ Annual Dividend Payout Ratio: 67.8%

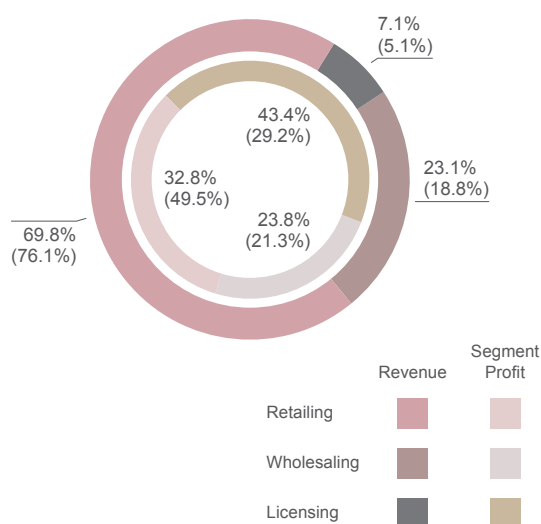
Results

With the continuing impact of US-China trade war, social incidents in Hong Kong and COVID-19 pandemic, Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded a revenue drop of 29.2% to HK\$11,233,771,000 (2019: HK\$15,859,990,000) for the year ended 31 March 2020 (the “Year under review”). Nevertheless, as the price of gold rose steadily throughout the Year under review, overall gross margin increased by 4.2 p.p. to 29.6% (2019: 25.4%). Therefore, the gross profit decreased by 17.6% only to HK\$3,323,020,000 (2019: HK\$4,033,836,000). On the other hand, total operating expenses decreased by 12.4%; its ratio to revenue thus increased by 3.7 p.p. to 18.9% (2019: 15.2%). In addition, with the decline in diamond product sales leading to reduced diamond purchases, there was significant decrease of value-added tax refund in relation to diamond import in Mainland by approximately HK\$181.8 million to HK\$23.0 million. Together with gold hedging turned from a profit of HK\$8.4 million same period last year to a loss of HK\$151.1 million this year contributed by the high gold price, operating profit therefore substantially decreased by 37.6% to HK\$1,155,766,000 (2019: HK\$1,853,042,000). Operating margin was 10.3% (2019: 11.7%). The Group’s effective tax rate increased to 20.5% (2019: 16.8%) due to the significant increase in mix of profit contribution to 70.2% (2019: 49.3%) from Mainland market which was under comparatively higher tax rate. Net profit thus further decreased by 42.3% to HK\$867,652,000 (2019: HK\$1,503,655,000), and net margin was 7.7% (2019: 9.5%). Profit attributable to equity holders decreased by 42.0% to HK\$866,315,000 (2019: HK\$1,492,747,000) and basic earnings per share thus decreased by 41.7% to HK\$1.48 (2019: HK\$2.54).

Overview

During the Year under review, the Group operated 4 brands under the multi-brand strategy. There was a net increase of 287 stores that were mainly “Lukfook” shops. During the Year under review, the Group added a net total of 234 “Lukfook” shops worldwide, 233 shops in Mainland (including a net addition of 264 licensed shops and a net reduction of 31 self-operated shops), and 1 licensed shop in the Philippines. As at 31 March 2020, the Group had a global network of 2,120 shops (2019: 1,833 shops), including 2,062 “Lukfook” shops (2019: 1,828 shops), with business spanning across Hong Kong, Macau, Mainland, Singapore, Malaysia, Cambodia, the Philippines, the United States, Canada and Australia, and operated 52 “Goldstyle” shops (49 licensed shops and 3 self-operated shops), 3 “Dear Q” shops and 3 “3D-GOLD” self-operated shops (2019: 5 shops) in Mainland.

Revenue and Segment Profit by Business



Remarks: Comparative figures for FY2019 are shown in brackets

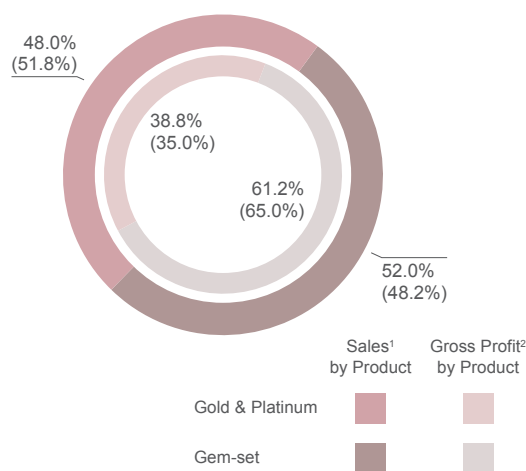
| by Business (HK\$M) | Revenue | Segment Profit | Segment Profit Margin |
|---------------------|-----------------|----------------|-----------------------|
| Retailing | 7,840 -35.1% | 426 -54.7% | 5.4% -2.4 p.p |
| Wholesaling | 2,593 -12.9% | 310 -23.7% | 11.9% -1.7 p.p |
| Licensing | 801 -0.8% | 564 +1.8% | 70.4% +1.7 p.p |

The retail business was the Group’s primary source of revenue. Due to the poor macro-economic condition, its revenue decreased by 35.1% year-on-year to HK\$7,839,502,000 (2019: HK\$12,075,187,000), accounting for 69.8% (2019: 76.1%) of the Group’s total revenue. Its segment profit decreased by 54.7% to HK\$425,916,000 (2019: HK\$940,891,000), accounting for 32.8% (2019: 49.5%) of the total, and its segment profit margin was 5.4% (2019: 7.8%).

Despite the increase in the number of licensed shops, with the drop in the wholesaling of diamond products in Mainland, the Group's wholesale business revenue fell by 12.9% over the corresponding period last year to HK\$2,593,498,000 (2019: HK\$2,977,811,000), accounting for 23.1% (2019: 18.8%) of the Group's total revenue. Its segment profit decreased by 23.7% to HK\$309,605,000 (2019: HK\$405,742,000), accounting for 23.8% (2019: 21.3%) of the total. Its segment profit margin was 11.9% (2019: 13.6%).

During the Year under review, despite the increase in licensing income in the first three quarters due to an increase in the number of licensed shops, with the impact of the pandemic on business in the fourth quarter, licensing income of the year stayed flat at HK\$800,771,000 (2019: HK\$806,992,000), accounting for 7.1% (2019: 5.1%) of the Group's total revenue. Its segment profit margin was 70.4% (2019: 68.7%), while its segment profit increased by 1.8% to HK\$563,951,000 (2019: HK\$554,192,000), accounting for 43.4% (2019: 29.2%) of the total.

Sales¹ and Gross Profit² by Product



¹ Sales = Revenue - Licensing Income

² Gross Profit = Consolidated Gross Profit - Gross Profit of Licensing Income
Remarks: Comparative figures for FY2019 are shown in brackets

| by Product (HK\$M) | Sales | Gross Profit | Gross Margin |
|--------------------|-----------------|-----------------|-------------------|
| Gold & Platinum | 5,012 -35.7% | 1,066 -12.2% | 21.3% +5.7 p.p |
| Gem-set | 5,421 -25.3% | 1,683 -25.2% | 31.0% +0.0 p.p |

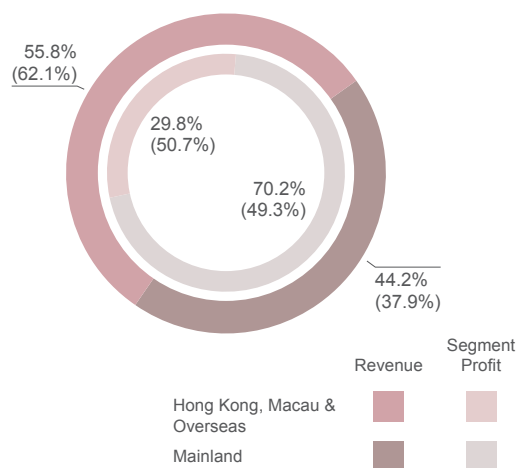
With a decreasing demand due to the strong gold price and the impact of poor macro-economic conditions on consumer sentiment, sales of gold and platinum products substantially decreased by 35.7% to HK\$5,012,405,000 (2019: HK\$7,797,657,000), accounting for 48.0% (2019: 51.8%) of the overall sales (Group revenue minus licensing income). Its gross margin rose by 5.7 p.p. to 21.3% (2019: 15.6%) because of the continuously rising average gold price by around 16% for the full year. Gross profit of gold and platinum products therefore only declined by 12.2% to HK\$1,065,841,000 (2019: HK\$1,213,791,000), accounting for 38.8% (2019: 35.0%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income). On the other hand, sales of gem-set jewellery products fell by 25.3% to HK\$5,420,595,000 (2019: HK\$7,255,341,000), accounting for 52.0% (2019: 48.2%) of the overall sales. Gross margin of gem-set jewellery products stayed flat at 31.0% (2019: 31.0%). Its gross profit, as a result, decreased by 25.2% to HK\$1,682,722,000 (2019: HK\$2,251,062,000), accounting for 61.2% (2019: 65.0%) of the overall gross profit.

During the Year under review, the overall SSSG of the Group was -31.5% (2019: +3.1%). SSSG for the Hong Kong and Macau market and that for the Mainland market were -33.3% (2019: +4.6%) and -20.2% (2019: -2.6%) respectively. SSSG for gold and platinum products was -33.2% (2019: +4.4%) and that for gem-set jewellery products was -29.2% (2019: +1.4%).

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 2020, the Group was the authorised dealer of 13 watch brands, including CERTINA, COINWATCH, DOXA, ENICAR, HAMILTON, LONGINES, MIDO, OMEGA, RADO, ROMAGO SWISS, TISSOT, BIJOU MONTRE and SEIKO. For the Year under review, the watch business contributed revenue of HK\$99,709,000 (2019: HK\$165,707,000), accounting for 0.9% (2019: 1.0%) of the Group's total revenue with 39.8% decrease when compared with the same period last year.

BUSINESS REVIEW

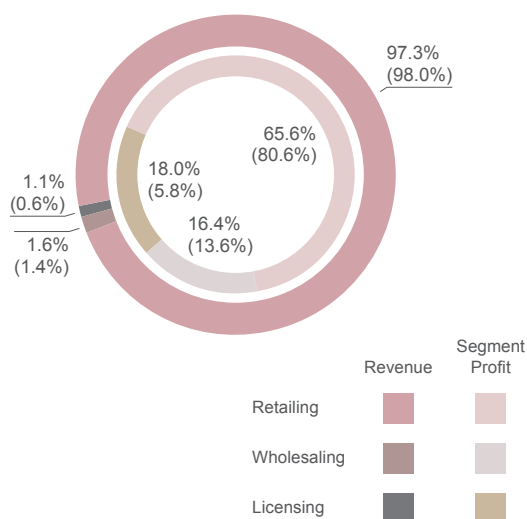
Revenue and Segment Profit by Market



Remarks: Comparative figures for FY2019 are shown in brackets

| by Market (HK\$M) | Revenue | Segment Profit | Segment Profit Margin |
|-----------------------------|-----------------|----------------|-----------------------|
| Hong Kong, Macau & Overseas | 6,270 -36.4% | 387 -59.9% | 6.2% -3.6 p.p |
| Mainland | 4,964 -17.4% | 913 -2.6% | 18.4% +2.8 p.p |

Hong Kong, Macau and Overseas



Remarks: Figures for FY2019 are shown in brackets

| | Revenue | | Segment Profit | | Segment Profit Margin | |
|-----------------------------------|---------|--------------|----------------|--------------|-----------------------|--------------|
| | HK\$M | Y-o-Y Change | HK\$M | Y-o-Y Change | | Y-o-Y Change |
| Retailing | 6,100 | -36.9% | 254 | -67.3% | 4.2% | -3.8 p.p |
| Wholesaling | 100 | -26.2% | 63 | -51.6% | 63.3% | -33.2 p.p. |
| Licensing | 70 | +24.3% | 70 | +23.7% | 99.6% | -0.5 p.p. |
| Overall | 6,270 | -36.4% | 387 | -59.9% | 6.2% | -3.6 p.p. |
| Adjusted Wholesaling ¹ | 1,761 | -29.9% | 63 | -51.6% | 3.6% | -1.6 p.p. |

¹ Adjusted Wholesaling Segment Profit Margin = Segment Profit of Wholesale Business ÷ (Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue)

Hong Kong, Macau and Overseas

Hong Kong

As a result of the high gold price, together with substantial decline in the number of visitors to Hong Kong due to the on-going social activities and pandemic, retail sentiment in the Hong Kong and Macau market has been weakening. According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in January 2020, visitor arrivals from Mainland in 2019 decreased by 14.2% year-on-year to approximately 43.77 million. According to the statistics on visitor arrivals to Hong Kong published in April 2020, Mainland visitors from January to March 2020 decreased by 81.7% year-on-year to approximately 2.70 million. In respect of tourist spending, according to the retail sales figures released by the Census and Statistics Department in February 2020, the sales value of jewellery, watches and clocks and valuable gifts in 2019 decreased by 22.4% year-on-year, while the sales value of jewellery, watches and clocks, and valuable gifts from January to March 2020 decreased by 63.6% over the corresponding period last year, according to the statistics on retail sales published in May 2020. The Group's retail revenue in the Hong Kong market therefore significantly declined by 42.6% to HK\$4,272,284,000 (2019: HK\$7,440,987,000) during the Year under review. As at 31 March 2020, the Group operated a total of 49 self-operated shops (2019: 49 shops) in Hong Kong.

Macau

According to the tourism statistics published by the Statistics and Census Service of Macau in March 2020, Mainland visitor arrivals to Macau in 2019 increased by 10.5% over last year to 27.92 million, while the number of Mainland visitor arrivals to Macau from January to March 2020 fell by 69.2% year-on-year. The Group's revenue generated from the Macau market therefore decreased by 18.7% to HK\$1,566,144,000 (2019: HK\$1,926,870,000) during the Year under review. As at 31 March 2020, the Group had a total of 11 self-operated shops (2019: 11 shops) in Macau.

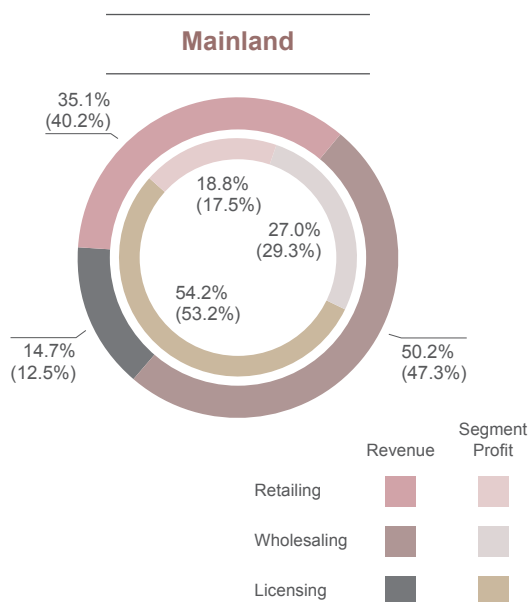
Overseas

Adhering to its motto "Brand of Hong Kong, Sparkling the World", the Group has been seeking new opportunities around the world in recent years. During the Year under review, the Group added 1 licensed shop in the Philippines. As at 31 March 2020, the Group operated a total of 14 overseas shops (2019: 13 shops), including self-operated shops of 1 in Singapore, 3 in Malaysia, 4 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 36.9% to HK\$6,099,642,000 (2019: HK\$9,660,983,000), accounting for 54.3% (2019: 60.9%) of the Group's total revenue. Its segment profit fell by 67.3% to HK\$253,864,000 (2019: HK\$776,769,000) because of high fixed cost proportion in its cost structure, which accounted for 19.5% (2019: 40.9%) of the total. Its segment profit margin was 4.2% (2019: 8.0%). In addition, its wholesale business revenue fell by 26.2% to HK\$100,148,000 (2019: HK\$135,772,000), accounting for 0.9% (2019: 0.9%) of the Group's total revenue. Its segment profit decreased by 51.6% to HK\$63,374,000 (2019: HK\$130,993,000), accounting for 4.9% (2019: 6.9%) of the total, while its segment profit margin decreased to 63.3% (2019: 96.5%). 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, the segment profit margin was 3.6% (2019: 5.2%). Apart from that, benefiting from the increase in designated supplier consultancy services revenue as a result of the increase in the number of licensed shops, Hong Kong licensing income increased by 24.3% to HK\$69,900,000 (2019: HK\$56,254,000), accounting for 0.6% (2019: 0.4%) of the Group's total revenue. Its segment profit rose by 23.7% to HK\$69,602,000 (2019: HK\$56,284,000), accounting for 5.4% (2019: 3.0%) of the total, and its segment profit margin was 99.6% (2019: 100.1%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets decreased by 36.4% to HK\$6,269,690,000 (2019: HK\$9,853,009,000) during the Year under review, accounting for 55.8% (2019: 62.1%) of the Group's total revenue. Its segment profit decreased by 59.9% to HK\$386,840,000 (2019: HK\$964,046,000), accounting for 29.8% (2019: 50.7%) of the total, while its segment profit margin was 6.2% (2019: 9.8%).

The SSSG for gold and platinum products in the Hong Kong, Macau and overseas markets was -34.5% (2019: +7.0%), while that for gem-set jewellery products was -30.0% (2019: +1.1%).



Remarks: Figures for FY2019 are shown in brackets

| | Revenue | | Segment Profit | | Segment Profit Margin | |
|-----------------------------------|---------|--------------|----------------|--------------|-----------------------|--------------|
| | HK\$M | Y-o-Y Change | HK\$M | Y-o-Y Change | | Y-o-Y Change |
| Retailing | 1,740 | -27.9% | 172 | +4.8% | 9.9% | +3.1 p.p. |
| Wholesaling | 2,493 | -12.3% | 246 | -10.4% | 9.9% | +0.2 p.p. |
| Licensing | 731 | -2.6% | 495 | -0.7% | 67.6% | +1.3 p.p. |
| Overall | 4,964 | -17.4% | 913 | -2.6% | 18.4% | +2.8 p.p. |
| Adjusted Wholesaling ¹ | 3,007 | -14.7% | 246 | -10.4% | 8.2% | +0.4 p.p. |

¹ Adjusted Wholesaling Segment Profit Margin = Segment Profit of Wholesale Business ÷ (Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue)

Mainland

During the Year under review, with the high gold price, as well as the continuing impact of the US-China trade war and pandemic on the macro-economic conditions, retail revenue from the Mainland market declined by 27.9% to HK\$1,739,860,000 (2019: HK\$2,414,204,000), accounting for 15.5% (2019: 15.2%) of the Group's total revenue. Its segment profit, contributed by the reversal of last year's provision of around 26.8 million for impairment loss on trade receivables during the Year under review, increased by 4.8% to HK\$172,052,000 (2019: HK\$164,122,000), accounting for 13.3% (2019: 8.6%) of the total. Its segment profit margin was 9.9% (2019: 6.8%). The SSSG for gold and platinum products in Mainland was -21.5% (2019: -6.1%) and that for gem-set jewellery products was -17.2% (2019: +6.2%).

Revenue of the wholesale business in the Mainland market declined by 12.3% to HK\$2,493,350,000 (2019: HK\$2,842,039,000), which accounted for 22.2% (2019: 17.9%) of the Group's total revenue. Its segment profit decreased by 10.4% to HK\$246,231,000 (2019: HK\$274,749,000), accounting for 18.9% (2019: 14.5%) of the total. Its segment profit margin was 9.9% (2019: 9.7%).

As the increase in the number of licensed shops in Mainland offset the impact of other negative factors, licensing income in the Mainland market fell by 2.6% only to HK\$730,871,000 (2019: HK\$750,738,000), accounting for 6.5% (2019: 4.7%) of the Group's total revenue. Its segment profit fell by 0.7% to HK\$494,349,000 (2019: HK\$497,908,000), accounting for 38.0% (2019: 26.2%) of the total, and its segment profit margin was 67.6% (2019: 66.3%).

Mainland distribution network

| Shop number of different brands | | 31 March 2020 | 31 March 2019 | Changes |
|---------------------------------|---------------|------------------|------------------|-------------|
| Lukfook | Self-operated | 110 | 141 | -31 |
| | Licensed | 1,878 | 1,614 | +264 |
| | Sub-total | 1,988 | 1,755 | +233 |
| Goldstyle | Self-operated | 3 | 0 | +3 |
| | Licensed | 49 | 0 | +49 |
| | Sub-total | 52 | 0 | +52 |
| Dear Q | Self-operated | 3 | 0 | +3 |
| 3D-GOLD | Self-operated | 3 | 5 | -2 |
| Total | Self-operated | 119 | 146 | -27 |
| | Licensed | 1,927 | 1,614 | +313 |
| | Total | 2,046 | 1,760 | +286 |

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 52 "Goldstyle" and 3 "Dear Q" individual shops in Mainland. Apart from that, the Group has a net increase of 264 "Lukfook" licensed shops (2019: 210 shops) and a net reduction of 31 "Lukfook" self-operated shops (2019: net reduction of 16 shops) in Mainland. As at 31 March 2020, the Group had a total of 1,988 shops (2019: 1,755 shops) under the "Lukfook" brand name in Mainland, including 110 self-operated shops (2019: 141 shops) and 1,878 licensed shops (2019: 1,614 shops). Furthermore, the Group also operated 3 "3D-GOLD" self-operated shops in Mainland.

During the Year under review, the overall same store sales of "Lukfook" licensed shops in Mainland declined by 11.8% (2019: +3.2%), while the same store sales for its gold and gem-set jewellery products decreased by 14.5% (2019: +0.0%) and 4.6% (2019: +13.7%) respectively.

**FY2020 Mainland
E-commerce Business Performance**

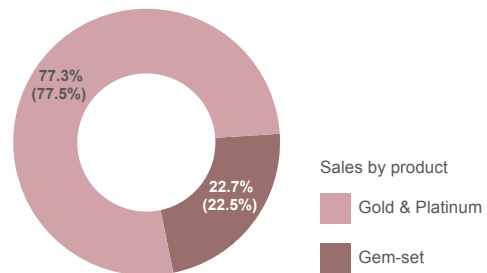
Revenue
↑ 13.9% Y-o-Y Change

**Contribution to Mainland
Retail Revenue¹**
36.2% (2019: 22.9%)

**Contribution to Group's
Retail Revenue¹**
8.0% (2019: 4.6%)

Average Selling Price²
RMB1,300
↑ 8.3% Y-o-Y Changes

FY2021 Revenue Growth Target
15%



Remarks: Comparative figures for FY2019 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 13.9% to HK\$630,281,000 (2019: HK\$553,208,000) during the Year under review, accounting for 36.2% (2019: 22.9%) of the retail revenue in Mainland. Sales of gold and platinum products accounted for 77.3% (2019: 77.5%) of its sales mix while sales of gem-set jewellery products accounted for 22.7% (2019: 22.5%).

Overall speaking, during the Year under review, revenue from the Mainland market decreased by 17.4% to HK\$4,964,081,000 (2019: HK\$6,006,981,000), accounting for 44.2% (2019: 37.9%) of the Group's total revenue. Its segment profit decreased by 2.6% only to HK\$912,632,000 (2019: HK\$936,779,000), accounting for 70.2% (2019: 49.3%) of the total, and its segment profit margin was 18.4% (2019: 15.6%).

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

| Profit /(Loss) | | | |
|--|-------------|-------------|--------------|
| HK\$M | FY2020 | FY2019 | Y-o-Y Change |
| 50% Share of Loss of Associate | (43) | (42) | (1) |
| Valuation gain on convertible bond | 6 | 5 | 1 |
| Impairment provision on amount due from HKRH | (7) | 0 | (7) |
| Wholesale Gross Profit | 2 | 4 | (2) |
| Interest Income on Working Capital Loan | 1 | 4 | (3) |
| Interest Income on Convertible Bond and amount due from HKRH | 3 | 2 | 1 |
| Total | (38) | (27) | (11) |

Contributed by the impairment provision on amount due from HKRH, the loss of investments and operating activities in HKRH and its subsidiaries widened to HK\$38,000,000 (2019: loss of HK\$27,000,000) during the Year under review.

[#] *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, a non-HKFRS financial measure, EBITDA, has been presented in this announcement. The Company's management believes that such non-HKFRS financial measure provides 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. This unaudited non-HKFRS financial measure 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, this non-HKFRS financial measure may be defined differently from similar terms used by other companies.

Liquidity and Financial Resources

As at 31 March 2020, the Group's cash and bank balances amounted to HK\$2,714,000,000 (2019: HK\$2,087,000,000). Net cash was HK\$1,201,000,000 (2019: net borrowing of HK\$219,000,000). The debt-to-equity ratio was 33.9% (2019: 36.7%), being the ratio of total liabilities of HK\$3,513,000,000 (2019: HK\$3,861,000,000) against total shareholders' equity of HK\$10,372,000,000 (2019: HK\$10,517,000,000). As at 31 March 2020, the Group's banking facilities amounted to HK\$4.3 billion (2019: HK\$4.0 billion), of which HK\$1.5 billion (2019: approximately HK\$2.3 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 | |
|-----------------|-------------------|--------------|-------------------|--------------|
| | FY2020 | Y-o-Y change | FY2020 | Y-o-Y change |
| Gold | 274 | +103 | 249 | +69 |
| Gem-set | 527 | +130 | 469 | +33 |
| Overall | 401 | +128 | 359 | +65 |

As at 31 March 2020, the Group's inventory decreased by 19.2% to HK\$7,533,000,000 (2019: HK\$9,322,000,000). The average inventory turnover days were 401 days (2019: 273 days), an increase of 128 days. The average inventory turnover days of gold products were 274 days (2019: 171 days) while average inventory turnover days of gem-set jewellery products were 527 days (2019: 397 days).

The inventory turnover days, if calculated basing on closing inventory, increased by 65 days to 359 days (2019: 294 days). The closing inventory turnover days of gold products were 249 days (2019: 180 days), and the closing inventory turnover days of gem-set jewellery products were 469 days (2019: 436 days).

Capital Expenditure

During the Year under review, the Group's capital expenditures amounted to HK\$392,000,000 (2019: HK\$934,000,000), including the costs of properties, leasehold lands, right-of-use assets, leasehold improvements, furniture, fixtures and equipment.

Capital Commitments

As at 31 March 2020, the Group's total capital commitments amounted to HK\$11,000,000 (2019: HK\$18,000,000).

Contingent Liabilities and Guarantee

As at 31 March 2020, the Group issued corporate financial guarantee amounting to HK\$1,075,000,000 (2019: 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 2020, the banking facilities utilised by the associate is approximately HK\$1,678,000,000 (2019: HK\$1,834,000,000).

As at 31 March 2020 and 2019, the Group did not recognise any liabilities in respect of such corporate financial guarantees as the amounts of loss allowance estimated under the expected credit loss model were insignificant.

As at 31 March 2019, same as disclosed above, the Group had no significant contingent liabilities.

Human Capital Policy

As at 31 March 2020, the number of employees of the Group was 6,500 (2019: 7,600). The reduction was mainly Hong Kong and Mainland staff. Under the pandemic, the Group has adopted natural turnover and no pay leave measures so as to save staff cost.

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

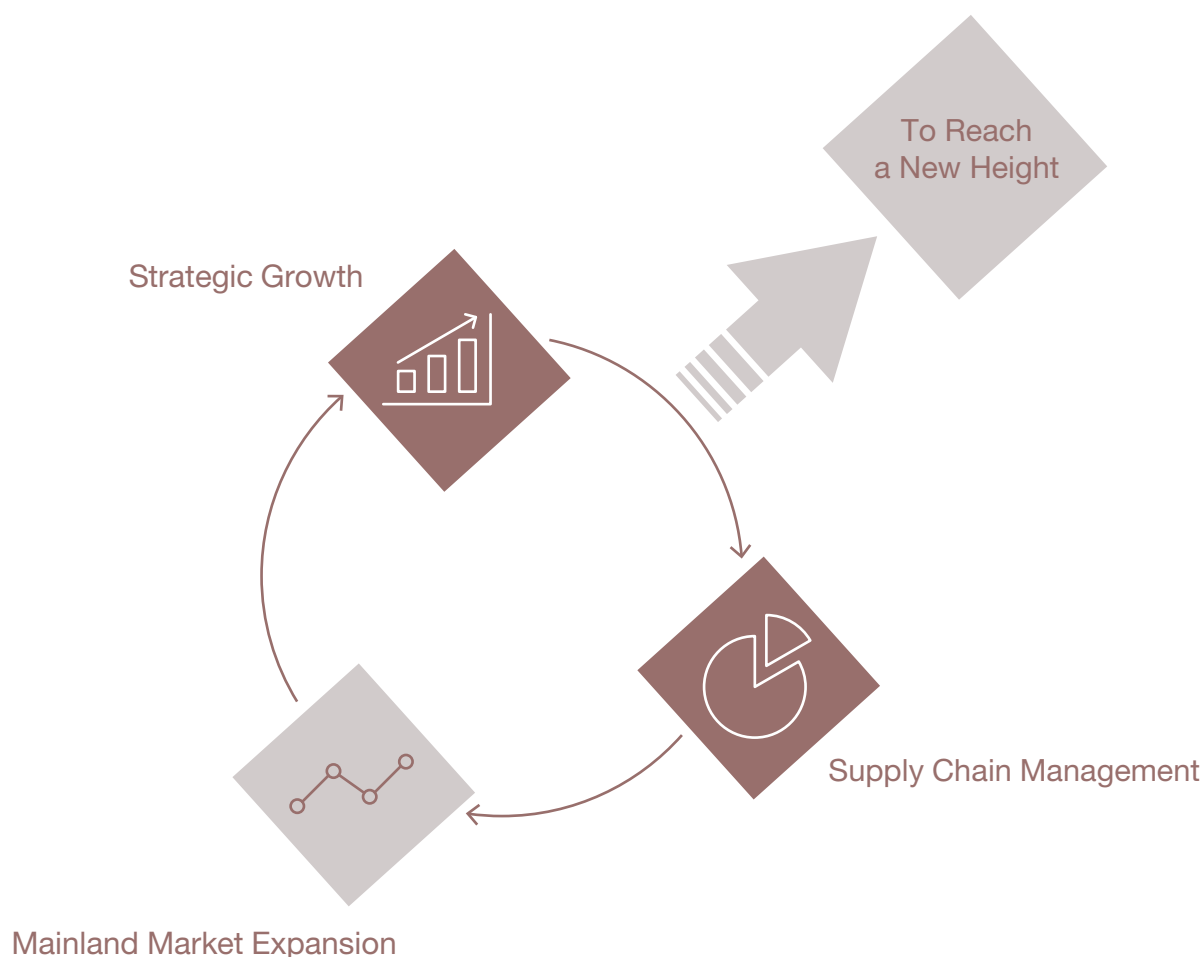
In order to consistently align with the branding theme of "Love is Beauty", the Group has been building a welcoming and warm-hearted brand image, strengthening customers' emotional attachment to the brand, and striving to become a globally recognised jewellery brand through outstanding marketing campaigns 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, and provided meticulous services to seize the business 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 for the anniversary promotions during the Year under review, we established "91 Golden Fantasyland" pop-up stores, and also held the "On-screen Bomber Challenge" on the popular social media platform Xiaohongshu, which recorded a total of over 11 million click rates. To celebrate the milestone of exceeding 2,000 shops worldwide and the appointment of Mr. Li Yi Feng as our global brand ambassador, a grand celebration ceremony was held in Beijing, and "Gift Box" pop-up stores had been opened across the country. This made our Weibo followers soaring high at over 1 million and swiftly enhanced brand awareness and created hot topics. During last Chinese New Year, the Group teamed up with AliPay to participate in the "New Year's Five Blessings 2020" event, which realised brand exposure of nearly 223 million viewers, rapid traffic growth and improved interactions with customers. 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 sixth consecutive seasons to enhance our brand's penetration into the market of younger generation. During the Year under review, the Group collaborated with the animated film "Ne Zha" to introduce a series of "Ne Zha" accessories featuring the classic elements of the film. This series of dazzling gold accessories blends the exquisite antique craftsmanship with contemporary culture.

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, the same store sales in the Hong Kong and Macau market of the Group declined significantly as a result of strong gold price, the continuing impact of social activities in Hong Kong, US-China trade war and pandemic, while the same store sales in the Mainland market also dropped because of the high gold price and the impact of the US-China trade war and pandemic. As the border restrictions have not been fully lifted in Hong Kong, Macau and Mainland under severe pandemic, same store sales in the Hong Kong and Macau market recorded around 80% drop for the period from April to May 2020, while same store sales for self-operated and licensed shops in the Mainland market recorded a much smaller decline with the business resumption of shops and gradual improvement of consumer sentiment. Starting from June, the retail sentiment in the Hong Kong and Macau market gradually recovered. The decline of its same store sales in the first three weeks narrowed to around 60%, while overall shops in Mainland market showed progressive improvements with a less than 20% decline in June as compared to the 20% drop in April to May 2020 and 40% drop in March 2020. As it is expected to take some time for the Mainland tourists to come back to Hong Kong and for retail atmosphere to resume normal, the Group will net reduce 5 shops in Hong Kong in the coming year, and seek opportunities for opening 2 new shops in Macau. 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, and will focus its expansion in the Mainland market. The Group looks forward to regaining business growth and bringing it to a new height in the near future.



Prior to the Year under Review, 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 try its best endeavour to identify right product, set right price and offer products to market at the right time by implementing higher level of automation and big data 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 and effectiveness.

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. In order to enhance management efficiency, there will be conversion of around 35 self-operated shops (of which mostly are joint venture shops) into licensed shops in Mainland market in the coming year. Nevertheless, the target for net addition of “Lukfook” shops in Mainland in the coming year will be not less than 150 shops, mainly focused on opening licensed shops in fourth- and fifth-tier cities, while the target for net addition for new brands’ stores in Mainland is 50 shops. The Group is also committed to further developing its e-commerce business and strengthening cooperation with various e-commerce platforms in Mainland, aiming to sustain the growth in e-commerce revenue at a target growth of 15% 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, and strives to develop more new brands in the future, apart from “Goldstyle” and “Dear Q”. 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, Weibo and WeChat, etc.

FINAL DIVIDEND

The directors proposed a final dividend of HK\$0.50 per ordinary share for the year ended 31 March 2020 (2019: HK\$0.60 per share) to shareholders whose names appear on the register of members of the Company on 26 August 2020. Taking into account of the interim dividend paid, the total dividend for the year would amount to HK\$1.00 per ordinary share, totalling HK\$587,108,000 for the year (2019: HK\$1.15 per ordinary share, totalling HK\$675,174,000). Subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on 20 August 2020, the final dividend will be paid on or around 8 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the AGM will be closed from 17 August 2020 to 20 August 2020, 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 20 August 2020, 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 14 August 2020.

The register of members of the Company for the final dividend will also be closed on 26 August 2020 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 25 August 2020.

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 2020.

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 2020 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 2019/20

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 2019/20 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, 26 June 2020

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), Ms. YEUNG Po Ling, Pauline, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, BBS, MH, JP; the Independent Non-executive Directors are Mr. TAI Kwok Leung, Alexander, Mr. IP Shu Kwan, Stephen, GBS, JP, Mr. MAK Wing Sum, Alvin, Ms. WONG Yu Pok, Marina, JP and Mr. HUI King Wai.