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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 2023

HIGHLIGHTS

- Revenue of the year increased by 2.0% to approximately HK\$12 billion
- SSSG¹ for the Hong Kong SAR² and Macau SAR³ market was +34.0% and -16.9% for the Mainland China⁴ market
- Gross profit reached HK\$3.2 billion, remained broadly flat with a slight decrease in gross margin by 0.6 p.p. due to increase in gold sales mix
- Operating profit decreased by 4.1% to HK\$1.6 billion with profit attributable to equity holders decreased by 7.7% to HK\$1.3 billion
- Proposed final dividend of HK\$0.55 per share, with annual dividend of HK\$1.10 per share and dividend payout ratio of 50.3%
- As at 31 March 2023, the Group had a global network of 3,105 shops, a net growth of 296 shops

FINANCIAL PERFORMANCE

	2023 HK\$'000	2022 HK\$'000	Y-o-Y Changes
Revenue	11,977,844	11,737,803	+2.0%
Gross Profit	3,230,397	3,233,827	-0.1%
Operating Profit	1,576,175	1,643,224	-4.1%
Profit for the year	1,284,727	1,392,337	-7.7%
Profit Attributable to Equity Holders	1,284,757	1,392,364	-7.7%
Basic Earnings per Share	HK\$2.19	HK\$2.37	-7.6%
Final Dividend per Share	HK\$0.55	HK\$0.55	–
Annual Dividend per Share	HK\$1.10	HK\$1.10	–
Gross Margin	27.0%	27.6%	-0.6 p.p.
Operating Margin	13.2%	14.0%	-0.8 p.p.
Net Margin	10.7%	11.9%	-1.2 p.p.
Total Operating Expenses to Revenue Ratio	15.6%	15.5%	+0.1 p.p.
Effective Tax Rate	17.9%	17.3%	+0.6 p.p.
EBITDA ⁵	1,959,142	2,084,258	-6.0%

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 2023 (“FY2023”) together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	3	11,977,844	11,737,803
Cost of sales	4	<u>(8,747,447)</u>	<u>(8,503,976)</u>
Gross profit		3,230,397	3,233,827
Other income	5	228,859	279,344
Other losses, net	6	(17,398)	(43,041)
Selling and distribution costs		(1,653,445)	(1,626,333)
Administrative expenses		(214,070)	(188,778)
Net reversal of/(provision for) impairment loss on financial assets and financial guarantee		<u>1,832</u>	<u>(11,795)</u>
Operating profit	4	<u>1,576,175</u>	<u>1,643,224</u>
Finance income		33,125	87,344
Finance costs		<u>(20,763)</u>	<u>(23,097)</u>
Finance income, net		<u>12,362</u>	<u>64,247</u>
Share of results of an associate	10	<u>(23,146)</u>	<u>(23,838)</u>
Profit before income tax		1,565,391	1,683,633
Income tax expenses	7	<u>(280,664)</u>	<u>(291,296)</u>
Profit for the year		<u>1,284,727</u>	<u>1,392,337</u>
Profit attributable to:			
Equity holders of the Company		1,284,757	1,392,364
Non-controlling interests		<u>(30)</u>	<u>(27)</u>
		<u>1,284,727</u>	<u>1,392,337</u>
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic and diluted	8	<u>HK\$2.19</u>	<u>HK\$2.37</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Profit for the year		1,284,727	1,392,337
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences:			
– Group		(502,167)	272,924
– An associate	<i>10</i>	–	4,059
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of financial assets at fair value through other comprehensive income		423	(808)
Remeasurements of employee benefit obligations		5,249	(4,191)
Other comprehensive (loss)/income for the year, net of tax		(496,495)	271,984
Total comprehensive income for the year		788,232	1,664,321
Attributable to:			
– Equity holders of the Company		788,262	1,664,348
– Non-controlling interests		(30)	(27)
Total comprehensive income for the year		788,232	1,664,321

CONSOLIDATED BALANCE SHEET

As at 31 March 2023

	As at 31 March	
	2023	2022
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	918,560	892,590
Investment properties	1,127,727	1,007,606
Right-of-use assets	670,058	601,635
Interests in an associate	10	–
		23,146
Financial assets at fair value through other comprehensive income	788	365
Trading licence	1,080	1,080
Gold loan receivables	–	41,798
Deposits, prepayments and other receivables	90,724	492,020
Deferred income tax assets	146,666	158,023
	<u>2,955,603</u>	<u>3,218,263</u>
Current assets		
Inventories	8,852,611	8,769,304
Right of return assets	98,878	109,627
Trade receivables	11	213,823
		187,711
Deposits, prepayments and other receivables	440,212	403,551
Amount due from an associate	10	4
		–
Gold loan receivables	–	16,719
Income tax recoverable	19,724	23,057
Cash and cash equivalents	2,347,651	3,492,037
	<u>11,972,903</u>	<u>13,002,006</u>
Total assets	<u><u>14,928,506</u></u>	<u><u>16,220,269</u></u>

		As at 31 March	
		2023	2022
	<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		9,668,690	9,526,246
		<u>12,221,440</u>	<u>12,078,996</u>
Non-controlling interests		(498)	(468)
		<u>12,220,942</u>	<u>12,078,528</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		59,656	74,692
Lease liabilities		147,605	153,013
Employee benefit obligations		33,872	5,450
		<u>241,133</u>	<u>233,155</u>
Current liabilities			
Trade payables, other payables and accruals	12	1,235,102	1,156,446
Financial guarantee contract	10	36,831	36,831
Contract liabilities		162,962	165,173
Derivative financial instrument		–	280
Lease liabilities		172,462	204,598
Sales refund liabilities		193,516	201,727
Amount due to an associate	10	–	411
Bank borrowings		115,020	1,383,391
Gold loans		425,114	571,445
Current income tax liabilities		125,424	188,284
		<u>2,466,431</u>	<u>3,908,586</u>
Total liabilities		<u>2,707,564</u>	<u>4,141,741</u>
Total equity and liabilities		<u>14,928,506</u>	<u>16,220,269</u>

NOTES:

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 (“HKFRSs”) 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, and gold loans which are measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs 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, improvements and accounting guideline that are effective for the first time for the financial year beginning 1 April 2022:

Annual Improvements Project HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Annual Improvements to HKFRSs 2018–2020 Narrow-scope Amendments
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of amendments to existing standards, improvements and accounting guideline 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 and interpretation have been issued but are not yet effective for the financial year beginning 1 April 2022 and have not been early adopted:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies ⁽¹⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽¹⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾
HKFRS 17	Insurance Contracts ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽²⁾
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ⁽²⁾
HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback ⁽²⁾
HK-Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	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 2023*

⁽²⁾ *Effective for annual period beginning on or after 1 January 2024*

⁽³⁾ *To be announced by HKICPA*

The directors of the Group will adopt the new standard, amendments to existing standards and interpretation 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 and interpretation, none of which is expected to have a significant effect on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

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, share of results of an associate and corporate income and expenses 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. These from part of the reconciliation to total assets and liabilities on the consolidated balance sheet.

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 2023

	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	6,464,974	2,306,955	104,580	2,047,466	–	–	10,923,975
Sales of scrap	–	–	407	–	–	–	407
	<u>6,464,974</u>	<u>2,306,955</u>	<u>104,987</u>	<u>2,047,466</u>	<u>–</u>	<u>–</u>	<u>10,924,382</u>
Inter-segment sales	53,772	1,870	1,871,171	56,850	–	(1,983,663)	–
Sales of merchandises	6,518,746	2,308,825	1,976,158	2,104,316	–	(1,983,663)	10,924,382
Revenue – over time							
Royalty and service income	–	–	–	–	960,695	–	960,695
Consultancy fee income	–	–	–	–	92,767	–	92,767
Total	<u>6,518,746</u>	<u>2,308,825</u>	<u>1,976,158</u>	<u>2,104,316</u>	<u>1,053,462</u>	<u>(1,983,663)</u>	<u>11,977,844</u>
Results of reportable segments	<u>549,384</u>	<u>132,598</u>	<u>10,399</u>	<u>254,728</u>	<u>776,527</u>	<u>–</u>	<u>1,723,636</u>
A reconciliation of results of reportable segments to profit for the year is as follows:							
Results of reportable segments							1,723,636
Unallocated income							138,266
Unallocated expenses							(285,727)
Operating profit							1,576,175
Finance income							33,125
Finance costs							(20,763)
Share of results of an associate							(23,146)
Profit before income tax							1,565,391
Income tax expenses							(280,664)
Profit for the year							1,284,727
Add: Loss attributable to non-controlling interests							30
Profit attributable to equity holders of the Company							<u>1,284,757</u>

Year ended 31 March 2023

	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
Depreciation of property, plant and equipment	(14,515)	(11,642)	(892)	(12,323)	(9,554)	(34,174)	(83,100)
Depreciation of right-of-use assets	(256,844)	(21,945)	-	(345)	(4,131)	(5,359)	(288,624)
Depreciation of investment properties	-	-	-	-	-	(34,389)	(34,389)
Provision for impairment on property, plant and equipment	(1,467)	-	-	-	-	-	(1,467)
Provision for impairment on right-of-use assets	(1,407)	-	-	-	-	-	(1,407)
Net reversal of impairment loss on financial assets	-	1,832	-	-	-	-	1,832
Additions of non-current assets (excluding right-of-use-assets)	39,826	23,478	796	20,846	14,991	102,439	202,376
Additions of right-of-use assets	224,840	39,897	-	-	-	264,266	529,003

As at 31 March 2023

	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	5,751,856	1,755,619	902,250	2,778,445	953,514		12,141,684
Leasehold land and buildings						925,396	925,396
Investment properties						1,127,727	1,127,727
Deferred income tax assets						146,666	146,666
Income tax recoverable						19,724	19,724
Other unallocated assets						567,309	567,309
Total assets							14,928,506
Segment liabilities	(534,371)	(56,087)	(90,447)	(216,527)	(834,070)		(1,731,502)
Deferred income tax liabilities						(59,656)	(59,656)
Current income tax liabilities						(125,424)	(125,424)
Bank borrowings						(115,020)	(115,020)
Gold loans						(425,114)	(425,114)
Financial guarantee contract						(36,831)	(36,831)
Other unallocated liabilities						(214,017)	(214,017)
Total liabilities							(2,707,564)

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>
Revenue – at a point of time							
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
Revenue – over time							
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
Results of reportable segments	146,299	215,469	15,204	408,472	964,435	–	1,749,879
A reconciliation of results of reportable segments to profit for the year is as follows:							
Results of reportable segments							1,749,879
Unallocated income							143,540
Unallocated expenses							(250,195)
Operating profit							1,643,224
Finance income							87,344
Finance costs							(23,097)
Share of results of an associate							(23,838)
Profit before income tax							1,683,633
Income tax expenses							(291,296)
Profit for the year							1,392,337
Add: Loss attributable to non-controlling interests							27
Profit attributable to equity holders of the Company							1,392,364

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	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)
Provision for impairment on property, plant and equipment	(1,610)	–	–	–	–	–	(1,610)
Provision for impairment on right-of-use assets	(6,360)	(1,494)	–	–	–	–	(7,854)
Net provision for 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
Total assets							16,220,269
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)
Total liabilities							(4,141,741)

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

	2023 HK\$'000	2022 HK\$'000
Revenue		
Hong Kong	4,360,265	2,835,890
Mainland	5,391,825	6,705,611
Macau and overseas	2,225,754	2,196,302
	11,977,844	11,737,803

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 an associate) by location of assets is as follows:

	2023				2022			
	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	475,696	354,482	88,382	918,560	495,136	324,199	73,255	892,590
Right-of-use assets	141,418	395,508	133,132	670,058	124,425	294,404	182,806	601,635
Investment properties	281,352	846,375	-	1,127,727	290,961	716,645	-	1,007,606
Prepayments for purchase of properties and equipment	-	3,681	-	3,681	-	376,000	-	376,000
Gold loan receivables	-	-	-	-	-	41,798	-	41,798
Trading licence	1,080	-	-	1,080	1,080	-	-	1,080
	899,546	1,600,046	221,514	2,721,106	911,602	1,753,046	256,061	2,920,709

The Company is domiciled in the Bermuda while the Group operates its business primarily in Hong Kong, Mainland, Macau and overseas. For the year ended 31 March 2023, no revenue was generated from the Bermuda and no assets were located in the Bermuda (2022: Nil).

4 OPERATING PROFIT

The operating profit is stated after charging the following:

	2023 HK\$'000	2022 HK\$'000
Cost of sales (<i>Note</i>)		
– cost of inventories sold	8,503,872	8,245,503
– cost of licensing business	243,575	258,473
	8,747,447	8,503,976
Staff costs (including the directors' emoluments)	796,496	730,053
Expenses relating to short-term leases and variable lease payments	135,456	135,040
Rent concession related to COVID-19	(10,576)	(14,421)
Commission expenses to payment service providers	69,769	58,662
Depreciation of property, plant and equipment	83,100	99,250
Depreciation of investment properties	34,389	29,200
Depreciation of right-of-use assets	288,624	336,422
Provision for impairment on property, plant and equipment	1,467	1,610
Provision for impairment on right-of-use assets	1,407	7,854
Advertising and promotion expenses	91,586	80,146
Other taxes	105,601	88,886
Loss on disposal of property, plant and equipment	11,033	385
Gain on lease modification	1,678	1,143
Legal and professional fees	11,618	16,093
Auditor's remuneration		
– Audit services	6,052	5,945
– Non-audit services	1,848	1,274

Notes:

Staff costs (including directors' emoluments) of HK\$336,660,000 (2022: HK\$385,739,000) are included in cost of sales.

5 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government subsidies		
– Value-added tax (“VAT”) refund (<i>Note (i)</i>)	37,786	107,613
– Other government subsidies (<i>Note (ii)</i>)	77,328	91,453
– Employment Support Scheme (<i>Note (iii)</i>)	24,000	–
Rental income	64,244	55,491
Others	25,501	24,787
	<u>228,859</u>	<u>279,344</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 mainly represents subsidies 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 May to July 2022.

6 OTHER LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net realised losses on derivative financial instruments (<i>Note</i>)	(8,191)	(34,018)
Net realised gains/(losses) on gold loans	38,427	(53,101)
Net unrealised (losses)/gains on gold loans	(24,236)	2,712
Net realised (losses)/gains on gold loan receivables	(32,569)	97
Net unrealised gains on gold loan receivables	–	5,545
Net realised gains on forward exchange contracts	5,408	1,039
Net unrealised losses on forward exchange contracts	–	(280)
Net exchange gains	3,763	34,965
	<u>(17,398)</u>	<u>(43,041)</u>

Note:

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

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the 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% (2022: 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	8,313	5,912
– Mainland and overseas taxation	217,969	306,766
– Withholding tax on dividend declared in Mainland	36,583	102,673
– Under/(over)-provision in prior years	21,478	(5,902)
Deferred income tax	(3,679)	(118,153)
	<u>280,664</u>	<u>291,296</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\$1,284,757,000 (2022: HK\$1,392,364,000) and the weighted average number of 587,107,850 (2022: 587,107,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2023 and 2022 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

9 DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
2022/23 interim dividend, paid, of HK\$0.55 (2021/22 interim dividend: HK\$0.55) per ordinary share	<u>322,909</u>	<u>322,909</u>
2022/23 final dividend, proposed, of HK\$0.55 (2021/22 final dividend: HK\$0.55) per ordinary share (<i>Note</i>)	<u>322,909</u>	<u>322,909</u>

Note:

At a meeting held on 27 June 2023, 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 17 August 2023. The aggregate amount of the proposed dividend is expected to be paid out of retained earnings as at 31 March 2023, but not recognised as a liability at year end.

10 INTERESTS IN AN ASSOCIATE

	2023 HK\$'000	2022 HK\$'000
As at 1 April (<i>Note (i)</i>)	23,146	42,925
Share of results of an associate for the year (<i>Note ii and iii</i>)	(23,146)	(23,838)
Share of reserve movement of an associate for the year (<i>Note iii</i>)	–	4,059
As at 31 March	<u>–</u>	<u>23,146</u>
Amount due from an associate (<i>Note iv</i>)	<u>4</u>	<u>–</u>
Amount due to an associate (<i>Note iv</i>)	<u>–</u>	<u>411</u>

Notes:

- (i) The balance includes a shareholder loan of HK\$100,000,000 granted to China Gold Silver Group Company Limited (“CGS”), in connection with the acquisition of CGS, an associate, on 6 June 2014, of which the Group and HKRH each agreed to provide HK\$100,000,000 funding to CGS for general working capital and business expansion purpose. Such loan was unsecured, interest-free, denominated in HK\$ and not to be repaid within one year after the end of the reporting period.

Having considered the financial position and future business development of CGS, it is not expected that this shareholder loan will be demanded for in the near future and therefore the balance is reclassified as part of interest in the associate in FY2020.

- (ii) The financial year of the associate 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 2022 and 2021. This associate uses 30 June as its financial year-end, which is conformed with its holding company’s reporting date.
- (iii) For the year ended 31 March 2023, share of loss and other comprehensive loss of an associate of HK\$40,021,000 (2022: Nil) and HK\$15,266,000 (2022: Nil) respectively was not recognised by the Group as such loss exceeds its interests in an associate.
- (iv) Amount due from/(to) an associate were trade in nature. Amount due from/(to) an associate were denominated in HK\$, unsecured and interest-free. As at 31 March 2023 and 2022, the amount due from/(to) an associate were aged within 30 days.
- (v) As at 31 March 2023, the Group provided corporate financial guarantee amounting to HK\$1,075,000,000 (2022: 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 2023, the bank facilities utilised by the associate is approximately HK\$1,644,000,000 (2022: HK\$1,564,000,000).

As at 31 March 2023, the Group recognised loss allowance of HK\$36,831,000 (2022: HK\$36,831,000) in accordance with expected credit loss model under HKFRS 9.

- (vi) The Group’s associate did not have any significant capital commitments as at 31 March 2023 and 2022.

11 TRADE RECEIVABLES

The ageing of trade receivables, based on invoice date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	188,883	137,566
31 – 60 days	12,176	25,325
61 – 90 days	9,727	14,370
91 – 120 days	2,635	2,648
Over 120 days	601	9,833
	<hr/>	<hr/>
	214,022	189,742
<i>Less:</i> Allowance for impairment of trade receivables	(199)	(2,031)
	<hr/>	<hr/>
	213,823	187,711
	<hr/> <hr/>	<hr/> <hr/>

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$280,250,000 (2022: HK\$242,879,000) and the ageing, based on invoice date, is as follows:

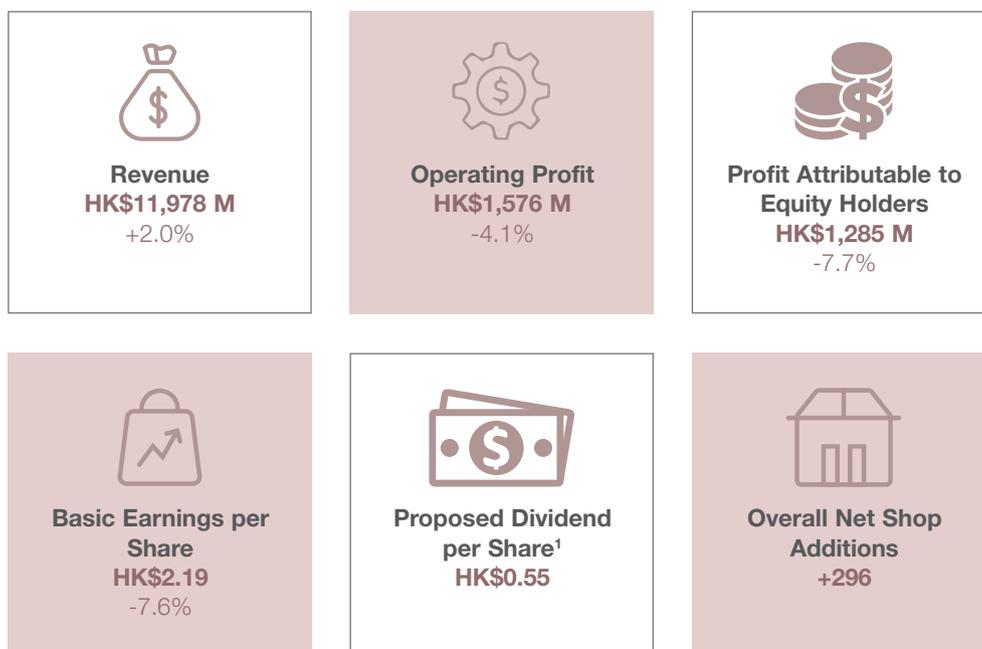
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	237,281	204,743
31 – 60 days	40,471	28,734
61 – 90 days	1,183	5,652
91 – 120 days	1,063	1,917
Over 120 days	252	1,833
	<hr/>	<hr/>
	280,250	242,879
	<hr/> <hr/>	<hr/> <hr/>

13. SUBSEQUENT EVENT

Subsequent to the year end date, the Group acquired commercial properties located at Shenzhen and Wuhan with aggregate consideration of approximately RMB512,000,000, equivalent to approximately HK\$581,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE



¹ Dividend Payout Ratio: 50.3%

Results

The Group's result remained broadly flat in the first half of FY2023. Given the resurgence of pandemic in the third quarter of FY2023, its business performance was far below expectations, albeit a lower base in the second half of FY2023. Fortunately, the Group's business regained momentum in the fourth quarter of FY2023 when pandemic situation has stabilised. Stimulated by the gradually relaxed anti-pandemic measures and fully reopened borders amongst Hong Kong, Macau and Mainland, the retailing business in Hong Kong and Macau resumed to its normalcy, which brought the Group's business back on track.

The Group's retailing revenue experienced a favourable growth during the Year under review. However, such growth was netted off by the drop in wholesaling revenue owing to the sluggish demand for diamond products especially in Mainland. Consequently, during the Year under review, the Group's total revenue increased marginally by 2.0% to HK\$11,977,844,000 (2022: HK\$11,737,803,000), while the Group's overall gross profit margin slightly decreased by 0.6 p.p. to 27.0% (2022: 27.6%) because of the increase in gold sales mix. The Group's gross profit was almost flat at HK\$3,230,397,000 (2022: HK\$3,233,827,000).

Operating profit decreased by 4.1% to HK\$1,576,175,000 (2022: HK\$1,643,224,000) and operating profit margin declined by 0.8 p.p. to 13.2% (2022: 14.0%) as a result of reduced government subsidies related to VAT from decreased diamond imports to Mainland due to lackluster diamond sales performance there. In addition, under the high interest rate environment, the Group substantially reduced its bank loans to minimise interest expenses, resulting in a significant reduction in interest income because of the reduction in time deposits and notable decrease in net finance income by 80.8% to HK\$12,362,000 (2022: HK\$64,247,000). Net profit lowered by 7.7% to HK\$1,284,727,000 (2022: HK\$1,392,337,000) with a net profit margin of 10.7% (2022: 11.9%). Profit attributable to equity holders decreased by 7.7% to HK\$1,284,757,000 (2022: HK\$1,392,364,000) and basic earnings per share reduced by 7.6% to HK\$2.19 (2022: HK\$2.37) as well.

Overview

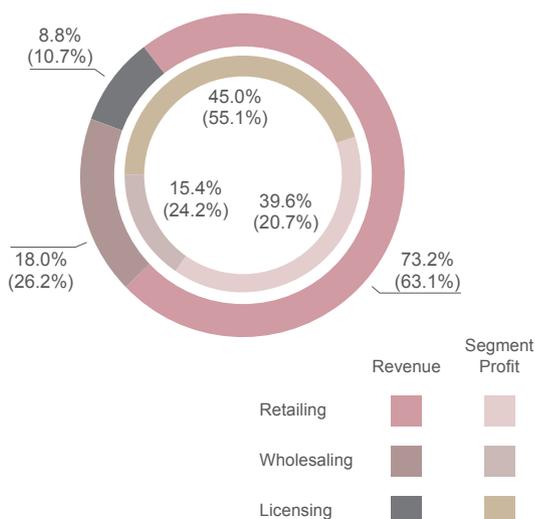
During the Year under review, the Group operated a total of 1 brand and 4 sub-brands/product lines under the multi-brand strategy. There was a net addition of 296 shops globally, including a net of 219 “Lukfook” shops and a net of 77 shops of sub-brand/product line in the Mainland. Details are as follows:

Global Distribution Network

Countries and Regions	31 March 2023	31 March 2022	Y-o-Y Changes
“Lukfook” Shops			
Self-operated Shops			
• Mainland	69	77	-8
• Hong Kong	45	44	+1
• Macau	16	15	+1
• Canada	2	2	0
• The United States	3	3	0
• Australia	2	1	+1
• Malaysia	2	2	0
• Singapore	0	1	-1
Sub-total	139	145	-6
Licensed Shops			
• Mainland	2,793	2,569	+224
• The Philippines	2	2	0
• Cambodia	3	2	+1
• Laos	1	1	0
Sub-total	2,799	2,574	+225
Total	2,938	2,719	+219
Sub-brands/Product Lines in Mainland			
Self-operated Shops			
• “Goldstyle”	1	5	-4
• “Dear Q”	0	1	-1
• “Lukfook Joaillerie”	1	0	+1
• “Heirloom Fortune”	12	0	+12
Licensed Shops			
• “Goldstyle”	72	79	-7
• “Lukfook Joaillerie”	12	2	+10
• “Heirloom Fortune”	69	3	+66
Worldwide Total	3,105	2,809	+296

As at 31 March 2023, the Group had a global network of 3,105 shops (2022: 2,809 shops), including 2,938 “Lukfook” shops (2022: 2,719 shops), with business spanning across Hong Kong, Macau, Mainland, Malaysia, Cambodia, the Philippines, Laos, the United States, Canada and Australia, and operated 73 “Goldstyle” shops (2022: 84 shops), 13 “Lukfook Joaillerie” shops (2022: 2 shops) and 81 “Heirloom Fortune” shops (2022: 3 shops) in Mainland.

Revenue and Segment Profit by Business



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	8,772	682	7.8%
<i>Y-o-Y Changes</i>	+18.4%	+88.5%	+2.9 p.p.
Wholesaling	2,153	265	12.3%
<i>Y-o-Y Changes</i>	-30.0%	-37.4%	-1.5 p.p.
<i>Adjusted Wholesaling</i>	4,080 ¹	265	6.5%
<i>Y-o-Y Changes</i>	-6.8%	-37.4%	-3.2 p.p.
Licensing	1,053	777	73.7%
<i>Y-o-Y Changes</i>	-15.9%	-19.5%	-3.3 p.p.
Overall	11,978	1,724	14.4%
<i>Y-o-Y Changes</i>	+2.0%	-1.5%	-0.5 p.p.

Remarks: Comparative figures for FY2022 are shown in brackets

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

During the Year under review, retailing business was the main source of revenue of the Group. Benefiting from the significant improvement in tourists traffic and spendings in Hong Kong and Macau after the reopening of borders, coupled with the favorable gold sales, the Group's retailing revenue increased by 18.4% to HK\$8,771,929,000 (2022: HK\$7,407,905,000), accounting for 73.2% (2022: 63.1%) of the Group's total revenue. With the recovery of retail sales in Hong Kong and Macau, its segment profit increased significantly by 88.5% to HK\$681,982,000 (2022: HK\$361,768,000), accounting for 39.6% (2022: 20.7%) of the total and its segment profit margin was 7.8% (2022: 4.9%).

Despite the increase in the number of licensed shops, due to the sluggish demand for diamond products in the Mainland, the Group's wholesaling revenue decreased by 30.0% to HK\$2,152,453,000 (2022: HK\$3,076,720,000), accounting for 18.0% (2022: 26.2%) of the Group's total revenue, and its segment profit decreased by 37.4% to HK\$265,127,000 (2022: HK\$423,676,000), accounting for 15.4% (2022: 24.2%) of the total, and its segment profit margin was 12.3% (2022: 13.8%). As the segment profit of wholesaling business included profits from inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be 6.5% (2022: 9.7%).

During the Year under review, the licensing income decreased by 15.9% to HK\$1,053,462,000 (2022: HK\$1,253,178,000) because of the decrease in the number of new licensed shops as compared to last financial year and shrinking demand of diamond products, accounting for 8.8% of the Group's total revenue (2022: 10.7%). Its segment profit margin was 73.7% (2022: 77.0%), while its segment profit decreased by 19.5% to HK\$776,527,000 (2022: HK\$964,435,000), accounting for 45.0% (2022: 55.1%) of the total.

Sales¹ and Gross Profit² by Product



HK\$M	Sales	Gross Profit	Gross Margin
Gold & Platinum	6,887	1,197	17.4%
<i>Y-o-Y Changes</i>	+24.6%	+22.0%	-0.3 p.p.
Fixed Price Jewellery	4,038	1,224	30.3%
<i>Y-o-Y Changes</i>	-18.5%	-2.7%	+4.9 p.p.
Overall	10,925	2,421	22.2%
<i>Y-o-Y Changes</i>	+4.2%	+8.1%	+0.8 p.p.

Remarks: Comparative figures for FY2022 are shown in brackets

¹ Sales = Revenue – Licensing Income

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

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

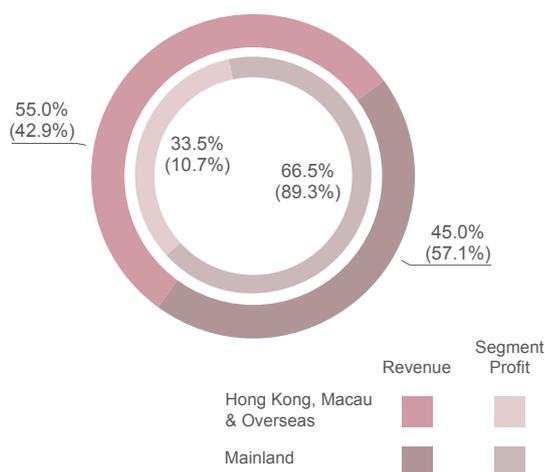
Due to strong demand in the Year under review, the sales amount of gold and platinum products increased by 24.6% to HK\$6,886,227,000 (2022: HK\$5,526,978,000), accounting for 63.0% (2022: 52.7%) of the overall sales amount (the Group's revenue minus licensing income). Gross margin of its gold and platinum products was almost flat at 17.4% (2022: 17.7%). Its gross profit therefore increased by 22.0% to HK\$1,196,586,000 (2022: HK\$980,728,000), accounting for 49.4% (2022: 43.8%) of the overall gross profit (consolidated gross profit of the Group minus gross profit from licensing income). On the other hand, the sales of fixed price jewellery products decreased by 18.5% to HK\$4,038,155,000 (2022: HK\$4,957,648,000), accounting for 37.0% (2022: 47.3%) of the overall sales amount (the Group's revenue minus licensing income). Gross margin of fixed price jewellery products increased by 4.9% to 30.3% (2022: 25.4%) as a result of reduced discount offering and elevated retail selling prices in response to the increase in replenishment cost. Their gross profit therefore decreased by 2.7% to HK\$1,223,925,000 (2022: HK\$1,258,395,000), accounting for 50.6% (2022: 56.2%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income).

During the Year under review, the overall SSSG of the Group was +24.4% (2022: +45.4%). SSSG for the Hong Kong and Macau market was +34.0% (2022: +42.0%), and -16.9% (2022: +40.1%) for the Mainland market. SSSG for gold and platinum products was +35.0% (2022: +51.5%) and +1.9% (2022: +33.8%) for fixed price jewellery products.

The Group strives to diversify its product mix so as to offer customers with more varieties and choices. Since 2010, the Group has been engaging in the mid-to high-end watch business. As at 31 March 2023, the Group was the authorised dealer of 6 watch brands, including COINWATCH, DOXA, OMEGA, ROMAGO SWISS and BIJOU MONTRE. For the Year under review, the watch business contributed revenue of HK\$50,518,000 (2022: HK\$71,702,000), accounting for 0.4% (2022: 0.6%) of the Group's total revenue.

BUSINESS REVIEW

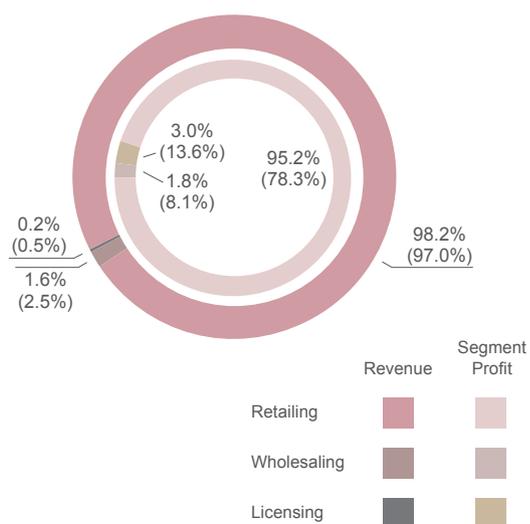
Revenue and Segment Profit by Market



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Hong Kong, Macau & Overseas	6,586	577	8.8%
<i>Y-o-Y Changes</i>	+30.9%	+208.8%	+5.1 p.p.
Mainland	5,392	1,147	21.3%
<i>Y-o-Y Changes</i>	-19.6%	-26.6%	-2.0 p.p.
Overall	11,978	1,724	14.4%
<i>Y-o-Y Changes</i>	+2.0%	-1.5%	-0.5 p.p.

Remarks: Comparative figures for FY2022 are shown in brackets

Hong Kong, Macau and Overseas



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	6,465	549	8.5%
<i>Y-o-Y Changes</i>	+32.5%	+275.5%	+5.5 p.p.
Wholesaling	105	11	9.9%
<i>Y-o-Y Changes</i>	-17.3%	-31.6%	-2.1 p.p.
<i>Adjusted Wholesaling</i>	1,976 ¹	11	0.5%
<i>Y-o-Y Changes</i>	+50.7%	-31.6%	-0.7 p.p.
Licensing	16	17	106.5%
<i>Y-o-Y Changes</i>	-34.1%	-32.5%	+2.5 p.p.
Overall	6,586	577	8.8%
<i>Y-o-Y Changes</i>	+30.9%	+208.8%	+5.1 p.p.

Remarks: Comparative figures for FY2022 are shown in brackets

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

Hong Kong, Macau and Overseas

Hong Kong

According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in January 2023, visitor arrivals from Mainland in 2022 increased by approximately 4.7 times year-on-year to approximately 380,000. With the reopening of borders amongst Hong Kong, Macau and the Mainland, the number of Mainland tourists visiting Hong Kong has increased significantly, with visitor arrivals statistics released in April 2023 showing an increase of approximately 390 times year-on-year to approximately 3.36 million from January to March 2023. In respect of tourist spending, according to the retail sales statistics released by the Census and Statistics Department of the Hong Kong Government in May 2023, the provisional estimate of the value of sales of jewellery, watches and clock, and precious gifts from January to March 2023 increased by 88.0% year-on-year. As a result, the Group's retailing revenue in Hong Kong increased significantly by 57.9% to HK\$4,239,220,000 (2022: HK\$2,684,577,000) for the Year under review. As at 31 March 2023, the Group operated 45 self-operated shops (2022: 44 shops) in Hong Kong.

Macau

According to the market figures released by the Macao Government Tourism Office, Mainland visitor arrivals to Macau in 2022 decreased by 27.5% over last year to approximately 5.11 million and per capita spending of Mainland visitors slightly decreased by 0.3% year-on-year. With the full resumption of normal travel with the Mainland, the number of Mainland visitor arrivals to Macau from January to March 2023 increased significantly by 88.2% year-on-year to approximately 3.24 million, and the per capita consumption of Mainland tourists in the first quarter increased by 8.9% year-on-year. The Group's revenue generated from Macau decreased by 6.2% to HK\$1,626,973,000 (2022: HK\$1,734,715,000) during the Year under review. As at 31 March 2023, the Group had a total of 16 self-operated shops (2022: 15 shops) in Macau.

Overseas

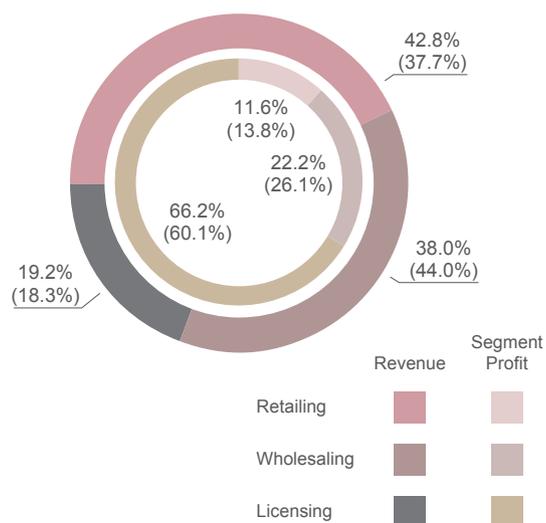
As at 31 March 2023, the Group operated a total of 15 overseas shops (2022: 14 shops), including self-operated shops of 2 in Malaysia, 3 in the United States, 2 in Canada and 2 in Australia, as well as 3 licensed shops, 2 licensed shops and 1 licensed shop in Cambodia, the Philippines and Laos respectively.

During the Year under review, retailing revenue from the Hong Kong, Macau and overseas markets increased by 32.5% to HK\$6,464,974,000 (2022: HK\$4,880,879,000), accounting for 98.2% (2022: 97.0%) of these markets' total and 54.0% (2022:41.6%) of the Group's total. Its segment profit increased significantly by 275.5% to HK\$549,384,000 (2022: HK\$146,299,000), accounting for 95.2% (2022: 78.3%) of these markets's total and 31.9% (2022: 8.4%) of the Group's total, with a segment profit margin of 8.5% (2022: 3.0%). The overall SSSG in the Hong Kong, Macau and overseas markets was +33.0%% (2022: +45.1%). The SSSG of their gold and platinum products was +46.9% (2022: +47.4%) and +5.8% (2022: +40.8%) for fixed price jewellery products.

On the other hand, the wholesaling business revenue decreased by 17.3% to HK\$104,987,000 (2022: HK\$126,955,000), accounting for 1.6% (2022: 2.5%) of these markets' total and 0.9% (2022: 1.1%) of the Group's total. Its segment profit decreased by 31.6% to HK\$10,399,000 (2022: HK\$15,204,000), accounting for 1.8% (2022: 8.1%) of these markets' total and 0.6% (2022: 0.9%) of the Group's total, while its segment profit margin was 9.9% (2022: 12.0%). As the segment profit of wholesaling 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 0.5% (2022: 1.2%). Apart from that, Hong Kong licensing income decreased by 34.1% to HK\$16,058,000 (2022: HK\$24,358,000), accounting for 0.2% (2022: 0.5%) of these markets' total and 0.1% (2022: 0.2%) of the Group's total. Its segment profit was HK\$17,097,000 (2022: HK\$25,333,000), accounting for 3.0% (2022: 13.6%) of these markets' total and 1.0% (2022: 1.4%) of the Group's total, and its segment profit margin was 106.5% (2022: 104.0%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets increased by 30.9% to HK\$6,586,019,000 (2022: HK\$5,032,192,000) during the Year under review, accounting for 55.0% (2022: 42.9%) of the Group's total. Its segment profit increased substantially by 208.8% to HK\$576,880,000 (2022: HK\$186,836,000), accounting for 33.5% (2022: 10.7%) of the Group's total, while its segment profit margin was 8.8% (2022: 3.7%).

Mainland



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	2,307	133	5.7%
<i>Y-o-Y Changes</i>	-8.7%	-38.5%	-2.8 p.p.
Wholesaling	2,048	254	12.4%
<i>Y-o-Y Changes</i>	-30.6%	-37.6%	-1.4 p.p.
<i>Adjusted Wholesaling</i>	2,104 ¹	254	12.1%
<i>Y-o-Y Changes</i>	-31.4%	-37.6%	-1.2 p.p.
Licensing	1,037	760	73.2%
<i>Y-o-Y Changes</i>	-15.6%	-19.1%	-3.2 p.p.
Overall	5,392	1,147	21.3%
<i>Y-o-Y Changes</i>	-19.6%	-26.6%	-2.0 p.p.

Remarks: Comparative figures for FY2022 are shown in brackets

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

Mainland

During the Year under review, the Mainland was affected by the pandemic and coupled with a slow recovery in consumer sentiment most of the time, its retailing revenue decreased by 8.7% to HK\$2,306,955,000 (2022: HK\$2,527,026,000), accounting for 42.8% (2022: 37.7%) of the Mainland market's total and 19.3% (2022: 21.5%) of the Group's total. Its segment profit declined by 38.5% to HK\$132,598,000 (2022: HK\$215,469,000), accounting for 11.6% (2022: 13.8%) of the Mainland market's total and 7.7% (2022: 12.3%) of the Group's total. Its segment profit margin was 5.7% (2022: 8.5%). The overall SSSG of Mainland was -16.9% (2022: +40.1%), and the SSSG for its gold and platinum products was -14.3% (2022: +61.2%) and -26.4% (2022: -4.3%) for its fixed price jewellery products.

Despite the increase in the number of licensed shops, with lackluster sales of diamond products, which was the primary source of revenue for wholesaling business in the Mainland market, its revenue decreased by 30.6% to HK\$2,047,466,000 (2022: HK\$2,949,765,000), which accounted for 38.0% (2022: 44.0%) of the Mainland market's total and 17.1% (2022: 25.1%) of the Group's total. Its segment profit declined by 37.6% to HK\$254,728,000 (2022: HK\$408,472,000), accounting for 22.2% (2022: 26.1%) of the Mainland market's total and 14.8% (2022: 23.3%) of the Group's total. Its segment profit margin was 12.4% (2022: 13.9%). As the segment profit of wholesaling business included the profit from inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be 12.1% (2022: 13.3%).

Due to the impact of the pandemic, the addition of new licensed shops in the Mainland was less than prior year. Together with reduced demand in diamond products, licensing income decreased by 15.6% to HK\$1,037,404,000 (2022: HK\$1,228,820,000), accounting for 19.2% (2022: 18.3%) of the Mainland market's total and 8.7% (2022: 10.5%) of the Group's total. Its segment profit decreased by 19.1% to HK\$759,430,000 (2022: HK\$939,102,000), accounting for 66.2% (2022: 60.1%) of the Mainland market's total and 44.0% (2022: 53.7%) of the Group's total, and its segment profit margin was 73.2% (2022: 76.4%).

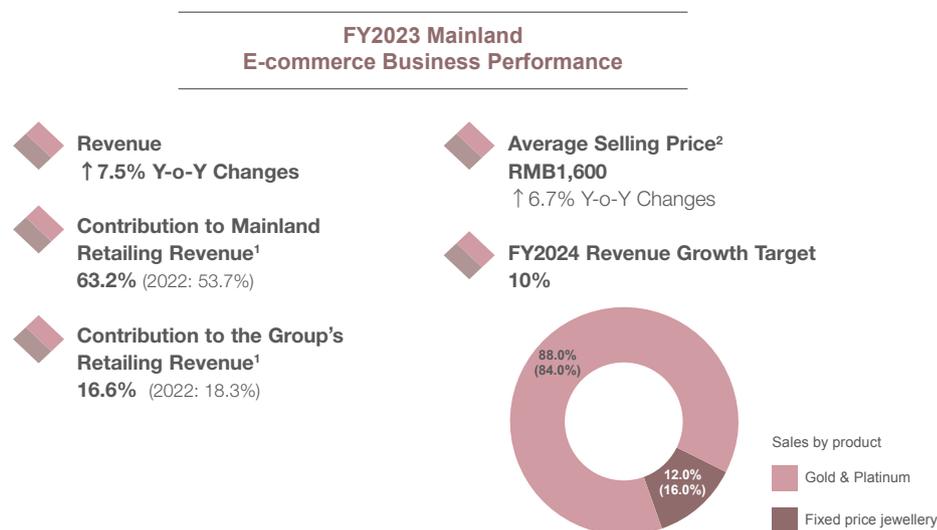
To meet the customer needs of different profiles, the Group actively created different sub-brands and product lines. The Group has developed the popular product collection of "Goldstyle", which was well known for pioneering exquisite techniques, into independent shops since May 2019 and newly added shops of "Lukfook Joaillerie", which was targeting at high-end market, and "Heirloom Fortune", which was famous for traditional craftsmanship, in the financial year of 2022. In May 2023, the Group also launched "Love LUKFOOK JEWELLERY", which was targeting at the affordable luxury market.

As at 31 March 2023, the Group had a total of 3,029 shops (2022: 2,736 shops) in the Mainland, including 2,862 “Lukfook” shops (2022: 2,646 shops), 73 “Goldstyle” shops (2022: 84 shops) which comprised 72 licensed shops (2022: 79 shops) and 1 self-operated shops (2022: 5 shops), 13 “Lukfook Joaillerie” shops (2022: 2 shops) and 81 “Heirloom Fortune” shops (2022: 3 shops). Apart from that, the Group added a net total of 224 “Lukfook” licensed shops (2022: +434 shops), while the number of “Lukfook” self-operated shops decreased by 8 shops (2022: remained unchanged). Details are as follows:

Mainland Distribution Network

Shop number of different brands/product lines		31 March 2023	31 March 2022	Changes
“Lukfook”	Self-operated	69	77	-8
	Licensed	2,793	2,569	+224
	Sub-total	2,862	2,646	+216
“Goldstyle”	Self-operated	1	5	-4
	Licensed	72	79	-7
	Sub-total	73	84	-11
“Dear Q”	Self-operated	0	1	-1
“Lukfook Joaillerie”	Self-operated	1	0	+1
	Licensed	12	2	+10
	Sub-total	13	2	+11
“Heirloom Fortune”	Self-operated	12	0	+12
	Licensed	69	3	+66
	Sub-total	81	3	+78
Total	Self-operated	83	83	-
	Licensed	2,946	2,653	293
Total		3,029	2,736	293

During the Year under review, the overall same store sales growth of “Lukfook” licensed shops in Mainland was -9.5% (2022: +15.7%), while the same store sales growth for its gold and fixed price jewellery products was -4.2% (2022: +31.7%) and -20.3% (2022: -5.8%) respectively.



Remarks: Figures for FY2022 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 7.5% to HK\$1,457,853,000 (2022: HK\$1,355,791,000) during the Year under review, accounting for 63.2% (2022: 53.7%) of the retailing revenue in Mainland and 16.6% (2022: 18.3%) of the Group's retailing revenue. Sales of gold and platinum products accounted for 88.0% (2022: 84.0%) of its sales mix and 12.0% (2022: 16.0%) for fixed price jewellery products.

Overall speaking, during the Year under review, total revenue from the Mainland market decreased by 19.6% to HK\$5,391,825,000 (2022: HK\$6,705,611,000), accounting for 45.0% (2022: 57.1%) of the Group's total. Its segment profit decreased by 26.6% to HK\$1,146,756,000 (2022: HK\$1,563,043,000), accounting for 66.5% (2022: 89.3%) of the Group's total, and its segment profit margin was 21.3% (2022: 23.3%).

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

Gain/(Loss)			
HK\$M	FY2023	FY2022	Y-o-Y Changes
50% Results of Associate	(23)	(24)	+1
Reversal of Impairment Provision on Amount Due From HKRH	-	7	-7
Wholesaling Gross Profit	1	1	-
Fair Value Loss on Provision for a Financial Guarantee Contract	-	(17)	+17
Interest Income on Working Capital Loan	-	2	-2
Total	(22)	(31)	+9

During the Year under review, the total losses in relation to investments and operating activities in HKRH & its subsidiaries narrowed to HK\$22,000,000 (2022: loss of HK\$31,000,000).

[#] HKRH represents Hong Kong Resources Holdings Company Limited (Stock Code: 2882) which conducts jewellery retail and franchise businesses under the brand name of “3D-GOLD” in Hong Kong 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 announcement. The Group’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 Group’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 2023, the Group’s cash and bank balances amounted to HK\$2,348,000,000 (2022: HK\$3,492,000,000). Net cash was HK\$1,808,000,000 (2022: net cash was HK\$1,537,000,000). The debt-to-equity ratio was 22.2% (2022: 34.3%), being the ratio of total liabilities of HK\$2,708,000,000 (2022: HK\$4,142,000,000) against total shareholders’ equity of HK\$12,221,000,000 (2022: HK\$12,079,000,000). As at 31 March 2023, the Group’s banking facilities amounted to approximately HK\$4.09 billion (2022: HK\$4.20 billion), of which HK\$0.54 billion (2022: HK\$2.00 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	
	FY2023	Y-o-Y Changes	FY2023	Y-o-Y Changes
Gold	237	-14	250	-32
Fixed price jewellery	656	+178	637	+124
Overall	378	+22	380	-8

As at 31 March 2023, the Group's inventory slightly increased by 1% to HK\$8,853,000,000 (2022: HK\$8,769,000,000). The average inventory turnover days was 378 days (2022: 356 days) with the average inventory turnover days of gold products being 237 days (2022: 251 days) and 656 days (2022: 478 days) for fixed price jewellery products.

The inventory turnover days calculated basing on closing inventory were 380 days (2022: 388 days) with the closing inventory turnover days of gold products being 250 days (2022: 282 days) and 637 days (2022: 513 days) for fixed price jewellery products.

Capital Expenditure

During the Year under review, the Group's capital expenditures amounted to approximately HK\$107,000,000 (2022: HK\$558,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipment.

Capital Commitments

As at 31 March 2023, the Group's total capital commitments amounted to HK\$23,000,000 (2022: HK\$23,000,000).

Contingent Liabilities and Guarantee

As at 31 March 2023, the Group had corporate financial guarantee amounting to HK\$1,075,000,000 (2022: 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 2023, the banking facilities utilised by the associate were HK\$1,644,000,000 (2022: HK\$1,564,000,000).

As at 31 March 2023, 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 (2022: HK\$37,000,000).

As at 31 March 2023 and 2022, save as disclosed above, the Group had no significant contingent liabilities.

Human Capital Policy

As at 31 March 2023, the number of employees of the Group was 6,000 (2022: 6,000). 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 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 Generation Z markets.

The Group has stayed innovative and kept 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. During the pandemic, the participation rate of running increased significantly, the Group continued to sponsor medals for the Hong Kong and Beijing marathons to honour marathon finishers, in order to promote sports culture and raise our brand awareness among the middle-class population. To celebrate the Group's milestone of approaching 3,000 shops, we rolled out the "Share Love and Fun Anniversary Promotion" campaign covering a series of online and offline activities, which achieved exposure to a total of more than 690 million viewers. The globally influential Xinhuanet also produced a documentary for the Group to mark Lukfook Jewellery's milestone of approaching 3,000 shops and project Lukfook Jewellery's image as an industry-leading national jewellery brand. The documentary recorded total exposure of over 21 million views, underscoring the Group's strengths in the jewellery industry. The Group then held a press conference for the campaign and showcased the image of Lukfook Jewellery concept shop through the giant LED screen to enhance brand recognition. We also held a lucky draw and gold giveaway campaign in Mainland and Hong Kong to present around HK\$10 million worth of jewellery and rewards to share the joy. To meet the increasing consumer demand in the wedding market, the Group continued to introduce "Share Love in Wedding 5201314" Collection, which together denotes the meaning of "I love you for a lifetime" in Chinese, into a portfolio of stylish wedding jewellery products and all-rounded caring services. The Group introduced the "Light of Love" diamond ring to celebrate the promise of lifelong love with timeless diamond ring. We use light with shadow effect to project "1314", "I ♥ U", "520" or other special symbols onto the specially designed gift box to create a unique statement of lifelong love. We strived to promote new marketing modes in our marketing campaigns and product development to cater for the needs and preferences of Generation Z. We promoted our products on social media platforms such as Douyin, Bilibili and RED, and also introduced the first-ever "God of Wealth" digital human

in our New Year live-streaming event to enhance the interactions in the live-streaming session. In light of Generation Z's great interest in games, especially mobile games and e-sports, the Group has created the "King Pro League" champion rings for 12 consecutive seasons, with a view to actively reaching new audiences and enhancing brand exposure in the e-sports market. We also launched various customised NFT products, tailor made special ways of participation, created the 1314-carat NFT diamond ring, pioneered the introduction of the NFT metaverse wedding certificate and established two "Love ∞ Metaverse Pop-up Stores" in Beijing and Xiamen to achieve cross-marketing between the virtual and real worlds. It has realised brand exposure to over 300 million viewers that greatly made a splash in brand and awareness.

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.

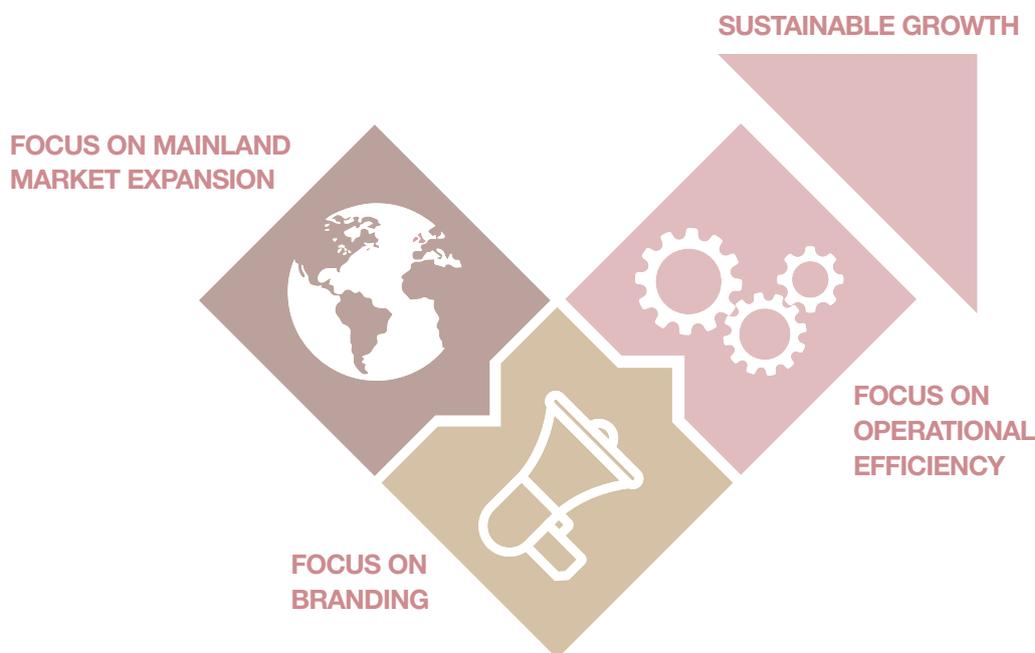
OUTLOOK

During the Year under review, due to the low base effect and the benefit from the reopening of borders amongst Hong Kong and Macau and the Mainland in the fourth quarter, the business in Hong Kong and Macau was on its way to normalcy, and its SSSG during the Year under review maintained a positive growth. The momentum of recovery in Hong Kong and Macau continued in the first quarter of FY2024, with SSSG of approximately +70.0% from April to 21 June 2023 and relatively flat for Mainland.

The pandemic that caused global disruption is behind us. All walks of life are in gradual recovery. However, the macro economic outlook, including Mainland, remains uncertain. The Group will continue to move forward, be pragmatic and prudent in expanding its business in Hong Kong, the Mainland and overseas with a view to restore our pre-pandemic performance in the upcoming year.

The Group will net add 5 shops in the Hong Kong market, 5 self-operated shops and 5 licensed shops overseas in the coming year. Under the "dual circulation" policy and prioritizing the expansion of domestic demand by the Mainland government, the Group remains optimistic about its mid- to long-term business prospects. Accordingly, the Group will still focus its expansion in the Mainland market, and expect to net add 350 shops in the coming year.

The Group has set up its brand new three-year corporate strategy before commencement of FY2023 with Mainland Market Expansion, Branding and Operational Efficiency as its three main focuses so as to foster its future business growth.



Mainland Market Expansion

In the upcoming year, the annual target for net addition of “Lukfook” shops in Mainland is 300 shops, mainly focusing on opening licensed shops in fourth- and fifth-tier cities, while the target for net addition of new brands’ shops in Mainland is 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 optimise its own e-commerce platforms, aiming to sustain the growth in e-commerce revenue at a target of 10% 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 to strengthen brand recognition 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 adopt a multi-brand/line strategy to offer products that meet market needs. Following the launch of multiple sub-brands/product lines including “Goldstyle”, “Lukfook Joaillerie”, and “Heirloom Fortune”, in May 2023, the Group also launched the sub-brand “Love LUKFOOK JEWELLERY” which mainly aims at the affordable luxury market to attract a new generation of young people who are fashionable, characterised, and pursuing quality life. Moreover, the Group will adopt holistic approach to seize the development opportunities in the middle-class, wedding and generation Z 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, including RED, Tiktok and Bilibili to reach out to target customers and catch up with online marketing trends. 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 awareness of environmental protection among stakeholders, including consumers, and thus the Group will set up a long-term goal of carbon neutrality 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 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 Board proposed a final dividend of HK\$0.55 per ordinary share for the year ended 31 March 2023 (2022: final dividend of HK\$0.55 per ordinary share) to shareholders whose names appear on the register of members of the Company on 24 August 2023. Taking into account of the interim dividend paid, the total dividend for the year would amount to HK\$1.10 per ordinary share, totalling HK\$645,818,000 for the year (2022: HK\$1.10 per ordinary share, totalling HK\$645,818,000). Subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on 17 August 2023, the final dividend will be paid on or around 6 September 2023.

CLOSURE OF REGISTER OF MEMBER

The register of members of the Company for the AGM will be closed from 14 August 2023 to 17 August 2023, 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 17 August 2023, 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 11 August 2023.

The register of members of the Company for the final dividend will also be closed on 24 August 2023 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 2023.

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 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 Group for the year ended 31 March 2023.

SCOPE OF WORK OF AUDITOR

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 2023 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2022/23

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 2022/23 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, 27 June 2023

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.