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LUKFOOK GROUP

【For Immediate Release】

**Lukfook (00590.HK) Announces
Annual Results for the Year Ended 31 March 2016
Revenue and profit attributable to equity holders reached HK\$14.0 billion
and HK\$959 million respectively
Proposed Final Dividend of HK\$0.34 per share and special dividend of
HK\$0.21 per share**

Financial Highlights

- Revenue and profit attributable to equity holders reached HK\$14.0 billion and HK\$959 million respectively, reduced by 11.9% and 40.6% respectively
- A final dividend of HK\$0.34 per share and special dividend of HK\$0.21 per share were proposed, with annual dividend of HK\$1.10 per share, dividend payment ratio is 67.5%
- As at 31 March 2016, the Group had a global network of 1,437 shops, a net growth of 54 shops

	For the Year Ended 31 March			
	HK\$	2016	2015	Changes (%)
	HK\$'000	HK\$'000		
Revenue	14,031,302	15,922,708		-11.9%
Gross Profit	3,254,111	3,831,538		-15.1%
Profit Attributable to Equity Holders	958,692	1,614,805		-40.6%
Basic Earnings Per Share	HK\$1.63	HK\$2.74		-40.5%
Dividend Per Share				
- Final	HK\$0.34	HK\$0.55		-38.2%
- Special	HK\$0.21	-		Nil
Annual Dividend Per Share	HK\$1.10	HK\$1.10		0%

(Hong Kong, 23 June 2016) —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 2016 (the “Year under review”). During the Year under review, the Group recorded revenue drop of 11.9% to HK\$14,031,302,000 (2015: HK\$15,922,708,000). Furthermore, because of the adjustment of retail price to cope with market price changes of diamond, gross margin of gem-set jewellery products decreased, resulted in overall gross margin drop of 0.9 p.p. to 23.2% (2015: 24.1%). Gross profit decreased by 15.1% to HK\$3,254,111,000 (2015: HK\$3,831,538,000). In addition, as it is common for rental adjustments to lag behind, the rental cost still recorded single-digit growth even when the revenue decreased, which caused the total operating expenses to increase by 2.2% and its ratio to revenue increased to 15.2% (2015: 13.1%). Moreover, the profit derived from the investments and operating activities in relation to HKRH and its subsidiaries turned into a loss during the Year under review. The operating profit therefore decreased by 38.7% to HK\$1,212,152,000 (2015: HK\$1,976,211,000) and the operating margin was 8.6% (2015: 12.4%). With a net margin of 6.9% (2015: 10.2%), the profit attributable to equity holders decreased by 40.6% to HK\$958,692,000 (2015: HK\$1,614,805,000). Basic earnings per share were HK\$1.63 (2015: HK\$2.74).

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The Board proposed a final dividend of HK\$0.34 per ordinary share and a special dividend of HK\$0.21 per ordinary share, totaling HK\$0.55 per ordinary share for the year ended 31 March 2016 (2015: 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 (2015: HK\$1.10 per ordinary share).

Mr. Wong Wai Sheung, Chairman and Chief Executive of the Group said, “During the Year under review, the continued slowdown in the economic growth in Mainland China, the tightening of Individual Visit Scheme Policy, the devaluation of currencies of popular tourist destinations and Renminbi, all imposed negative impacts on the desire of visitors to travel to Hong Kong and Macau. Furthermore, the disappointing performance of the property and stock market in Mainland China also affected the domestic retail market. The Group’s revenue for the financial year 2015/16 therefore declined. Moreover, with the adjustment of diamond price in accordance to market price that led to the decrease in gross margin of gem-set jewellery products, plus the continued increase in overall rental expenses and the profit in relation to the investments and operating activities in Hong Kong Resources Holdings Company Limited and its subsidiaries turning into a loss during the Year under review, our profit attributable to equity holders for the financial year 2015/16 therefore reduced when compared to last year.

The retail business continued to be the primary revenue source for the Group with its revenue declined by 12.8% to HK\$10,940,712,000 (2015: HK\$12,551,573,000), accounting for 78.0% (2015:78.8%) of the Group’s total revenue. Its segmental profit dropped by 42.2% to HK\$721,645,000 (2015: HK\$1,247,959,000), representing 55.5% (2015: 62.6%) of the total. Its segmental profit margin was 6.6% (2015: 9.9%). The wholesale business revenue decreased by 8.3% over the previous year to HK\$2,562,697,000 (2015: HK\$2,793,382,000), accounting for 18.2% (2015: 17.6%) of the Group’s total revenue. Its segmental profit dropped by 26.7% to HK\$281,637,000 (2015: HK\$384,430,000), representing 21.6% (2015: 19.3%) of the total, while its segmental profit margin was 11.0% (2015: 13.8%). Licensing income decreased by 8.6% to HK\$527,893,000 (2015: HK\$577,753,000), accounting for 3.8% (2015: 3.6%) of the Group’s total revenue. Its segmental profit dropped by 17.6% to HK\$297,797,000 (2015: HK\$361,439,000), representing 22.9% (2015: 18.1%) of the total, while its segmental profit margin was 56.4% (2015: 62.6%).

Gold products remained the most favourite item among customers and together with platinum products, their revenue decreased by 10.9% (2015: -26.1%) to HK\$8,225,319,000 (2015: HK\$9,231,225,000), accounting for 60.9% (2015: 60.2%) of overall sales (Group revenue minus licensing income). Although there was a slight increase in gross margin of gold products to 13.6% (2015:13.1%), gross profit of gold and platinum products dropped by 7.1% to HK\$1,122,157,000 (2015:HK\$1,207,811,000), accounting for 38.1% (2015: 34.9%) of overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income). Sales of gem-set jewellery products dropped by 13.7% to HK\$5,278,090,000 (2015: HK\$6,113,730,000), accounting for 39.1% (2015: 39.8%) of overall sales. Because of the adjustment of retail price in response to the changes in diamond market price, gross margin of gem-set jewellery products dropped by 2.2 p.p. to 34.6% (2015: 36.8%), while its gross profit decreased by 18.8% to HK\$1,826,796,000 (2015:HK\$2,249,815,000), accounting for 61.9% (2015: 65.1%) of overall gross profit. During the Year under review, the overall same store sales growth * (“SSSG”) of the Group was -19.3% (2015: -28.3%). SSSG for the Hong Kong and Macau market was -20.1% (2015: -28.2%) and that for the Mainland China market was -8.2% (2015: -29.8%). The SSSG for gold and platinum products was -16.7% (2015: -34.3%) and that for gem-set jewellery products was -24.1% (2015: -13.8%).

* Same storesales growth 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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Mainland Chinese visitors continued to be the major driver for the retail business in Hong Kong. Hong Kong market remained the key source of revenue for the Group. Due to the impact of overall market performance, the Group's retail revenue in Hong Kong decreased by 13.4% to HK\$7,727,658,000 (2015: HK\$8,923,360,000). The revenue of the wholesale business generated from the Hong Kong market decreased by 16.8% to HK\$490,646,000 (2015: HK\$589,721,000) due to the drop in scrap gold and platinum sales and sales to 3D-GOLD shops operated by CGS. The performance of Macau market was even worse than that of Hong Kong. The Group's revenue generated from the Macau market decreased by 22.3% to HK\$1,758,769,000 (2015: HK\$2,264,882,000). Revenue from the Mainland China market decreased by 2.3% to HK\$3,911,751,000 (2015: HK\$4,003,262,000), accounting for 27.9% (2015: 25.1%) of the Group's total revenue.

During the Year under review, the Group added a net total of 54 new shops worldwide, including a net addition of 46 Lukfook shops (among them were 20 licensed shops and 26 self-operated shops) in Mainland China and 9 3D-GOLD self-operated shops through the new joint venture (of which the Group held 51% equity) with a licensee in Mainland China. The Group reduced 1 self-operated Lukfook shop in Hong Kong and opened a new one in Canada while the licensed shop in Korea was closed temporarily, pending for relocation. As at 31 March 2016, the Group had a global network of 1,437 (2015: 1,383) shops, including 1,428 (2015: 1,383) Lukfook shops, spanning over in Mainland China, Hong Kong, Macau, Singapore, the United States, Canada and Australia, and operated 9 3D-GOLD shops (2015: Nil) in Mainland China, representing a step forward in the execution of our dual-brand strategy.

Mr. Wong Wai Sheung, Chairman and Chief Executive concluded, "The ongoing uncertainties in global economy, all adversely affected the Group's retail business. Therefore, the Group remains prudent about the business growth in the near term. Nevertheless, the Group is still optimistic about the mid- to long-term business prospect and will endeavor to uphold the Group's business with strategies on three focuses including product, China and branding via product offering enrichment, China focus network expansion and market oriented strategies, respectively, in the coming year. Therefore, the Group will maintain its pragmatic and prudent business strategy, and will also take a proactive approach towards market challenges, thereby uplifting its competitive advantage and strengthening its leading position in the jewellery retail market."

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

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 nearly 1,420 shops in Hong Kong, Macau, Mainland China, Singapore, Korea, 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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