

六福集團

LUKFOOK GROUP

【For Immediate Release】

**Lukfook Group(00590.HK) Announces
Annual Results for the Year Ended 31 March 2018
Revenue and Profit Attributable to Equity Holders Reached HK\$14.6 billion and
HK\$1.4 Billion Respectively
Proposed Final Dividend of HK\$0.55 per share**

Financial Highlights

- Revenue regained growth after three consecutive years of decline because of the improved retail sentiment, with an increase of 13.8% to approximately HK\$14.6 billion
- Benefiting from stable overall gross margin and operating leverage, profit attributable to equity holders increased by 34.7% and reached approximately HK\$1.4 billion
- A final dividend of HK\$0.55 per share was proposed, with annual dividend of HK\$1.10 per share, dividend payout ratio is 47.2%
- As at 31 March 2018, the Group had a global network of 1,642 shops, a net growth of 137 shops

	For the Year Ended 31 March			
	HK\$	2018	2017	Changes (%)
	HK\$'000	HK\$'000		
Revenue	14,578,409	12,807,277		+13.8%
Gross Profit	3,741,377	3,277,061		+14.2%
Profit Attributable to Equity Holders	1,369,393	1,016,838		+34.7%
Basic Earnings Per Share	HK\$2.33	HK\$1.73		+34.7%
Dividend Per Share				
- Final	HK\$0.55	HK\$0.40		+37.5%
- Special	Nil	HK\$0.15		Nil
Annual Dividend Per Share	HK\$1.10	HK\$1.10		0%

(Hong Kong, 27 June 2018) —The board of directors (the “Board”) of **Luk Fook Holdings (International) Limited** (the “Company”) (Stock Code: 00590.HK) is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2018 (the “Year under review”). During the Year under review, the Group recorded revenue growth of 13.8% to HK\$14,578,409,000 (2017: HK\$12,807,277,000) for the year ended 31 March 2018 (the “Year under review”). With a stable overall gross margin of 25.7% (2017: 25.6%), gross profit therefore rose by 14.2% to HK\$3,741,377,000 (2017: HK\$3,277,061,000), while the total operating expenses to revenue ratio decreased to 15.9% (2017:16.8%). Therefore, operating profit improved by 25.7% to HK\$1,620,806,000 (2017: HK\$1,289,317,000). Operating margin was 11.1% (2017: 10.1%), while net margin increased by 1.4 p.p. to 9.4% (2017: 8.0%). Profit attributable to equity holders increased by 34.7% to HK\$1,369,393,000 (2017: HK\$1,016,838,000), which was higher than expected. Basic earnings per share were HK\$2.33 (2017: HK\$1.73).

The directors proposed a final dividend of HK\$0.55 per ordinary share for the year ended 31 March 2018 (2017: HK\$0.55 per share). Taking into account of the interim and special dividends paid, the total dividend for the year would amount to HK\$1.10 per ordinary share (2017: HK\$1.10 per ordinary share)

六福集團

LUKFOOK GROUP

Mr. Wong Wai Sheung, Chairman and Chief Executive of the Group said, “During the Year under review, despite the impact of the slowdown in economic growth in Mainland China and the changes to the Individual Visit Scheme, there was gradual improvement in consumption expenditure per capita and spending power of consumers recently, contributed by the local policy focus of promoting tourism.”

The retail business was the Group’s primary source of revenue. During the Year under review, its revenue rose by 14.3% year-on-year to HK\$10,995,093,000 (2017: HK\$9,618,677,000) under the improving overall retail sentiment, accounting for 75.4% (2017: 75.1%) of the Group’s total revenue. With increased sales mix of gem-set jewellery products, segmental profit of the retail business therefore increased by 24.2% to HK\$857,092,000 (2017: HK\$690,021,000), accounting for 51.0% (2017: 48.6%) of the total; and its segmental profit margin was 7.8% (2017: 7.2%). Attributable to the increase in the number of licensed shops, the wholesale business revenue rose by 9.6% over the corresponding period last year to HK\$2,930,114,000 (2017: HK\$2,672,459,000), accounting for 20.1% (2017: 20.9%) of the Group’s total revenue. However, in order to enhance market competitiveness, the wholesale price of gem-set jewellery products have been reduced. In addition, the realised profit of the gem-set jewellery products of inter-segmental wholesale transactions in Mainland China went back to more normal level. These two factors led to decrease in gross margin of wholesale business, resulting in the decline in its segmental profit by 12.8% to HK\$382,608,000 (2017: HK\$438,891,000), accounting for 22.8% (2017: 30.9%) of the total. Its segmental profit margin was 13.1% (2017: 16.4%). Licensing income, which accounted for 4.5% (2017: 4.0%) of the Group’s total revenue, increased by 26.6% to HK\$653,202,000 (2017: HK\$516,141,000) due to an increase in the number of licensed shops as well. Its segmental profit margin significantly improved to 67.5% (2017: 56.3%) because of high fixed cost proportion in its cost structure. It helped to offset the impact of the reduction in wholesale gross margin of gem-set jewellery products. Its segmental profit increased by 51.8% to HK\$440,915,000 (2017: HK\$290,384,000), accounting for 26.2% (2017: 20.5%) of the total.

Gold products remained the most favourite item. Sales of gold and platinum products increased by 10.2% to HK\$7,725,533,000 (2017: HK\$7,012,528,000), accounting for 55.5% (2017: 57.1%) of the overall sales (Group revenue minus licensing income). As gross margin of gold products stayed flat at around 15.0% (2017: 15.2%), gross profit of gold and platinum products therefore increased by 8.8% to HK\$1,191,303,000 (2017: HK\$1,094,924,000), accounting for 36.2% (2017: 36.9%) 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 rose by 17.4% to HK\$6,199,674,000 (2017: HK\$5,278,608,000), accounting for 44.5% (2017: 42.9%) of the overall sales. Because of reduction in gross margin in Mainland China’s wholesale business, gem-set jewellery products’ gross margin decreased by 1.7 p.p. to 33.8% (2017: 35.5%), while its gross profit, as a result, only increased by 11.9% to HK\$2,096,130,000 (2017: HK\$1,873,848,000), accounting for 63.8% (2017: 63.1%) of the overall gross profit.

During the Year under review, the overall same store sales growth* of the Group, after three consecutive years of decline, turned to a positive growth of +9.2% (2017: -18.3%). SSSG for the Hong Kong and Macau market was +9.4% (2017: -19.5%) and that for the Mainland China market was +4.6% (2017: -4.8%). SSSG for gold and platinum products was +6.6% (2017: -24.6%) and that for gem-set jewellery products was +13.3% (2017: -6.3%).

* Same storesales 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.

六福集團

LUKFOOK GROUP

The Hong Kong market was the key source of revenue for the Group. Visitors from Mainland China had been the major driver for the retail business growth in Hong Kong for the past few years. The Group's retail revenue in the Hong Kong market increased by 7.0% to HK\$6,664,827,000 (2017: HK\$6,227,060,000) during the Year under review. With the better retail sentiment in Macau than in Hong Kong, the Group's revenue generated from the Macau market increased by 18.4% to HK\$1,833,983,000 (2017: HK\$1,549,409,000). Total revenue from the Hong Kong, Macau and overseas markets increased by 9.7% to HK\$9,514,736,000 (2017: HK\$8,673,186,000) during the Year under review. Revenue from the Mainland China market increased by 22.5% to HK\$5,063,673,000 (2017: HK\$4,134,091,000).

During the Year under review, the Group added a net total of 135 new Lukfook shops worldwide, including a net addition of 132 shops in Mainland China, 1 self-operated shop in both Hong Kong and San Francisco, the United States plus the first licensed shop in Cambodia. As at 31 March 2018, the Group had a global network of 1,642 shops (2017: 1,505 shops), including 1,631 Lukfook shops (2017: 1,496 shops) and 11 3D-GOLD self-operated shops (2017: 9 shops) operated in Mainland China, with business spanning across Hong Kong, Macau, Mainland China, Singapore, Korea, Malaysia, Cambodia, the United States, Canada and Australia.

Mr. Wong Wai Sheung, Chairman and Chief Executive of the Group concluded, "With the improved overall economic environment and increased visitor arrivals in Hong Kong and Macau, the retail market sentiment remained positive since April this year, especially for the Hong Kong and Macau market. The same store sales growth maintained at a double-digit and the same store sales of gem-set jewellery products in the Mainland market restored to a positive growth. However, under the influence of US-China trade war and geopolitics, there are still many uncertainties around. Therefore, the Group remains prudently optimistic about its business development and expects to have continuing growth in its business in the coming year. Moreover, with the anticipated considerable growth of the middle-class population in Mainland China, the Group also remains optimistic about the mid- to long-term business prospects. The Group will focus on product offering enrichment, market coverage enlargement in Mainland China and market oriented strategies to penetrate into the mass market, covering middle-class as well as kids. In the long run, the outlook for the jewellery industry remains positive, which will be conducive to the sustainable development of the Group."

~End~

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

The Group principally engages in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery and gem-set jewellery products, with over 1,660 shops in Hong Kong, Macau, Mainland China, Singapore, Malaysia, Cambodia, the United States, Canada and Australia. The Group will continue to identify new business opportunities in the international market in response to its corporate vision, "Brand of Hong Kong, Sparkling the World".

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

Media Enquiries:

Lukfook Group Corporate Communications Department

Tel: (852) 2783 2479

Fax: (852) 3009 7509

Email: corporate@lukfook.com

JOVIAN Financial Communications Ltd

Angel Yeung

Tel: (852) 2581 0168

Fax: (852) 2854 2012

Email: lukfook@joviancomm.com