



【For Immediate Release】

**Lukfook Group (00590.HK) Announces
Annual Results for the Year Ended 31 March 2019
Revenue and Profit Attributable to Equity Holders Reached HK\$15.9 billion and
HK\$ 1.5 billion Respectively
Proposed Final Dividend of HK\$0.60 per share**

Financial 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

	For the Year Ended 31 March		
	2019	2018	Y-o-Y
	HK\$'000	HK\$'000	Change
Revenue	15,859,990	14,578,409	+8.8%
Gross Profit	4,033,836	3,741,377	+7.8%
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%

(Hong Kong, 27 June 2019) —The board of directors (the “Board”) of **Luk Fook Holdings (International) Limited** (the “Company”) (Stock Code: 00590.HK) is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the “Group”) recorded 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).

The Board proposed a final dividend of HK\$0.60 per ordinary share for the year ended 31 March 2019 (2018: HK\$0.55 per share). Taking into account of the interim dividend paid, the total dividend for the year would amount to HK\$1.15 per ordinary share (2018: HK\$1.10 per ordinary share).

Mr. Wong Wai Sheung, Chairman and Chief Executive Officer of the Group said, “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. The Group 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 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.

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. 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. 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%).

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. The Group’s retail revenue in the Hong Kong market increased by 11.6% to HK\$7,440,987,000 (2018: HK\$6,664,827,000) during the Year under review. 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. 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. 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.

*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.

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During the Year under review, the Group opened a net total of 194 Lukfook shops in Mainland China, in addition to adding 1 Lukfook shop in each of Hong Kong, Macau, Malaysia and the Philippines, and closing 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.

Mr. Wong Wai Sheung, Chairman and Chief Executive Officer of the Group concluded, “The Group has set up its new three-year corporate strategy. In order to further enhance its competitive edge, the Group will focus on strengthening supply chain management through various means. The Group will try its best endeavour to identify right product, set right price and 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. Moreover, the implementation of policies to promote the domestic consumption and push forward urbanisation in Mainland China has led to continuing increase in the middle-class population. With strong growth potential in the Mainland China market, the Group will continue to actively pursue further development in the market, and target for net shop additions including the newly developed new brands in the market will be at least 150 shops.”

Mr. Wong continued, “Futhermore, the Group will adopt a multi-brand strategy to cater for different tastes of customers. 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 and opened the first independent store in Shanghai in May 2019. The Group’s globally exclusive Goldstyle collection crafted with exquisite techniques which doubles the hardness of gold and provides gold jewellery featuring style effects of K-gold. The Group also strives to develop Goldstyle into an independent brand and has opened the first store in Xi’an in June 2019, aiming to attract the sophisticated middle-class customers. The Group will also continue to develop more new brands to further expand its business so as to help the Group to reach a new height.”



Dear Q collection debuted in May 2019 with an independent store in Shanghai.

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Our exclusive gold jewellery, Goldstyle collection, has been developed into an independent brand with its first shop opened in Xi'an in June 2019.

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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 1,850 Lukfook Jewellery shops worldwide. The Group will continue to identify new business opportunities in the international market in response to its corporate vision, "Brand of Hong Kong, Sparkling the World".

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

Media Enquiries:

Lukfook Group Corporate Communications Department

Tel: (852) 2783 2441 Fax: (852) 3009 7509 Email: corporate@lukfook.com

JOVIAN Communications Angel Yeung

Tel: (852) 2581 0168 Fax: (852) 2854 2012 Email: lukfook@joviancomm.com