

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2019

HIGHLIGHTS

- Though promising performance in first half, as second half was flat, revenue of the year increased by 8.8% to approximately HK\$15.9 billion
- Benefiting from operating leverage, operating profit increased by 14.3% to approximately HK\$1.9 billion, while profit attributable to equity holders increased by 9.0% and reached approximately HK\$1.5 billion
- A final dividend of HK\$0.60 per share was proposed, with annual dividend of HK\$1.15 per share, dividend payout ratio is 45%
- As at 31 March 2019, the Group had a global network of 1,828 Lukfook shops, a net growth of 197 shops

FINANCIAL PERFORMANCE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	Y-o-Y Change
Revenue	15,859,990	14,578,409	+8.8%
Gross Profit	4,033,836	3,741,377	+7.8%
Operating Profit	1,853,042	1,620,806	+14.3%
Profit for the year	1,503,655	1,370,314	+9.7%
Profit Attributable to Equity Holders	1,492,747	1,369,393	+9.0%
Basic Earnings per Share	HK\$2.54	HK\$2.33	+9.0%
Final Dividend per Share	HK\$0.60	HK\$0.55	+9.1%
Annual Dividend per Share	HK\$1.15	HK\$1.10	+4.5%
Gross Margin	25.4%	25.7%	-0.3 p.p.
Operating Margin	11.7%	11.1%	+0.6 p.p.
Net Margin	9.5%	9.4%	+0.1 p.p.
EBITDA	1,937,010	1,718,819	12.7%

The board of directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) presents the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2019 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	3	15,859,990	14,578,409
Cost of sales		<u>(11,826,154)</u>	<u>(10,837,032)</u>
Gross profit		4,033,836	3,741,377
Other income	5	278,197	183,364
Selling and distribution costs		(2,231,871)	(2,150,937)
Administrative expenses		(210,775)	(166,581)
Other (losses)/gains, net	6	<u>(16,345)</u>	<u>13,583</u>
Operating profit	4	<u>1,853,042</u>	<u>1,620,806</u>
Finance income		30,053	28,922
Finance costs		<u>(34,253)</u>	<u>(6,392)</u>
Finance (cost)/income, net		<u>(4,200)</u>	<u>22,530</u>
Share of results of associates	10	<u>(42,479)</u>	<u>(29,897)</u>
Profit before income tax		1,806,363	1,613,439
Income tax expenses	7	<u>(302,708)</u>	<u>(243,125)</u>
Profit for the year		<u>1,503,655</u>	<u>1,370,314</u>
Profit attributable to:			
Equity holders of the Company		1,492,747	1,369,393
Non-controlling interests		<u>10,908</u>	<u>921</u>
		<u>1,503,655</u>	<u>1,370,314</u>
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic	8	<u>HK\$2.54</u>	<u>HK\$2.33</u>
Diluted	8	<u>HK\$2.54</u>	<u>HK\$2.33</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	1,503,655	1,370,314
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences:		
– Group	(300,872)	396,943
– Associates	(11,835)	12,478
Revaluation of available-for-sale financial assets	–	(1,615)
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of financial assets at fair value through other comprehensive income	(2,941)	–
Remeasurements of employee benefit obligations	(1,767)	16,646
Other comprehensive income for the year	(317,415)	424,452
Total comprehensive income for the year	1,186,240	1,794,766
Attributable to:		
– Equity holders of the Company	1,178,322	1,789,668
– Non-controlling interests	7,918	5,098
	1,186,240	1,794,766

CONSOLIDATED BALANCE SHEET

As at 31 March 2019

		As at 31 March	
		2019	2018
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		951,782	547,659
Land use rights		483,131	273,019
Investment properties		311,716	35,810
Interests in associates	10	13,279	67,593
Loan to an associate	11	99,208	94,927
Derivative financial instrument	12	–	50,782
Available-for-sale financial assets		–	6,075
Financial assets at fair value through other comprehensive income		3,134	–
Trading licence		1,080	1,080
Non-current deposits, prepayments and other receivables		105,101	212,167
Deferred income tax assets		54,643	47,114
		<u>2,023,074</u>	<u>1,336,226</u>
Current assets			
Inventories		9,321,522	7,991,727
Right of return assets	2.1	85,897	–
Trade receivables	13	362,675	359,796
Deposits, prepayments and other receivables		474,014	364,765
Amount due from an associate	10	3,078	13,173
Loan to an associate	11	–	43,190
Derivative financial instruments	12	56,219	–
Income tax recoverable		10,571	8,134
Cash and bank balances		2,086,522	2,097,867
		<u>12,400,498</u>	<u>10,878,652</u>
Total assets		<u><u>14,423,572</u></u>	<u><u>12,214,878</u></u>

		As at 31 March	
		2019	2018
	<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		7,964,520	7,482,019
		<u>10,517,270</u>	<u>10,034,769</u>
Non-controlling interests		45,646	44,968
		<u>10,562,916</u>	<u>10,079,737</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		133,690	100,714
Employee benefit obligations		10,823	8,237
		<u>144,513</u>	<u>108,951</u>
Current liabilities			
Trade payables, other payables and accruals	<i>14</i>	975,840	1,125,453
Contract liabilities		122,502	–
Derivative financial instrument	<i>12</i>	3,929	–
Sales refund liabilities	<i>2.1</i>	155,768	–
Amount due to an associate	<i>10</i>	2,715	3,555
Bank borrowings		1,855,224	415,000
Gold loans		450,889	311,283
Current income tax liabilities		149,276	170,899
		<u>3,716,143</u>	<u>2,026,190</u>
Total liabilities		<u>3,860,656</u>	<u>2,135,141</u>
Total equity and liabilities		<u>14,423,572</u>	<u>12,214,878</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Canon’s Court, 22 Victoria Street, Hamilton HM 12, 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 (“HKFRS”) and the disclosure requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets, gold loans, and financial liabilities are carried at fair values.

The preparation of consolidated financial statements in conformity with HKFRS 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) New standards, amendments to existing standards and interpretation that are effective for the first time for the financial year beginning 1 April 2018 and are relevant to the Group’s operations:

Amendments to HKAS 40	Transfer of investment property
Amendments to HKFRSs	Annual improvements 2014-2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts”
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to existing standards that are effective for the first time for this year that could be expected to have a material impact on the Group.

- (b) Certain new standards, amendments to existing standards and interpretations relevant to the Group have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2019, which the Group has not early adopted, are as follows:

Amendments to HKAS 28	Long-term interests in an associate or joint venture ⁽¹⁾
Amendments to HKFRS 9	Prepayment features with negative compensation ⁽¹⁾
Amendments to HKAS 19	Employee benefits: plan amendment, curtailment or settlement ⁽¹⁾
HKFRS 16	Leases ⁽¹⁾
HKFRS 17	Insurance contracts ⁽³⁾
HK(IFRIC)-Int 23	Uncertainty over income tax treatments ⁽¹⁾
Annual improvement projects	Annual improvements 2015–2017 cycle ⁽¹⁾
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁽⁴⁾

⁽¹⁾ Effective for annual period beginning on or after 1 January 2019

⁽²⁾ Effective for annual period beginning on or after 1 January 2020

⁽³⁾ Effective for annual period beginning on or after 1 January 2021

⁽⁴⁾ To be announced by HKICPA

HKFRS 16 “Leases”

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK\$817,000,000. Of these commitments, approximately HK\$119,000,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss in the year ending 31 March 2020. For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately HK\$672,000,000 and lease liabilities of approximately HK\$696,000,000 on 1 April 2019 (before the adjustment of deferred tax). A corresponding adjustment of approximately HK\$24,000,000 will be recognised in opening of retained earnings.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years starting on or after 1 April 2019. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020. The Group intends to apply the modified retrospective approach and will recognize the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate comparative information. Right-of-use assets will be measured on transition as if the new rules had always been applied (adjusted for any prepaid or accrued lease expenses).

Apart from aforementioned HKFRS 16, the Group is in the process of assessing the financial impact of the adoption of other new standards, amendments to existing standards and interpretation. The Group will adopt the new standards, amendments to existing standards and interpretation after they become effective.

2.1 Change in accounting policies

The following explains the impact of the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on the Group’s consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details by standard below.

Consolidated balance sheet (extract)	31 March 2018 As originally presented HK\$'000	Effect of adoption of HKFRS 9 HK\$'000	Effect of adoption of HKFRS 15 HK\$'000	1 April 2018 Restated HK\$'000
Non-current assets				
Available-for-sale financial assets	6,075	(6,075)	–	–
Financial assets at fair value through other comprehensive income	–	6,075	–	6,075
Current assets				
Trade receivables	359,796	(2,244)	–	357,552
Right of return assets	–	–	86,551	86,551
Current liabilities				
Trade payables, other payables and accruals	1,125,453	–	(110,519)	1,014,934
Contract liabilities	–	–	105,037	105,037
Sales refund liabilities	–	–	139,792	139,792
Equity				
Reserves	7,482,019	(2,244)	(47,759)	7,432,016

(a) HKFRS 9 “Financial Instruments” – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The total impact on the Group’s retained earnings due to classification and measurement of financial instruments as at 1 April 2018 is as follows:

At 1 April 2018	<i>Notes</i>	<i>HK\$'000</i>
Opening retained earnings –after HKAS 39		7,482,019
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	<i>(i)</i>	–
Increase in loss allowance for impairment of trade receivables	<i>(ii)</i>	(2,244)
Adjustment to retained earnings from adoption of HKFRS 9		(2,244)
Opening retained earnings – after HKFRS 9		7,479,775

(i) *Classification and measurements of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

On 1 April 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial instruments held by the Group into the appropriate HKFRS 9 categories.

The impact of the reclassification on the consolidated balance sheet is as follows:

	Available- for-sale financial assets HK\$’000	Financial assets at fair value through other comprehensive income HK\$’000
At 1 April 2018		
Opening balance – HKAS 39	6,075	–
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	<u>(6,075)</u>	<u>6,075</u>
Opening balance – after HKFRS 9	<u>–</u>	<u>6,075</u>
	Available- for-sale financial assets revaluation reserve HK\$’000	Financial assets at fair value through other comprehensive income revaluation reserve HK\$’000
At 1 April 2018		
Opening balance – HKAS 39	(5,949)	–
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	<u>5,949</u>	<u>(5,949)</u>
Opening balance – after HKFRS 9	<u>–</u>	<u>(5,949)</u>

The Group makes an election to designate its investment in equity securities as financial assets at FVOCI such that subsequent changes in fair value are recognised in other comprehensive income without subsequent reclassification to profit or loss. Such elections are made on an instrument-by-instrument basis. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVOCI revaluation reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVOCI revaluation reserve is transferred to retained earnings. Dividends from an investment in equity securities are recognised in profit or loss.

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model from the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". Under HKFRS 9, the losses allowances are measured on either using the 12-month ECLs model: the ECLs that result from possible default events within the 12 months after the reporting date; or the lifetime ECLs model: ECLs that would result from all possible default events over the expected life of a financial instrument.

The Group has three types of financial assets as at 1 April 2018 that are subject to HKFRS 9's new expected credit loss model:

- Amount due from and loan to an associate
- Other receivables
- Trade receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of financial assets. The Group makes estimates and assumptions concerning the future which are discussed below:

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents, short term bank deposits and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss by the directors of the Company was determined to be immaterial.

The Group has applied the general approach and recorded 12-month expected credit losses on its other receivables, amount due from and loan to an associate based on the estimated loss of possible default events within the next 12 months. The directors of the Group has considered that the allowance on impairment loss is immaterial upon the initial adoption of the standard.

Trade receivables

The Group applies the simplified approach to provide for the expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

By using the lifetime ECLs model, an additional provision for trade receivables of HK\$2,244,000 was recognised as at 1 April 2018.

The provision for impairment of trade receivables as at 31 March 2018 reconcile to the opening provision on 1 April 2018 as follows:

	<i>HK\$'000</i>
At 31 March 2018 – HKAS 39	–
Amounts additionally provided on adoption of HKFRS 9	2,244
Opening provision as at 1 April 2018 – after HKFRS 9 restatement	<u>2,244</u>

(b) HKFRS 15 “Revenue from Contracts with Customers” – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18, which resulted in changes in accounting policies that relate to revenue recognition, contract costs and presentation of contract assets and liabilities.

The impact on the Group’s retained earnings as at 1 April 2018 is as follows:

At 1 April 2018	<i>HK\$’000</i>
Retained earnings – after HKFRS 9 restatement	7,479,775
Increase in sales refund liabilities with the adoption of HKFRS 15	<u>(47,759)</u>
Retained earnings – after HKFRS 9 and HKFRS 15 restatement	<u><u>7,432,016</u></u>

Adoption of HKFRS 15 – Sales refund liabilities

It is the Group’s policy to sale of jewellery products to its retail and wholesale customers with a right of returns in a designated time period at certain agreed discounts on the original selling price. Also, the Group allows its licensees to have credit refunds of royalty and service income when certain credit refund criteria are met. Prior to the adoption of HKFRS 15, the Group recognised revenue from the sale of jewellery products to retail and wholesale customers at fair values of consideration received/receivables, net of returns and trade discounts, and royalty and service income on an accrual basis in accordance with the substance of the relevant agreement.

Upon the adoption of HKFRS 15, the rights of returns or credit refund are considered as variable consideration. The Group uses expected value method to estimate the return or credit refund that best predicts the amount of variable consideration on the above revenue streams. As such, the Group presents a sales refund liability and an asset for the right to recover products from a customer upon return or refund separately in the consolidated balance sheet and an aggregated amount of HK\$47,759,000 opening adjustment was recognised in the retained earnings as at 1 April 2018 to reflect the adoption of the new standard.

Adoption of HKFRS 15 – Reclassification of contract liabilities

The Group has established a customer loyalty program in which customers could earn reward points via their purchases. Under the program, customers could utilise these reward points to redeem gifts and coupons over a specific period. Upon adoption of HKFRS 15, a portion of the transaction price shall be deferred and be recognised only when the customers redeem their points or due to the expiration of these reward points. The deferred revenue related to this loyalty programme of approximately HK\$5,435,000 previously classified as “trade payables, other payables and accruals” are reclassified to “contract liabilities” upon the adoption of the new standard.

Also, the Group reclassified the receipt in advance from customers and licensees of approximately HK\$99,602,000 previously classified as “trade payables, other payables and accruals” to “contract liabilities” as at 1 April 2018 upon the initial adoption of HKFRS 15.

3 SEGMENT INFORMATION

The chief operating decision-makers (“CODM”) have been identified as the executive directors and senior management collectively. The CODM review 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 consider 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 China
- iii. Wholesaling – Hong Kong
- iv. Wholesaling – Mainland China
- v. Licensing

CODM assess the performance of the operating segments based on segment results. Finance income and costs, corporate income and expenses and share of results of associates 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 associates, certain land and buildings, investment properties, deferred income tax assets, income tax recoverables 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 and corporate liabilities, all of which are managed on a central basis.

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 2019

	Retailing- Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing- Mainland China <i>HK\$'000</i>	Wholesaling- Hong Kong <i>HK\$'000</i>	Wholesaling- Mainland China <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	9,660,983	2,414,204	106,835	2,842,039	–	–	15,024,061
Sales of scrap	–	–	28,937	–	–	–	28,937
	9,660,983	2,414,204	135,772	2,842,039	–	–	15,052,998
Inter-segment sales	104,741	602	2,374,997	682,588	–	(3,162,928)	–
Sales of merchandises	9,765,724	2,414,806	2,510,769	3,524,627	–	(3,162,928)	15,052,998
Revenue– over time							
Royalty and service income	–	–	–	–	718,560	–	718,560
Consultancy fee income	–	–	–	–	88,432	–	88,432
Total	9,765,724	2,414,806	2,510,769	3,524,627	806,992	(3,162,928)	15,859,990
Results of reportable segments	<u>776,769</u>	<u>164,122</u>	<u>130,993</u>	<u>274,749</u>	<u>554,192</u>	<u>–</u>	<u>1,900,825</u>

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	1,900,825
Unallocated income	74,906
Unallocated expenses	(122,689)
Operating profit	1,853,042
Finance income	30,053
Finance costs	(34,253)
Share of results of associates	(42,479)
Profit before income tax	1,806,363
Income tax expenses	(302,708)
Profit for the year	1,503,655
Less: Profit attributable to non-controlling interest	(10,908)
Profit attributable to equity holders of the Company	<u>1,492,747</u>

Year ended 31 March 2019								
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(41,846)	(18,835)	(3,778)	(12,635)	(6,578)	–	(28,829)	(112,501)
Amortisation of land use rights	–	–	–	(427)	(8,845)	–	(1,672)	(10,944)
Depreciation of investment properties	–	–	–	–	–	–	(3,002)	(3,002)
Additions of non-current assets	29,737	24,937	1,359	10,311	14,484	–	852,783	933,611

As at 31 March 2019							
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	5,352,196	1,683,713	1,263,750	3,542,066	587,827		12,429,552
Interests in associates						13,279	13,279
Land and buildings						620,470	620,470
Investment properties						311,716	311,716
Deferred income tax assets						54,643	54,643
Income tax recoverable						10,571	10,571
Other unallocated assets						983,341	983,341
Total assets							14,423,572
Segment liabilities	(370,099)	(52,961)	(66,092)	(206,891)	(488,507)		(1,184,550)
Deferred income tax liabilities						(133,690)	(133,690)
Current income tax liabilities						(149,276)	(149,276)
Bank borrowings						(1,855,224)	(1,855,224)
Gold loans						(450,889)	(450,889)
Other unallocated liabilities						(87,027)	(87,027)
Total liabilities							(3,860,656)

	Year ended 31 March 2018						Reportable segments
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
Sales to external customers	8,771,979	2,223,114	65,050	2,223,920	–	–	13,284,063
Sales of scrap	–	–	641,144	–	–	–	641,144
	<u>8,771,979</u>	<u>2,223,114</u>	<u>706,194</u>	<u>2,223,920</u>	<u>–</u>	<u>–</u>	<u>13,925,207</u>
Inter-segment sales	133,162	262	2,429,032	476,822	–	(3,039,278)	–
Sales of merchandises	8,905,141	2,223,376	3,135,226	2,700,742	–	(3,039,278)	13,925,207
Royalty and service income	–	–	–	–	591,951	–	591,951
Consultancy fee income	–	–	–	–	61,251	–	61,251
Total	<u>8,905,141</u>	<u>2,223,376</u>	<u>3,135,226</u>	<u>2,700,742</u>	<u>653,202</u>	<u>(3,039,278)</u>	<u>14,578,409</u>
Results of reportable segments	<u>697,739</u>	<u>159,353</u>	<u>160,148</u>	<u>222,460</u>	<u>440,915</u>	<u>–</u>	<u>1,680,615</u>
A reconciliation of results of reportable segments to profit for the year is as follows:							
Results of reportable segments							1,680,615
Unallocated income							53,707
Unallocated expenses							(113,516)
Operating profit							1,620,806
Finance income							28,922
Finance costs							(6,392)
Share of results of associates							(29,897)
Profit before income tax							1,613,439
Income tax expenses							(243,125)
Profit for the year							1,370,314
Less: Profit attributable to non-controlling interest							(921)
Profit attributable to equity holders of the Company							<u>1,369,393</u>

	Year ended 31 March 2018						
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	(52,906)	(23,060)	(4,170)	(11,281)	(5,790)	(19,849)	(117,056)
Amortisation of land use rights	–	–	–	(435)	(8,923)	(319)	(9,677)
Depreciation of investment properties	–	–	–	–	–	(1,177)	(1,177)
Additions of non-current assets	39,094	29,112	842	4,172	4,050	135,433	212,703

	As at 31 March 2018						
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	5,050,651	1,963,530	766,839	2,976,945	485,622		11,243,587
Interests in associates						67,593	67,593
Land and buildings						267,844	267,844
Investment properties						35,810	35,810
Deferred income tax assets						47,114	47,114
Income tax recoverable						8,134	8,134
Other unallocated assets						544,796	544,796
Total assets							12,214,878
Segment liabilities	(247,842)	(46,198)	(180,403)	(196,307)	(381,331)		(1,052,081)
Deferred income tax liabilities						(100,714)	(100,714)
Current income tax liabilities						(170,899)	(170,899)
Bank borrowings						(415,000)	(415,000)
Gold loans						(311,283)	(311,283)
Other unallocated liabilities						(85,164)	(85,164)
Total liabilities							(2,135,141)

The Group's revenues are mainly derived from Hong Kong customers, Mainland China visitors to Hong Kong and Macau and Mainland China customers. An analysis of the Group's revenue by location in which the transaction took place is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue		
Hong Kong	7,633,013	7,407,584
Mainland China	6,006,981	5,063,673
Macau and overseas	2,219,996	2,107,152
	15,859,990	14,578,409

An analysis of the Group's non-current assets (other than deferred income tax assets, financial assets at fair value through other comprehensive income, derivative financial instrument, rental deposits, interests in associate and loan to an associate) by location of assets is as follows:

	2019				2018			
	Hong Kong HK\$'000	Mainland China HK\$'000	Macau and overseas HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Macau and overseas HK\$'000	Total HK\$'000
Property, plant and equipment	688,225	240,887	22,670	951,782	312,421	214,020	21,218	547,659
Land use rights	-	483,131	-	483,131	-	273,019	-	273,019
Investment properties	252,609	59,107	-	311,716	15,963	19,847	-	35,810
Prepayment for purchase of property, plant and equipment, and land use rights	-	-	-	-	131,543	2,966	-	134,509
Trading licence	1,080	-	-	1,080	1,080	-	-	1,080
	<u>941,914</u>	<u>783,125</u>	<u>22,670</u>	<u>1,747,709</u>	<u>461,007</u>	<u>509,852</u>	<u>21,218</u>	<u>992,077</u>

4 OPERATING PROFIT

The operating profit is stated after charging the following:

	2019 HK\$'000	2018 HK\$'000
Cost of sales (<i>Note</i>)		
– cost of inventories sold	11,588,145	10,637,774
– cost of licensing business	238,009	199,258
	<u>11,826,154</u>	<u>10,837,032</u>
Staff costs (including the directors' emoluments)	913,928	864,985
Operating lease		
– minimum lease payments	591,677	626,939
– contingent rents	193,491	196,778
Commission expenses to credit card companies	103,354	100,665
Depreciation of property, plant and equipment	112,501	117,056
Depreciation of investment properties	3,002	1,177
Amortisation of land use rights	10,944	9,677
Provision for impairment of trade receivables	25,877	-
Loss on disposal of property, plant and equipment	11,034	1,783
Auditor's remuneration		
– Audit services	5,640	5,487
– Non-audit services	1,157	1,701
	<u>11,826,154</u>	<u>10,837,032</u>

Note: Staff costs (including directors' emoluments) of HK\$376,850,000 (2018: HK\$317,483,000) are included in cost of sales.

5 OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Government subsidies		
– Value-added tax (“VAT”) refund (<i>Note i</i>)	204,811	121,782
– Other subsidies (<i>Note ii</i>)	48,265	34,634
Rental income	8,522	4,974
Others	16,599	21,974
	<u>278,197</u>	<u>183,364</u>

Notes:

- (i) This represents refund from the tax authority in Mainland China. 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 represents subsidies from a municipal government in Mainland China.

6 OTHER (LOSSES)/GAINS, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net realised gains/(losses) on derivative financial instruments (<i>Note</i>)	9,844	(29,551)
Realised fair value losses on China Gold Silver Group Limited share option	–	(9)
Fair value gains on convertible bond (<i>Note 12</i>)	5,437	1,803
Net realised (losses)/gains on gold loans	(14,002)	1,981
Net unrealised gains on gold loans	12,532	2,020
Net unrealised losses on forward exchange contracts	(3,929)	–
Net realised gains on forward exchange contracts	6,707	–
Net exchange (losses)/gains	<u>(32,934)</u>	<u>37,339</u>
	<u>(16,345)</u>	<u>13,583</u>

Note:

Derivative financial instruments mainly represent the gold contracts and gold future contracts. These derivative financial instruments are not qualified for hedge accounting.

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	83,601	88,296
– Overseas taxation	231,522	174,379
– Over-provision in prior years	(37,862)	(37,434)
Deferred income tax	25,447	17,884
	<u>302,708</u>	<u>243,125</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\$1,492,747,000 (2018: HK\$1,369,393,000) and the weighted average number of 587,107,850 (2018: 587,107,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2019 and 2018 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

9 DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
2018/19 interim, paid, of HK\$0.55 (2017/18 interim: HK\$0.35) per ordinary share	322,909	205,488
2018/19 special, paid, of HK\$Nil (2017/18 special: HK\$0.20) per ordinary share	–	117,421
	<u>322,909</u>	<u>322,909</u>
2018/19 final, proposed, of HK\$0.60 (2017/18 final: HK\$0.55) per ordinary share (<i>Note</i>)	352,265	322,909
	<u>352,265</u>	<u>322,909</u>

Note: At a meeting held on 27 June 2019, the directors recommended the payment of a final dividend of HK\$0.60 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 22 August 2019. This proposed dividend is not reflected as dividends payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2020.

10 INTERESTS IN ASSOCIATES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
As at 1 April	67,593	85,012
Share of results of associates for the year (<i>Note (ii)</i>)	(42,479)	(29,897)
Share of reserve movement of associates for the year	(11,835)	12,478
	<hr/>	<hr/>
As at 31 March	13,279	67,593
	<hr/>	<hr/>
Amount due from an associate (<i>Note i</i>)	3,078	13,173
	<hr/>	<hr/>
Amount due to an associate (<i>Note i</i>)	(2,715)	(3,555)
	<hr/>	<hr/>

Notes:

- (i) Amount due from an associate of HK\$3,078,000 (2018: HK\$13,173,000) is trade in nature. Amount due from/(to) associates are denominated in HK\$ and are unsecured, interest-free and repayable on demand.
- (ii) The financial year of this 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 2018. This associate uses 30 June as its financial year to conform with its holding company's reporting date. Pursuant to the shareholders' agreement, the company is controlled by its holding company, which holds the casting vote in the directors' meetings.
- (iii) The Group's associates did not have any significant capital commitments as at 31 March 2019 and 2018.

11 LOANS TO AN ASSOCIATE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current portion		
Loan to an associate (<i>Note i</i>)	99,208	94,927
Current portion		
Loan to an associate (<i>Note ii</i>)	–	43,190
	<hr/>	<hr/>
	99,208	138,117
	<hr/>	<hr/>

Notes:

- (i) In connection with the acquisition of CGS on 6 June 2014, the Group and Hong Kong Resources Holdings Limited (“HKRH”) each agreed to provide funding of HK\$100,000,000 to CGS by way of shareholder loan for general working capital and business expansion purpose.

The shareholder loan is unsecured, interest-free and not to be repaid within one year after the end of the reporting period. The carrying amount is denominated in HK\$.

The difference between the nominal value of the loan and its fair value of HK\$80,207,000 at the time of acquisition amounting to HK\$19,793,000 is regarded as part of the cost of the investment in CGS.

- (ii) As at 31 March 2018, the Group and HKRH each agreed to provide a short-term shareholder loan of HK\$43,190,000 to CGS. The short-term shareholder loan is interest bearing at 2% per annum and with maturity within one year.

12 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current asset		
Convertible bond (<i>Note i</i>)	–	50,782
Current asset		
Convertible bond (<i>Note i</i>)	<u>56,219</u>	<u>–</u>
	<u>56,219</u>	<u>50,782</u>
Current liabilities		
Foreign exchange forward contracts (<i>Note ii</i>)	<u>3,929</u>	<u>–</u>

Note:

- (i) On 6 June 2014, the Group subscribed a convertible bond of HKRH of HK\$57,080,000 with 3% interest rate per annum and 5 years of maturity from the date of issuance. The conversion period commences on the 2nd anniversary of the issue date and expires on the date which is three days before its maturity. On 26 June 2019, the Group entered into an agreement with HKRH to extend the final repayment date of the convertible bond to 9 September 2019. The convertible bond shall bear an interest at 8% per annum from 6 June 2019 to the date of actual repayment.

The convertible bond comprises a loan receivable component and option component which together have been designated as derivative financial instrument by the Group. The convertible bond was revalued to HK\$56,219,000 at 31 March 2019 (2018: HK\$50,782,000).

The fair value gain of HK\$5,437,000 (2018: HK\$1,803,000) was included under “Other (losses)/gains, net” in the consolidated income statement for the year ended 31 March 2019.

- (ii) The notional amount of the outstanding RMB denominated foreign exchange forward contracts as at 31 March 2019 was HK\$239,492,000. (2018: Nil)

13 TRADE RECEIVABLES

The ageing of trade receivables is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	311,167	244,820
31 – 60 days	34,784	76,925
61 – 90 days	12,103	20,170
91 – 120 days	2,214	8,769
Over 120 days	3,703	9,112
	<u>363,971</u>	<u>359,796</u>
<i>Less: Allowance for impairment of trade receivables</i>	<i>(1,296)</i>	<i>–</i>
	<u><u>362,675</u></u>	<u><u>359,796</u></u>

14 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$292,456,000 (2018: HK\$380,134,000) and the ageing is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	255,580	276,949
31 – 60 days	25,396	79,244
61 – 90 days	7,908	19,596
91 – 120 days	2,663	4,345
Over 120 days	909	–
	<u>292,456</u>	<u>380,134</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE



Revenue
HK\$15,860M
+8.8%



Operating Profit
HK\$1,853M
+14.3%



Profit Attributable to Equity Holders
HK\$1,493M
+9.0%



Mainland China E-commerce Business Performance
Revenue: +60.9% Y-o-Y Change
Contribution to Mainland China
Retail Revenue*: 22.9% (FY2018: 15.5%)



Basic Earnings per Share
HK\$2.54
+9.0%



Proposed Final Dividend per Share
HK60 Cents
Annual Dividend Payout Ratio: 45%



Overall Net Shop Additions
Lukfook: +197
Mainland China: +194
Hong Kong, Macau & Overseas: +3

3D-GOLD: -6
Mainland China: -6

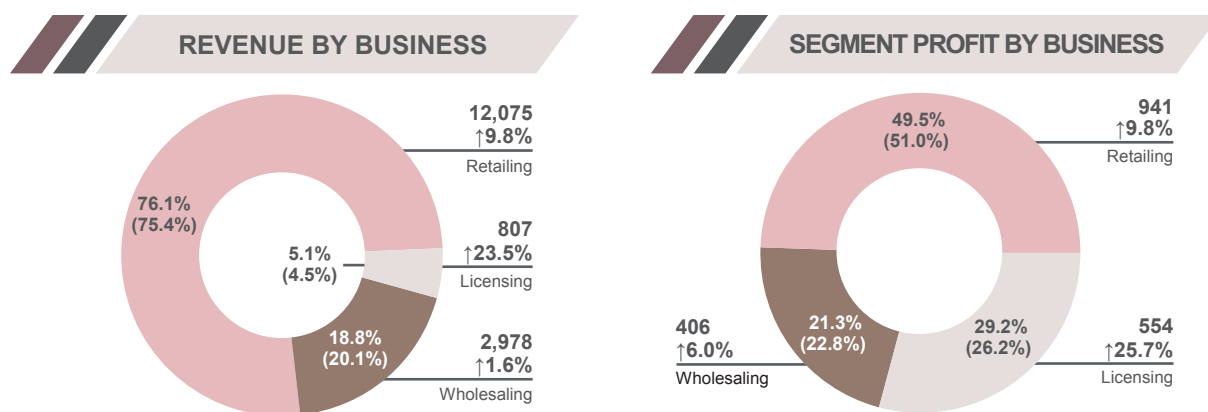
* Sales of self-operated shops and e-commerce business

Results

Though promising performance in first half, with second half performance staying flat due to adverse impact of the US-China trade war on macro-economic conditions, Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded revenue growth of 8.8% to HK\$15,859,990,000 (2018: HK\$14,578,409,000) for the year ended 31 March 2019 (the “Year under review”). Overall gross margin was 25.4% (2018: 25.7%), and gross profit rose by 7.8% to HK\$4,033,836,000 (2018: HK\$3,741,377,000). On the other hand, benefiting from operating leverage, the total operating expenses only increased by 5.4%. Its ratio to revenue thus decreased to 15.4% (2018: 15.9%). Therefore, operating profit increased by 14.3% to HK\$1,853,042,000 (2018: HK\$1,620,806,000). Operating margin also improved to 11.7% (2018: 11.1%), while net margin grew slightly only to 9.5% (2018: 9.4%) due to the increase in financial costs resulting from the increase in borrowings and higher effective tax rate arising from the increased mix of profit from Mainland China’s business under higher profit tax rate. Profit attributable to equity holders thus increased by 9.0% to HK\$1,492,747,000 (2018: HK\$1,369,393,000) and basic earnings per share increased by 9.0% to HK\$2.54 (2018: HK\$2.33).

Overview

During the Year under review, the Group added a net total of 197 new Lukfook shops worldwide, including a net addition of 1 self-operated shop in Hong Kong, Macau and Malaysia, 194 shops in Mainland China (including a net addition of 210 licensed shops and a net reduction of 16 self-operated shops), and 1 licensed shop in the Philippines, as well as closure of 1 licensed shop in Korea. As at 31 March 2019, the Group had a global network of 1,833 shops (2018: 1,642 shops), including 1,828 Lukfook shops (2018: 1,631 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 (2018: 11 shops) in Mainland China.



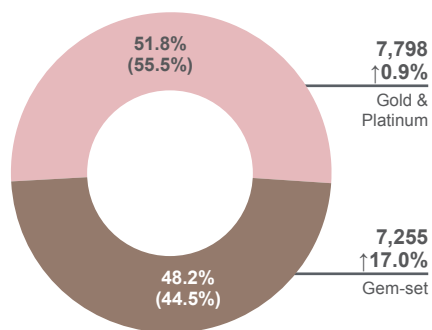
Remarks: Comparative figures for FY2018 are shown in brackets

The retail business was the Group's primary source of revenue. Its revenue rose by 9.8% year-on-year to HK\$12,075,187,000 (2018: HK\$10,995,093,000), accounting for 76.1% (2018: 75.4%) of the Group's total revenue. Its segment profit also increased by 9.8% to HK\$940,891,000 (2018: HK\$857,092,000), accounting for 49.5% (2018: 51.0%) of the total, and its segment profit margin was 7.8% (2018: 7.8%).

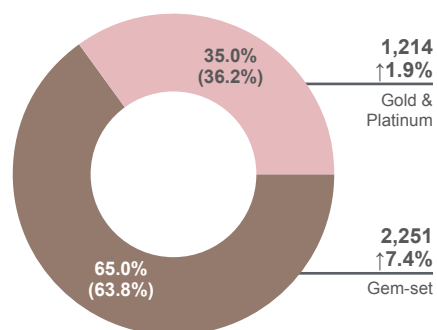
Despite the increase in the number of licensed shops, as scrap gold received from customers in Hong Kong no longer being accounted for as sales but processed into raw materials instead, the Group's wholesale business revenue only rose by 1.6% over the corresponding period last year to HK\$2,977,811,000 (2018: HK\$2,930,114,000), accounting for 18.8% (2018: 20.1%) of the Group's total revenue. Nevertheless, with the well increase in revenue of Mainland China's wholesale business, the Group's wholesale business segment profit increased by 6.0% to HK\$405,742,000 (2018: HK\$382,608,000), accounting for 21.3% (2018: 22.8%) of the total. Its segment profit margin was 13.6% (2018: 13.1%).

Licensing income, which accounted for 5.1% (2018: 4.5%) of the Group's total revenue, increased by 23.5% to HK\$806,992,000 (2018: HK\$653,202,000) due to an increase in the number of licensed shops. Its segment profit margin improved to 68.7% (2018: 67.5%) because of high fixed cost proportion in its cost structure, while its segment profit increased by 25.7% to HK\$554,192,000 (2018: HK\$440,915,000), accounting for 29.2% (2018: 26.2%) of the total.

SALES¹ BY PRODUCT



GROSS PROFIT² BY PRODUCT



¹ Sales = Revenue - Licensing Income

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

Remarks: Comparative figures for FY2018 are shown in brackets

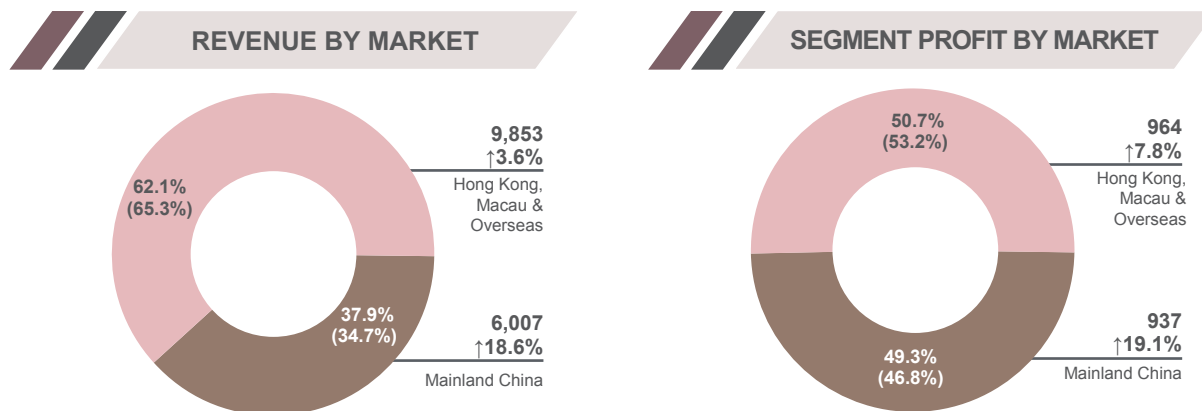
Sales of gold and platinum products increased by 0.9% to HK\$7,797,657,000 (2018: HK\$7,725,533,000), accounting for 51.8% (2018: 55.5%) of the overall sales (Group revenue minus licensing income). With a gross margin of 15.6% (2018: 15.4%), gross profit of gold and platinum products therefore increased by 1.9% to HK\$1,213,791,000 (2018: HK\$1,191,303,000), accounting for 35.0% (2018: 36.2%) 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 17.0% to HK\$7,255,341,000 (2018: HK\$6,199,674,000), accounting for 48.2% (2018: 44.5%) of the overall sales. Gross margin of gem-set jewellery products decreased by 2.8 p.p. to 31.0% (2018: 33.8%) because of much increased sales mix of products with lower gross margin and adjustment of wholesale prices in response to market price changes in its wholesale business. Its gross profit, as a result, only increased by 7.4% to HK\$2,251,062,000 (2018: HK\$2,096,130,000), accounting for 65.0% (2018: 63.8%) of the overall gross profit.

During the Year under review, the overall same store sales growth* (“SSSG”) of the Group was +3.1% (2018: +9.2%). SSSG for the Hong Kong and Macau market and that for the Mainland China market were +4.6% (2018: +9.4%) and -2.6% (2018: +4.6%) respectively. SSSG for gold and platinum products was +4.4% (2018: +6.6%) and that for gem-set jewellery products was +1.4% (2018: +13.3%).

* Same store sales growth (“SSSG”) represented a comparison of sales of the same Lukfook 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.

The Group has been striving to diversify its product mix to offer customers more choices. Since 2010, the Group has been engaging in the mid- to high-end watch business. As at 31 March 2019, the Group was the authorised dealer of 14 watch brands, including BALMAIN, CERTINA, COINWATCH, DOXA, ENICAR, HAMILTON, LONGINES, MIDO, OMEGA, RADO, ROMAGO SWISS, TISSOT, BIJOU MONTRE and SEIKO. For the Year under review, the watch business contributed revenue of HK\$165,707,000 (2018: HK\$179,988,000), accounting for 1.0% (2018: 1.2%) of the Group's total revenue with 7.9% decrease when compared with the same period last year.

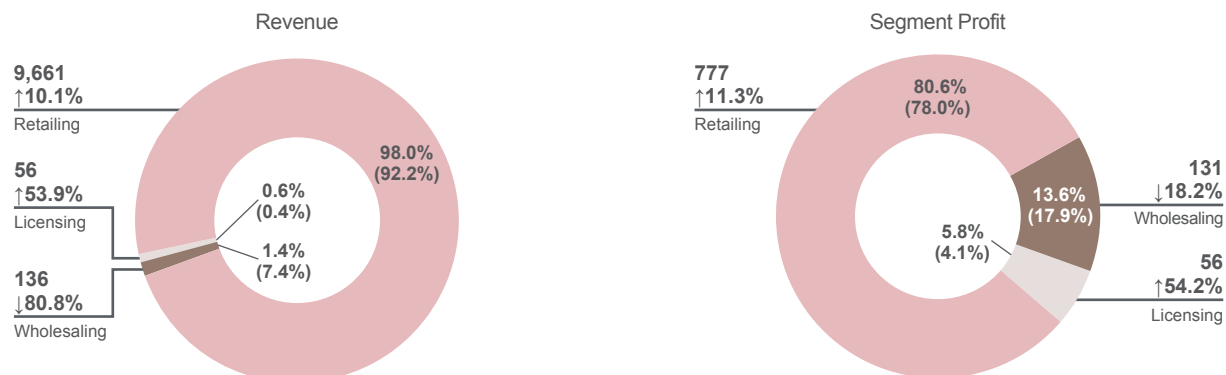
BUSINESS REVIEW



Remarks: Comparative figures for FY2018 are shown in brackets

	Segment Profit Margin	Y-o-Y Change
Hong Kong, Macau and Overseas	9.8%	+0.4 p.p.
Mainland China	15.6%	+0.1 p.p.
Overall	12.0%	+0.5 p.p.

HONG KONG, MACAU AND OVERSEAS



Remarks: Comparative figures for FY2018 are shown in brackets

Segment Profit Margin		
	Hong Kong, Macau and Overseas	Y-o-Y Change
Retailing	8.0%	–
Wholesaling	96.5%	+73.8 p.p.
• Adjusted Wholesaling ¹	5.2%	+0.1 p.p.
Licensing	100.1%	+0.3 p.p.
Overall	9.8%	+0.4 p.p.

¹ Adjusted Wholesaling Segment Profit Margin = Segment Profit of Wholesale Business ÷ (Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue of HK\$2.375B)

Hong Kong, Macau and Overseas

Hong Kong

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 in the past. Given the continually improving retail sentiment and increasing visitor arrivals in 2018, consumption expenditure per capita rose with the improved macroeconomic conditions and spending power. According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in January 2019, visitor arrivals from Mainland China in 2018 rose by 14.8% year-on-year to approximately 51.04 million. According to the visitor arrival statistics published in April 2019, Mainland Chinese visitors from January to March 2019 increased by 19.7% year-on-year to approximately 14.58 million, while the consumption expenditure per capita of overnight Mainland Chinese visitors increased by 2% year-on-year in 2018, representing the first positive growth after 2015. However, the overall retail atmosphere has weakened since 2019. According to the statistics on retail sales published by the Census and Statistics Department of Hong Kong in April 2019, the sales value of jewellery, watches and clocks, and valuable gifts from January to March 2019 decreased by 2.7% over the corresponding period last year. The Group's retail revenue in the Hong Kong market therefore increased by 11.6% to HK\$7,440,987,000 (2018: HK\$6,664,827,000) during the Year under review. As at 31 March 2019, the Group operated a total of 49 self-operated shops (2018: 48 shops) in Hong Kong.

Macau

According to the latest tourism statistics published by the Statistics and Census Service of the Macau Special Administrative Region, Mainland Chinese visitor arrivals to Macau in 2018 increased by 13.8% over last year to 25.26 million; while the number of Mainland Chinese visitor arrivals from January to March 2019 rose by 23.5% year-on-year. Due to the drop in average selling price of gem-set jewellery products, the Group's revenue generated from the Macau market therefore only increased by 5.1% to HK\$1,926,870,000 (2018: HK\$1,833,983,000) during the Year under review. As at 31 March 2019, the Group had a total of 11 self-operated shops (2018: 10 shops) in Macau.

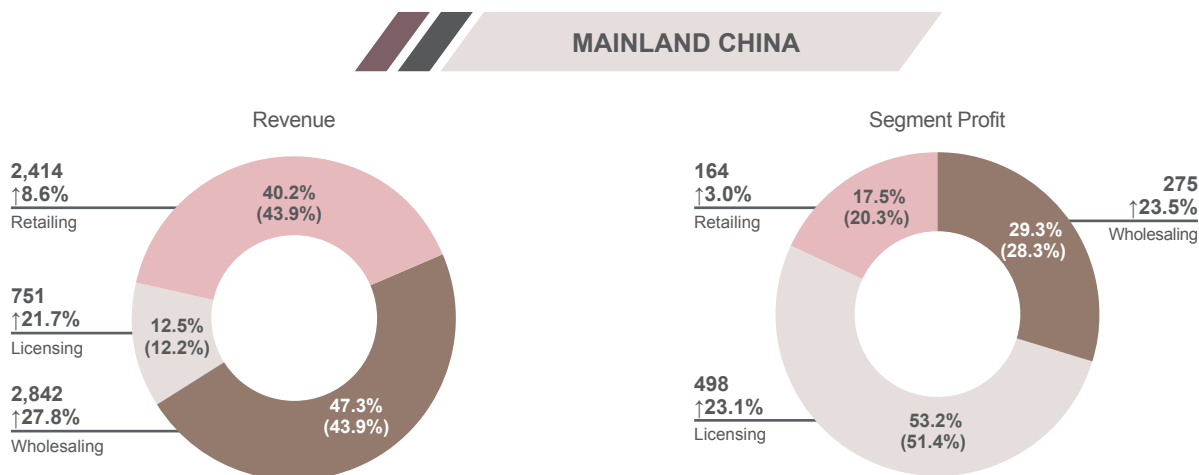
Overseas

Adhering to its motto "Brand of Hong Kong, Sparkling the World", the Group has been seeking new opportunities around the world in recent years. During the Year under review, the Group added 1 self-operated shop in Malaysia and 1 licensed shop in the Philippines. As at 31 March 2019, the Group operated a total of 13 overseas shops (2018: 12 shops), including self-operated shops of 1 in Singapore, 3 in Malaysia, 4 in the United States, 2 in Canada and 1 in Australia, as well as 1 licensed shop in both Cambodia and the Philippines.

During the Year under Review, retail revenue from the Hong Kong, Macau and overseas markets increased by 10.1% to HK\$9,660,983,000 (2018: HK\$8,771,979,000), accounting for 60.9% (2018: 60.2%) of the Group's total revenue. Its segment profit rose by 11.3% to HK\$776,769,000 (2018: HK\$697,739,000), which accounted for 40.9% (2018: 41.5%) of the total. Its segment profit margin was 8.0% (2018: 8.0%). As scrap gold received from customers in Hong Kong no longer being accounted for as sales but processed into raw materials instead, its wholesale business revenue substantially decreased by 80.8% to HK\$135,772,000 (2018: HK\$706,194,000), accounting for 0.9% (2018: 4.8%) of the Group's total revenue. However, because of massive centralised purchases, its segment profit decreased by 18.2% only to HK\$130,993,000 (2018: HK\$160,148,000), accounting for 6.9% (2018: 9.5%) of the total. Its segment profit margin, because of profit arising from massive internal purchases, increased to 96.5% (2018: 22.7%). As the segment profit of wholesale business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, the segment profit margin would be a much more stable level of 5.2% (2018: 5.1%). Apart from that, benefitting from the new designated supplier consultancy services revenue started in the second half of last financial year, Hong Kong licensing business income increased by 53.9% to HK\$56,254,000 (2018: HK\$36,563,000), accounting for 0.4% (2018: 0.3%) of the Group's total revenue. Because of other incomes recorded, its segment profit was higher than revenue, reaching HK\$56,284,000, accounting for 3.0% (2018: 2.2%) of the total, and resulting in its segment profit margin of 100.1%.

Overall speaking, revenue from the Hong Kong, Macau and overseas markets increased by 3.6% to HK\$9,853,009,000 (2018: HK\$9,514,736,000) during the Year under review, accounting for 62.1% (2018: 65.3%) of the Group's total revenue. Its segment profit increased by 7.8% to HK\$964,046,000 (2018: HK\$894,383,000), accounting for 50.7% (2018: 53.2%) of the total, while its segment profit margin was 9.8% (2018: 9.4%).

The SSSG for gold and platinum products in the Hong Kong, Macau and overseas markets was +7.0% (2018: +5.6%), while that for gem-set jewellery products was +1.1% (2018: +14.6%).



Remarks: Comparative figures for FY2018 are shown in brackets

Segment Profit Margin		
	Mainland China	Y-o-Y Change
Retailing	6.8%	-0.4 p.p.
Wholesaling	9.7%	-0.3 p.p.
Licensing	66.3%	+0.7 p.p.
Overall	15.6%	+0.1 p.p.

Mainland China

During the Year under review, despite the decrease in the number of self-operated shops and decline in SSSG, with the substantial growth of revenue of e-commerce business, retail revenue from the Mainland China market grew by 8.6% to HK\$2,414,204,000 (2018: HK\$2,223,114,000), accounting for 15.2% (2018: 15.2%) of the Group's total revenue. Its segment profit increased by 3.0% to HK\$164,122,000 (2018: HK\$159,353,000), accounting for 8.6% (2018: 9.5%) of the total. Its segment profit margin was 6.8% (2018: 7.2%). The SSSG for gold and platinum products in Mainland China was -6.1% (2018: +6.8%) and that for gem-set jewellery products was +6.2% (2018: -0.7%).

Due to the increase in the number of new licensed shops, revenue of the wholesale business in the Mainland China market rose substantially by 27.8% to HK\$2,842,039,000 (2018: HK\$2,223,920,000), which accounted for 17.9% (2018: 15.3%) of the Group's total revenue, while its segment profit increased by 23.5% only to HK\$274,749,000 (2018: HK\$222,460,000) because of the decline in gross margin of its gem-set jewellery products in view of much increased sales mix of products of lower gross margin and adjustment of wholesale prices in response to market price changes, accounting for 14.5% (2018: 13.2%) of the total. Its segment profit margin was 9.7% (2018: 10.0%).

Licensing income increased by 21.7% to HK\$750,738,000 (2018: HK\$616,639,000) due to the increase in the number of licensed shops as well, accounting for 4.7% (2018: 4.2%) of the Group's total revenue. Its segment profit rose by 23.1% to HK\$497,908,000 (2018: HK\$404,419,000), which accounted for 26.2% (2018: 24.1%) of the total. Its segment profit margin increased to 66.3% (2018: 65.6%) because of high fixed cost proportion in its cost structure.

As at 31 March 2019, the Group had a total of 1,755 shops (2018: 1,561 shops) under the "Lukfook" brand name in Mainland China, including 141 self-operated shops (2018: 157 shops) and 1,614 licensed shops (2018: 1,404 shops). During the Year under review, the Group reported a net increase of 210 Lukfook licensed shops (2018: 108 shops) and net reduction of 16 self-operated shops (2018: net addition of 24 shops) in Mainland China. Moreover, the Group operated 5 3D-GOLD self-operated shops in Mainland China.

During the Year under review, the overall same store sales growth of Lukfook licensed shops in Mainland China was +3.2% (2018: +10.7%), while that for gold and gem-set jewellery products was flat (2018: +12.3%) and +13.7% (2018: +12.2%) respectively.

FY2019 MAINLAND CHINA E-COMMERCE BUSINESS PERFORMANCE

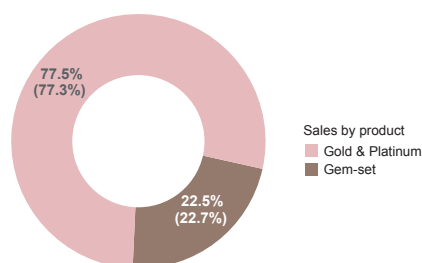
Revenue
+60.9% Y-o-Y Change

**Contribution to Mainland China
Retail Revenue***
22.9% (FY2018: 15.5%)

**Contribution to Group's
Retail Revenue**
4.6% (FY2018: 3.1%)

Average Selling Price
(value-added tax (VAT) included)
RMB1,200 (+14.3% Y-o-Y Change)

FY2020 Revenue Growth Target
20%



Remarks: Comparative figures for FY2018 are shown in brackets

* Self-operated shops and e-commerce business

In light of the rapid development of e-commerce, revenue of e-commerce business from Mainland China increased by 60.9% to HK\$553,208,000 (2018: HK\$343,875,000) during the Year under review, accounting for 22.9% (2018: 15.5%) of the retail revenue in Mainland China. Sales of gold and platinum products accounted for 77.5% (2018: 77.3%) of its sales mix while sales of gem-set jewellery products accounted for 22.5% (2018: 22.7%).

Overall speaking, during the Year under review, revenue from the Mainland China market increased by 18.6% to HK\$6,006,981,000 (2018: HK\$5,063,673,000), which was at a faster pace than other markets, accounting for 37.9% (2018: 34.7%) of the Group's total revenue. Its segment profit increased by 19.1% to HK\$936,779,000 (2018: HK\$786,232,000), accounting for 49.3% (2018: 46.8%) of the total; and its segment profit margin was 15.6% (2018: 15.5%).

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

Profit /(Loss)			
HK\$M	FY2019	FY2018	Y-o-Y Change
50% Share of Loss of Associate	(42)	(30)	(12)
Valuation gain on convertible bond	5	2	3
Wholesale Gross Profit	4	6	(2)
Interest Income on Working Capital Loan	4	4	–
Interest Income on Convertible Bond	2	2	–
Total	(27)	(16)	(11)

The loss on investments and operating activities in HKRH and its subsidiaries was approximately HK\$27,000,000 (2018: loss of HK\$16,000,000) during the Year under review.

[#] *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, Macau and Mainland China.*

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2019, the Group's cash and bank balances amounted to approximately HK\$2,087,000,000 (2018: approximately HK\$2,098,000,000). The Group's net gearing ratio at the year-end was 2.1% (2018: 0%), which was calculated by using the ratio of total bank borrowings and gold loans of approximately HK\$2,306,000,000 (2018: approximately HK\$726,000,000) less cash and bank balances against total shareholders' equity of approximately HK\$10,517,000,000 (2018: approximately HK\$10,035,000,000). Net borrowing was approximately HK\$219,000,000 (2018: net cash of approximately HK\$1,372,000,000). The debt-to-equity ratio was 36.7% (2018: 21.3%), being the ratio of total liabilities of approximately HK\$3,861,000,000 (2018: approximately HK\$2,135,000,000) against total shareholders' equity of approximately HK\$10,517,000,000 (2018: approximately HK\$10,035,000,000). The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

Inventory

INVENTORY TURNOVER DAYS BY PRODUCT

	FY2019	FY2018
Gold	171	156
Gem-set	397	405
Overall	273	257

As at 31 March 2019, the Group's inventory increased by 16.6% to approximately HK\$9,322,000,000 (2018: approximately HK\$7,992,000,000) due to the faster-than-expected growth in the number of licensed shops. However, with the unexpected downturn of macro-economic conditions due to US-China trade war in the second half of the financial year, the average inventory turnover days grew to 273 days (2018: 257 days) with the inventory turnover days of gold products being 171 days (2018: 156 days) and that of gem-set jewellery products being 397 days (2018: 405 days).

Capital Expenditure

During the Year under review, the Group's capital expenditures amounted to approximately HK\$934,000,000 (2018: approximately HK\$213,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipment.

Capital Commitments

As at 31 March 2019, the Group's total capital commitments amounted to approximately HK\$18,000,000 (2018: approximately HK\$489,000,000).

Contingent Liabilities

As at 31 March 2019, the Group had outstanding financial guarantees amounting to approximately HK\$1,075,000,000 (2018: approximately HK\$899,000,000) issued in favour of several banks in respect of banking facilities granted to an associate.

Human Capital Policy

As at 31 March 2019, the number of employees of the Group was approximately 7,600 (2018: approximately 7,500). 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.

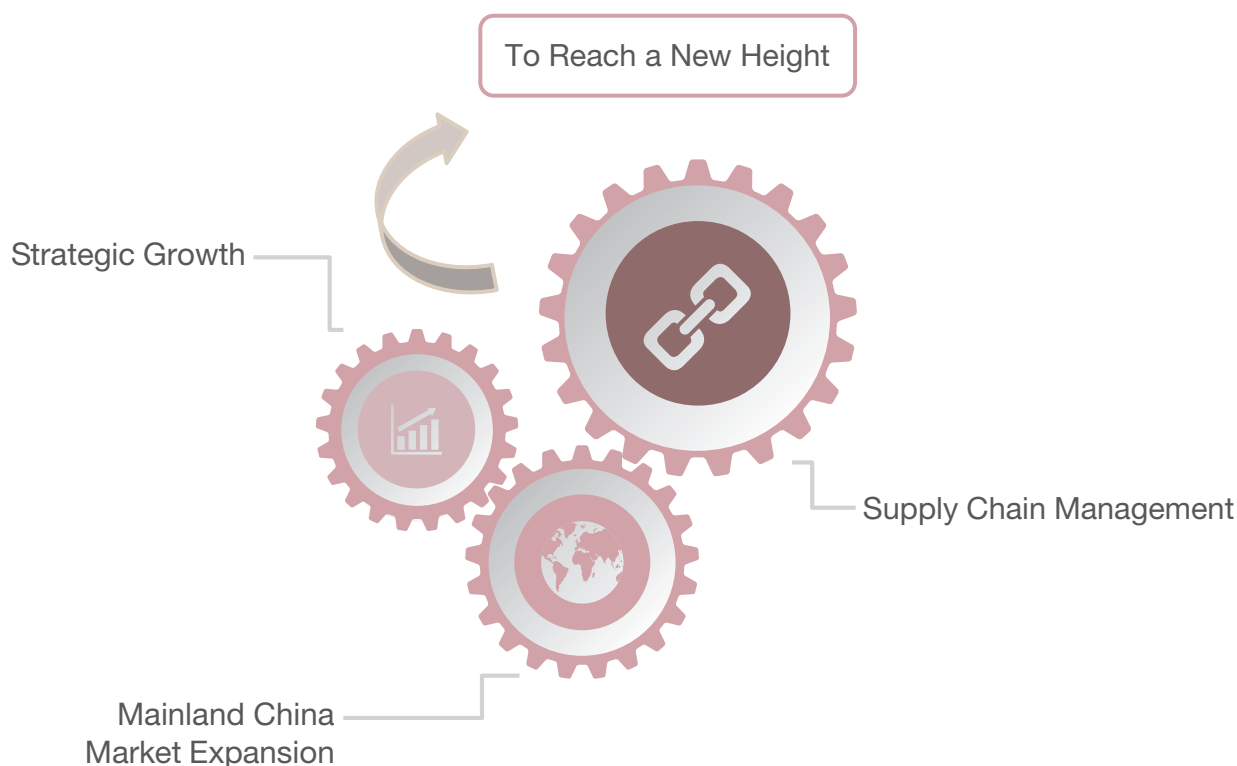
BRANDING

In order to align with the branding theme of “Love is Beauty”, the Group has been building a welcoming and warm-hearted brand image, and strengthening customers' awareness of the brand and emotional attachment to the brand through outstanding marketing campaigns and excellent customer service programmes. Targeting the mid- to high-end markets in Mainland China, Hong Kong, Macau and overseas, the Group has implemented comprehensive marketing strategies, and launched diversified product offerings with exquisite designs, together with outstanding marketing campaigns, to seize the business opportunities in the middle-class, wedding and kids markets.

With a strategic initiative to increase brand awareness, the Group also actively capitalised on different promotional channels, such as public relations activities, advertising and various kinds of sponsorships, to enhance our brand awareness. The Group also grasped the advantages of online marketing by placing advertisements on major social media platforms, portals, video platforms and search engines. To celebrate the Group's anniversary, we set up the Lukfook Jewellery “91 Street” pop-up store in various areas in Mainland China. We also launched the “Share Love and Fun” Challenge and cooperated with KOLs on Douyin, a popular short-form video platform among the younger age group, and recorded a total of over 3.2 billion views. Riding on the wave of e-sports and animation comics (“ani-com”) booms in recent years, the Group has made the champion rings for the “King Pro League” since 2017, and has captured the opportunity to introduce the “Heart of Kings” Collection featuring the ani-com elements in 2018, with a view to strengthening our penetration into the millennial generation as their purchasing power is trending upwards.

The Group's tireless efforts in brand building have been recognised with numerous awards from the industry and market for its outstanding achievements in branding, corporate management, customer service, community welfare and environmental protection.

OUTLOOK



During the Year under review, net profit of the year recorded a 9.7% growth despite the suddenly reversed market sentiment in the second half of the financial year under the adverse impact of the US-China trade war. However, SSSG in the Hong Kong and Macau market of the Group recorded a low double-digit drop for the period from April to the first 3 weeks of June 2019, while SSSG for Mainland China's were a mid single-digit drop and a low single-digit growth for self-operated and licensed shops respectively. With the continuing uncertainties on the macro-economic environment arising from the US-China trade war, together with the high base effect in the first half and low base in the second half of the financial year, the Group therefore expects flattish growth in terms of revenue and profit in FY2019/20, hoping to maintain its profitability in the year. Nevertheless, in view of the anticipated considerable growth of the middle-class population in Mainland China, the Group remains optimistic about the mid- to long-term business prospects, and looks forward to bringing its business to a new height in the near future.

The Group has set up its new three-year corporate strategy with Supply Chain Management, Mainland China Market Expansion and Strategic Growth as its three main focuses so as to foster its future business growth.



Supply Chain Management

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 allocate 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 the business development and strengthen operational efficiency.

Mainland China Market Expansion

As Mainland China remains to be a market with promising growth potential in the mid-to long-term, the Group will continue to focus on business expansion in Mainland China. The target for net addition of shops in Mainland China in the coming year, including newly developed brands, is not less than 150 shops and will expand its network to lower-tier cities by opening mainly licensed shops. The Group is also committed to further developing its e-commerce business and strengthening cooperation with e-commerce platforms in Mainland China, aiming to grow e-commerce revenue by 20%. In light of the enormous spending potential of young consumers on online sales platforms, the Group will step up its efforts to promote the sales of affordable luxury jewellery products to expand its footprint in the young consumer market.

Strategic Growth

The Group will adopt multi-brand strategy to cater for different tastes of customers. In light of customers' demand for fashionable and personalised products, the Group has developed the Dear Q Collection, which rides on the DIY concept of allowing customers to mix and match charms for their unique styling, into a sub-brand. The first independent store was opened in Shanghai in May 2019. The Group's globally exclusive Goldstyle Collection, crafted with exquisite techniques to double the hardness of gold and provide gold jewellery featuring style effects of K-gold, has been well received by the middle-class customers favouring chic jewellery suitable for daily wear. In view of this, the Group strives to develop the Goldstyle into an independent brand and opened the first store in Xi'an in June 2019, aiming to attract the sophisticated middle-class customers.

FINAL DIVIDEND

The directors proposed a final dividend of HK\$0.60 per ordinary share for the year ended 31 March 2019 (2018: HK\$0.55 per share) to shareholders whose names appear on the register of members of the Company on 28 August 2019. Taking into account of the interim dividend paid, the total dividend for the year would amount to HK\$1.15 per ordinary share, totalling HK\$675,174,000 for the year (2018: 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 22 August 2019, the final dividend will be paid on or around 10 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the AGM will be closed from 19 August 2019 to 22 August 2019, 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 22 August 2019, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 16 August 2019.

The register of members of the Company for the final dividend will also be closed on 28 August 2019 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 27 August 2019.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (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”) throughout the year ended 31 March 2019 (the “Annual Period”), except for the following deviation:

Code Provision A.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.

In view of the increasing trend of business deriving from the Mainland China 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 there due to the norms on “status parity” when future business negotiations are conducted in Mainland China. 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 support of 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 set out in Appendix 10 to the Listing Rules (the “Model Code”) as a code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, it is confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions during the Annual Period.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the year ended 31 March 2019.

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 March 2019 as set out in the preliminary 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 in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2018/19

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 2018/19 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 and Chief Executive Officer

Hong Kong, 27 June 2019

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, Ms. CHUNG Vai Ping and Dr. CHAN So Kuen; the Non-executive Directors are Mr. WONG Ho Lung, Danny (Deputy Chairman), Ms. YEUNG Po Ling, Pauline, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, BBS, MH, JP; the Independent Non-executive Directors are Mr. TAI Kwok Leung, Alexander, Mr. IP Shu Kwan, Stephen, GBS, JP, Mr. MAK Wing Sum, Alvin, Ms. WONG Yu Pok, Marina, JP and Mr. HUI King Wai.