



【For Immediate Release】

**Lukfook Group (00590.HK) Announces
Annual Results for the Year Ended 31 March 2020
Revenue and Profit Attributable to Equity Holders Reached HK\$11.2 billion and
HK\$866 million Respectively
Proposed Final Dividend of HK\$0.50 per share**

Financial 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

	For the Year Ended 31 March		
	2020	2019	Y-o-Y
	HK\$'000	HK\$'000	Change
Revenue	11,233,771	15,859,990	-29.2%
Gross Profit	3,323,020	4,033,836	-17.6%
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%

(26 June 2020) —The board of directors (the “Board”) of **Luk Fook Holdings (International) Limited** (the “Company”) (Stock Code: 00590.HK) is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the “Group”) recorded a revenue drop of 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 a 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

¹ Same store sales growth (“SSSG”) represented a comparison of sales of the same self-operated shop having full day operations in the comparable periods and such data did not include sales of licensed shops and Mainland China’s e-commerce business.

² Hong Kong SAR: Hereafter refers to as “Hong Kong”

³ Macau SAR: Hereafter refers to as “Macau”

⁴ Mainland China: Hereafter refers to as “Mainland”

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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).

The Board proposed a final dividend of HK\$0.50 per ordinary share for the year ended 31 March 2020 (2019: HK\$0.60 per share). Taking into account of the interim dividend paid, the total dividend for the year would amount to HK\$1.00 per ordinary share (2019: HK\$1.15 per ordinary share).

Mr. Wong Wai Sheung, Chairman and Chief Executive Officer of the Group said, “During the Year under review, the overall same store sales 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. 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.”

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.

With a decreasing demand due to the strong gold price and the weakened 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%).

As a result of the high gold price, together with substantial decline in the number of visitors to Hong Kong due

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to the on-going social activities and pandemic, retail sentiment in the Hong Kong and Macau market has been weakening. 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. Mainland visitor arrivals to Macau in 2019 increased by 10.5% over last year, while that 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). 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, with the high gold price, as well as the continuing impact of the US-China trade war and pandemic, revenue from the Mainland market decreased by 17.4% to HK\$4,964,081,000 (2019: HK\$6,006,981,000).

In FY2020, the Group operated 4 brands – “Lukfook”, “Goldstyle”, “Dear Q” and “3D-GOLD”. There was a net increase of 287 stores that were mainly “Lukfook” shops. 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.

Mr. Wong Wai Sheung, Chairman and Chief Executive Officer of the Group concluded, “The Group has set up its new three-year corporate strategy. 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 right time by implementing higher level of automation and big data management; improving factory productivity; shortening 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. Moreover, as Mainland remains to be a market with growth potential in the mid-to long-term, the Group will continue to focus on business expansion in Mainland. The target for net addition of ‘Lukfook’ shops in Mainland in the coming year will be not less than 150 shops, mainly focused on opening licensed shops in fourth- and fifth-tier cities. Furthermore, the Group has already adopted multi-brand strategy, and strives to develop more new brands in the future, apart from ‘Goldstyle’ and ‘Dear Q’, to foster its future business growth.”

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

The Group principally engages in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery and gem-set jewellery products, with over 2,110 shops worldwide. 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 www.lukfook.com.

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