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LUKFOOK GROUP

【 For Immediate Release 】

**Lukfook Group (00590.HK) Announces
Interim Results for the Six Months Ended 30 September 2018
Revenue and Profit Attributable to Equity Holders amounted to HK\$ \$7.9 Billion
and HK\$ 665 Million Respectively
Declared interim dividends of HK\$0.55 per share**

Financial Highlights

- Revenue reached HK\$7.9 billion, representing an increase of 25.1% as compared with the same period last year
- SSSG* for the Hong Kong and Macau market and the Mainland China market were +21.4% and +0.7% respectively
- Gross profit increased by 13.1% to HK\$1.9 billion
- Operating profit increased by 29.8% to HK\$838 million
- Profit attributable to equity holders amounted to HK\$665 million, an increase of 27.9%
- Basic earnings per share were HK\$1.13, increased by 27.0%
- Proposed interim dividends of HK\$0.55 per share, representing 48.5% dividend payout ratio
- Net additions of 94 Lukfook shops during the period with a total of 1,725 Lukfook shops globally at period end

	For the six months ended 30 September		
	2018	2017	Y-o-Y Change
	HK\$'000	HK\$'000	
Revenue	7,859,454	6,283,454	+ 25.1%
Gross Profit	1,863,633	1,647,260	+ 13.1%
Profit Attributable to Equity Holders	665,423	520,364	+ 27.9%
Basic Earnings per Share	HK\$1.13	HK\$0.89	+ 27.0%
Dividend per Share			
- Interim	HK\$0.55	HK\$0.35	+57.1%
- Special	-	HK\$0.20	N/A
Total	HK\$0.55	HK\$0.55	0%

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(Hong Kong, 28 November 2018) — The Board of Directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) (Stock Code: 00590.HK) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2018 (the “Period under review”). Benefitting from the positive market sentiment and lower gold price, the Group recorded revenue growth of 25.1% to HK\$7,859,454,000 (2017: HK\$6,283,454,000). However, with the decrease in overall gross margin by 2.5 p.p. to 23.7% (2017: 26.2%), gross profit only rose by 13.1% to HK\$1,863,633,000 (2017: HK\$1,647,260,000). On the other hand, although the increase in sales led to an increase in total operating expenses by 12.5%; because of a faster increase in revenue, its ratio to revenue decreased by 1.8 p.p. to 15.3% (2017: 17.1%). Therefore, operating profit improved substantially by 29.8% to HK\$837,982,000 (2017: HK\$645,359,000); operating margin was 10.7% (2017: 10.3%), while net margin was 8.5% (2017: 8.3%). Profit attributable to equity holders thus increased by 27.9% to HK\$665,423,000 (2017: HK\$520,364,000) and basic earnings per share increased by 27.0% to HK\$1.13 (2017: HK\$0.89).

The Board has resolved to declare an interim dividend of HK\$0.55 per ordinary share (2017: HK\$0.55 per share, including a special dividend of HK\$0.20 per ordinary share) for the Period under review. Payout ratio is 48.5% (2017: 62.1%).

Mr. Wong Wai Sheung, Chairman and Chief Executive of Lukfook Group said, “During the Period under review, visitor arrivals in Hong Kong and Macau increased under the improved overall economic environment. However, the market sentiment was adversely impacted by the recent US-China trade war as well as the depreciation of Renminbi. Therefore, the Group remains prudent about its business development in the second half of the financial year. Nevertheless, with the anticipated considerable growth of the middle-class population in Mainland China, the Group remains optimistic about the mid- to long-term business prospects. In the coming year, 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 the middle-class, wedding couples as well as kids.”

The retail business was the Group’s primary source of revenue with its revenue increased by 27.3% year-on-year to HK\$6,007,690,000 (2017: HK\$4,719,610,000), accounting for 76.4% (2017: 75.1%) of the Group’s total revenue. Segmental profit of the retail business rose by 19.2% to HK\$396,399,000 (2017: HK\$332,435,000), accounting for 46.6% (2017: 46.9%) of the total; and its segmental profit margin was 6.6% (2017: 7.0%).

Attributable to the increase in the number of licensed shops, the wholesale business revenue rose by 13.8% over the corresponding period last year to HK\$1,470,645,000 (2017: HK\$1,291,918,000), accounting for 18.7% (2017: 20.6%) of the Group’s total revenue. However,

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with the decrease in gross margin of gem-set jewellery products, its segmental profit decreased by 10.3% to HK\$180,505,000 (2017: HK\$201,299,000), accounting for 21.2% (2017: 28.4%) of the total. Its segmental profit margin was 12.3% (2017: 15.6%).

Licensing income, which accounted for 4.9% (2017: 4.3%) of the Group's total revenue, increased substantially by 40.2% to HK\$381,119,000 (2017: HK\$271,926,000) due to an increase in the number of licensed shops as well. Its segmental profit margin improved to 71.7% (2017: 64.5%) because of high fixed cost proportion in its cost structure. Its segmental profit substantially increased by 55.7% to HK\$273,281,000 (2017: HK\$175,480,000), accounting for 32.2% (2017: 24.7%) of the total.

During the Period under review, the overall same store sales growth* ("SSSG") of the Group further improved to +17.7% (2017: +11.2%). SSSG for the Hong Kong and Macau market and that for the Mainland China market were +21.4% (2017: +10.5%) and +0.7% (2017: +16.7%) respectively. SSSG for gold and platinum products was +22.3% (2017: +10.3%) and that for gem-set jewellery products was +11.3% (2017: +12.6%).

During the Period under review, the Group added a net total of 94 new Lukfook shops worldwide, including a net addition of 2 self-operated shops in Hong Kong, 1 self-operated shop in Macau, 90 shops in Mainland China (including a net addition of 96 licensed shops and a net reduction of 6 self-operated shops), 1 self-operated shop in Malaysia and 1 licensed shop in the Philippines, as well as closure of 1 licensed shop in Korea. As at 30 September 2018, the Group had a global network of 1,725 Lukfook shops (2017: 1,542 shops), with business spanning across Hong Kong, Macau, Mainland China, Singapore, Malaysia, Cambodia, the Philippines, the United States, Canada and Australia, and operated 5 3D-GOLD shops (2017: 10 shops) in Mainland China.

Mr. Wong Wai Sheung, Chairman and Chief Executive of the Group said, "By understanding customers' spending habits, the Group will adopt holistic approach to penetrate into the markets for the middle-class, wedding couples and kids. Given the importance of social media in product promotion, the Group will continue to showcase and promote its products on mobile applications and social media platforms such as Facebook and WeChat, etc. Apart from accelerating sales growth, the Group will also strive to enhance its operational efficiency and control costs in every operational aspect, including the improvement of service quality control, enhancement of support to licensees, promotion of continuous improvement culture and full automation of operational processes in the hope of delivering better results to its shareholders."

* 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.

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Lukfook Group has introduced a new “Lukfook Jewellery” brand logo and interior design featuring a young and elegant image. Together with a wide selection of jewellery products to provide an unparalleled shopping experience for customers.



Lukfook Group displays the “Dear Q” Collection of sweet yet stylish jewellery with girly pink decoration at “Lukfook Jewellery” shops.

~End~

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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 1,740 shops in Hong Kong, Macau, Mainland China, Singapore, Malaysia, Cambodia, Philippines, 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.

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