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 2017

HIGHLIGHTS

- Revenue and profit attributable to equity holders reached HK$12.8 billion and HK$1.02 billion respectively, reduced by 8.7% and increased by 6.1% respectively
- Mainland China became the largest contributing region for profit; its segmental profit accounted for more than half of the total, reaching 54.4%
- A final dividend of HK$0.40 per share and special dividend of HK$0.15 per share were proposed, with annual dividend of HK$1.10 per share, dividend payout ratio is 63.5%
- As at 31 March 2017, the Group had a global network of 1,505 shops, a net growth of 68 shops

FINANCIAL PERFORMANCE

	2017 *HK$'000*	2016 *HK$'000*	Y-o-Y *Change*
Revenue	**12,807,277**	14,031,302	-8.7%
Gross Profit	**3,277,061**	3,254,111	+0.7%
Operating Profit	**1,289,317**	1,212,152	+6.4%
Profit for the year	**1,026,968**	961,454	+6.8%
Profit Attributable to Equity Holders	**1,016,838**	958,692	+6.1%
Basic Earnings per Share	**HK$1.73**	HK$1.63	+6.1%
Final Dividend per Share	**HK$0.40**	HK$0.34	+17.6%
Special Dividend per Share	**HK$0.15**	HK$0.21	-28.6%
Annual Dividend per Share	**HK$1.10**	HK$1.10	0%
Gross Margin	**25.6%**	23.2%	+2.4p.p.
Operating Margin	**10.1%**	8.6%	+1.5p.p.
Net Margin	**8.0%**	6.9%	+1.1p.p.
EBITDA	**1,366,536**	1,269,037	+7.7%

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 2017 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	*3*	**12,807,277**	14,031,302
Cost of sales		**(9,530,216)**	(10,777,191)
Gross profit		**3,277,061**	3,254,111
Other income		**175,594**	139,293
Selling and distribution costs		**(1,994,310)**	(1,981,763)
Administrative expenses		**(155,253)**	(148,818)
Other losses, net	*5*	**(13,775)**	(50,671)
Operating profit	*4*	**1,289,317**	1,212,152
Finance income		**23,982**	41,725
Finance costs		**(9,011)**	(13,689)
Finance income, net		**14,971**	28,036
Share of results of associates	*9*	**(54,273)**	(79,103)
Profit before income tax		**1,250,015**	1,161,085
Income tax expenses	*6*	**(223,047)**	(199,631)
Profit for the year		**1,026,968**	961,454
Profit attributable to:			
Equity holders of the Company		**1,016,838**	958,692
Non-controlling interests		**10,130**	2,762
		1,026,968	961,454
Earnings per share for profit attributable to equity holders of the Company during the year	*7*		
Basic		**HK$1.73**	HK$1.63
Diluted		**HK$1.73**	HK$1.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**1,026,968**	961,454
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of employee benefit obligations	**1,349**	12,766
Items that may be reclassified to profit or loss		
Currency translation differences:		
– Group	**(158,405)**	(141,711)
– Associates	**(15,246)**	(12,300)
Revaluation of available-for-sale financial assets	**(1,077)**	(3,977)
Other comprehensive income for the year	**(173,379)**	(145,222)
Total comprehensive income for the year	**853,589**	816,232
Attributable to:		
– Equity holders of the Company	**845,372**	814,594
– Non-controlling interests	**8,217**	1,638
Total comprehensive income for the year	**853,589**	816,232

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

		As at 31 March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**564,270**	603,878
Land use rights		**247,781**	215,245
Investment properties		**35,020**	24,617
Interests in associates	*9*	**85,012**	154,531
Loan to an associate	*10*	**90,830**	86,911
Derivative financial instrument	*11*	**48,979**	46,135
Available-for-sale financial assets		**7,690**	8,767
Trading licence		**1,080**	1,080
Rental deposits and prepayment		**121,204**	121,828
Deferred income tax assets		**45,954**	36,770
		1,247,820	1,299,762
Current assets			
Inventories		**6,972,770**	6,344,728
Trade receivables	*12*	**217,258**	214,534
Deposits, prepayments and other receivables		**323,323**	241,752
Derivative financial instruments	*11*	**9**	9
Amount due from an associate	*9*	**33,340**	56,374
Loan to an associate	*10*	**20,000**	20,000
Income tax recoverable		**2,956**	20,155
Cash and bank balances		**1,861,774**	2,432,185
		9,431,430	9,329,737
Total assets		**10,679,250**	10,629,499

		As at 31 March	
		2017	2016
	Note	***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		**6,320,600**	6,121,046
		8,873,350	8,673,796
Non-controlling interests		**106,590**	95,123
Total equity		**8,979,940**	8,768,919
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**81,670**	79,892
Employee benefit obligations		**23,754**	23,918
		105,424	103,810
Current liabilities			
Trade payables, other payables and accruals	*13*	**1,004,664**	892,459
Amount due to an associate	*9*	**1,995**	2,235
Bank borrowings		**–**	400,000
Gold loans		**437,151**	310,692
Current income tax liabilities		**150,076**	151,384
		1,593,886	1,756,770
Total liabilities		**1,699,310**	1,860,580
Total equity and liabilities		**10,679,250**	10,629,499

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 Hong Kong Company Ordinance Cap 622. The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are carried at fair value.

The preparation of 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 amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2016 and are relevant to the Group's operations:

  (i) Amendments to HKAS 1 "Disclosure initiative", clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

  (ii) Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation", clarify when a method of depreciation or amortisation based on revenue may be appropriate.

  (iii) Amendment to HKAS 27 "Equity method in separate financial statements", allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

  (iv) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities applying the consolidation exception", clarify the application of the consolidation exception for investment entities and their subsidiaries.

  (v) Annual improvements 2014, these amendments include changes from the 2012-2014 cycle of the annual improvements project that affect on HKFRS 5, "Noncurrent assets held for sale and discontinued operations", HKFRS 7, "Financial instruments: Disclosures" and HKAS 19, "Employee benefits".

(b) Certain new standards and amendments to existing standards relevant to the Group have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2017 or later periods, which the Group has not early adopted, are as follows:

Amendments to HKAS 7	Disclosure initiative[(1)]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[(1)]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[(2)]
HKFRS 9	Financial instruments[(2)]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[(4)]
HKFRS 15	Revenue from contracts with customers[(2)]
HKFRS 16	Leases[(3)]

(1) Effective for annual period beginning on or after 1 January 2017
(2) Effective for annual period beginning on or after 1 January 2018
(3) Effective for annual periods beginning on or after 1 January 2019
(4) To be announced by HKICPA

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2017 and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those new standards set out below:

– HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, currently classified as available-for-sale ("AFS") financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which a FVOCI election is available.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

– HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is currently assessing the impact of adopting HKFRS 15 on the Group's consolidated financial statements, by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, if applicable, which could affect the timing of the revenue recognition. In light of the multi-location of operations of the Group, the directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group's consolidated financial statements. Management will make more detailed assessments of the impact over the next twelve months.

– HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, 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.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$1,179,584,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

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 and corporate assets, 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 2017						
	Retailing – Hong Kong, Macau and overseas *HK$'000*	**Retailing – Mainland China** *HK$'000*	**Wholesaling – Hong Kong** *HK$'000*	**Wholesaling – Mainland China** *HK$'000*	**Licensing** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Reportable segments Total** *HK$'000*
Revenue							
Sales to external customers	7,959,286	1,659,391	117,712	1,958,559	–	–	11,694,948
Sales of scrap gold and platinum	–	–	596,188	–	–	–	596,188
	7,959,286	1,659,391	713,900	1,958,559	–	–	12,291,136
Inter-segment sales	196,922	81,502	2,011,307	432,471	–	(2,722,202)	–
Sales of merchandises	8,156,208	1,740,893	2,725,207	2,391,030	–	(2,722,202)	12,291,136
Royalty and service income	–	–	–	–	502,332	–	502,332
Consultancy fee income	–	–	–	–	13,809	–	13,809
Total	8,156,208	1,740,893	2,725,207	2,391,030	516,141	(2,722,202)	12,807,277
Results of reportable segments	512,408	177,613	135,229	303,662	290,384	–	1,419,296

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

Results of reportable segments	1,419,296
Unallocated income	69,002
Unallocated expenses	(198,981)
Operating profit	1,289,317
Finance income	23,982
Finance costs	(9,011)
Share of results of associates	(54,273)
Profit before income tax	1,250,015
Income tax expenses	(223,047)
Profit for the year	1,026,968
Non-controlling interests	(10,130)
Profit attributable to equity holders of the Company	1,016,838

	Year ended 31 March 2017								
	Retailing – Hong Kong, Macau and overseas *HK$'000*	Retailing – Mainland China *HK$'000*	Wholesaling– Hong Kong *HK$'000*	Wholesaling – Mainland China *HK$'000*	Licensing *HK$'000*	Inter-segment elimination *HK$'000*	Reportable segments Total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	(54,054)	(17,102)	(4,261)	(11,245)	(7,112)	–	(93,774)	(28,481)	(122,255)
Amortisation of land use rights	–	–	–	(423)	(7,562)	–	(7,985)	(310)	(8,295)
Depreciation of investment properties	–	–	–	–	–	–	–	(942)	(942)
Additions of non-current assets	43,617	26,562	369	6,568	2,896	–	80,012	88,221	168,233

	As at 31 March 2017								
	Retailing – Hong Kong, Macau and overseas *HK$'000*	Retailing – Mainland China *HK$'000*	Wholesaling – Hong Kong *HK$'000*	Wholesaling – Mainland China *HK$'000*	Licensing *HK$'000*	Inter-segment elimination *HK$'000*	Reportable segments Total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets including inter-company balances	6,361,957	1,673,504	682,328	2,151,384	430,868	(1,825,863)	9,474,178		9,474,178
Inter-segment elimination	(1,740,093)	(85,770)	–	–	–	1,825,863	–		–
Segment assets	4,621,864	1,587,734	682,328	2,151,384	430,868	–	9,474,178		9,474,178
Interests in associates								85,012	85,012
Land and buildings								325,306	325,306
Investment properties								35,020	35,020
Deferred income tax assets								45,954	45,954
Income tax recoverable								2,956	2,956
Other unallocated assets								710,824	710,824
Total assets									10,679,250
Segment liabilities including inter-company balances	(247,615)	(37,506)	(1,899,967)	(264,834)	(295,745)	1,825,863	(919,804)		(919,804)
Inter-segment elimination	–	–	1,740,093	85,770	–	(1,825,863)	–		–
Segment liabilities	(247,615)	(37,506)	(159,874)	(179,064)	(295,745)	–	(919,804)		(919,804)
Deferred income tax liabilities								(81,670)	(81,670)
Current income tax liabilities								(150,076)	(150,076)
Gold loans								(437,151)	(437,151)
Other unallocated liabilities								(110,609)	(110,609)
Total liabilities									(1,699,310)

	Year ended 31 March 2016						
	Retailing – Hong Kong, Macau and overseas *HK$'000*	Retailing – Mainland China *HK$'000*	Wholesaling – Hong Kong *HK$'000*	Wholesaling – Mainland China *HK$'000*	Licensing *HK$'000*	Inter-segment elimination *HK$'000*	Reportable segments Total *HK$'000*
Revenue							
Sales to external customers	9,628,905	1,311,807	32,992	2,072,051	–	–	13,045,755
Sales of scrap gold and platinum	–	–	457,654	–	–	–	457,654
	9,628,905	1,311,807	490,646	2,072,051	–	–	13,503,409
Inter-segment sales	240,243	8,238	2,085,531	274,428	–	(2,608,440)	–
Sales of merchandises	9,869,148	1,320,045	2,576,177	2,346,479	–	(2,608,440)	13,503,409
Royalty and service income	–	–	–	–	511,177	–	511,177
Consultancy fee income	–	–	–	–	16,716	–	16,716
Total	9,869,148	1,320,045	2,576,177	2,346,479	527,893	(2,608,440)	14,031,302
Results of reportable segments	642,129	79,516	86,567	195,070	297,797	–	1,301,079

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

Results of reportable segments	1,301,079
Unallocated income	67,192
Unallocated expenses	(156,119)
Operating profit	1,212,152
Finance income	41,725
Finance costs	(13,689)
Share of results of associates	(79,103)
Profit before income tax	1,161,085
Income tax expenses	(199,631)
Profit for the year	961,454
Non-controlling interests	(2,762)
Profit attributable to equity holders of the Company	958,692

	Year ended 31 March 2016								
	Retailing – Hong Kong, Macau and overseas	Retailing – Mainland China	Wholesaling– Hong Kong	Wholesaling – Mainland China	Licensing	Inter-segment elimination	Reportable segments Total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	(59,524)	(16,022)	(4,522)	(11,727)	(7,283)	–	(99,078)	(28,464)	(127,542)
Amortisation of land use rights	–	–	–	(445)	(6,931)	–	(7,376)	(326)	(7,702)
Depreciation of investment properties	–	–	–	–	–	–	–	(744)	(744)
Additions of non-current assets	46,969	26,797	416	8,785	14,152	–	97,119	15,661	112,780

	As at 31 March 2016								
	Retailing – Hong Kong, Macau and overseas	Retailing – Mainland China	Wholesaling – Hong Kong	Wholesaling – Mainland China	Licensing	Inter-segment elimination	Reportable segments Total	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets including inter-company balances	5,842,188	1,489,006	742,357	1,923,297	503,053	(1,611,496)	8,888,405		8,888,405
Inter-segment elimination	(1,474,222)	(137,274)	–	–	–	1,611,496	–		–
Segment assets	4,367,966	1,351,732	742,357	1,923,297	503,053	–	8,888,405		8,888,405
Interests in associates								154,531	154,531
Land and buildings								282,957	282,957
Investment properties								24,617	24,617
Deferred income tax assets								36,770	36,770
Income tax recoverable								20,155	20,155
Other unallocated assets								1,222,064	1,222,064
Total assets									10,629,499
Segment liabilities including inter-company balances	(198,364)	(56,873)	(1,584,007)	(286,390)	(293,342)	1,611,496	(807,480)		(807,480)
Inter-segment elimination	–	–	1,474,222	137,274	–	(1,611,496)	–		–
Segment liabilities	(198,364)	(56,873)	(109,785)	(149,116)	(293,342)	–	(807,480)		(807,480)
Deferred income tax liabilities								(79,892)	(79,892)
Current income tax liabilities								(151,384)	(151,384)
Bank borrowing								(400,000)	(400,000)
Gold loans								(310,692)	(310,692)
Other unallocated liabilities								(111,132)	(111,132)
Total liabilities									(1,860,580)

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:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**6,940,960**	8,218,304
Mainland China	**4,134,091**	3,911,751
Macau and overseas	**1,732,226**	1,901,247
	12,807,277	14,031,302

An analysis of the Group's non-current assets (other than deferred income tax assets, available-for-sale financial assets, derivative financial instrument, rental deposits and prepayment and loan to an associate) by location of assets is as follows:

	2017				2016			
	Hong Kong	**Mainland China**	**Macau and overseas**	**Total**	Hong Kong	Mainland China	Macau and overseas	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**337,835**	**199,791**	**26,644**	**564,270**	371,080	214,168	18,630	603,878
Land use rights	**–**	**247,781**	**–**	**247,781**	–	215,245	–	215,245
Investment properties	**16,399**	**18,621**	**–**	**35,020**	16,835	7,782	–	24,617
Interests in associates	**85,012**	**–**	**–**	**85,012**	154,531	–	–	154,531
Trading licence	**1,080**	**–**	**–**	**1,080**	1,080	–	–	1,080
	440,326	**466,193**	**26,644**	**933,163**	543,526	437,195	18,630	999,351

4 OPERATING PROFIT

The operating profit is stated after charging the following:

	2017	2016
	HK$'000	*HK$'000*
Cost of sales *(Note)*		
– cost of inventories sold	**9,322,365**	10,554,456
– cost of licensing business	**207,851**	222,735
	9,530,216	10,777,191
Staff costs (including the directors' emoluments)	**737,794**	716,258
Operating lease		
– minimum lease payments	**645,875**	647,484
– contingent rents	**148,980**	134,865
Commission expenses to credit card companies	**95,300**	111,797
Depreciation of property, plant and equipment	**122,255**	127,542
Depreciation of investment properties	**942**	744
Amortisation of land use rights	**8,295**	7,702
Loss on disposal of property, plant and equipment	**1,966**	994
Auditor's remuneration		
– Audit Services	**5,353**	5,145
– Non audit services	**926**	854

Note: Staff costs (including the directors' emoluments) of HK$284,915,000 (2016: HK$276,263,000) are included in cost of sale.

5 OTHER LOSSES, NET

	2017	2016
	HK$'000	*HK$'000*
Net realised losses on derivative financial instruments	**(2,044)**	(6,716)
Fair value losses on derivative financial instruments	**–**	(5,225)
Fair value gains/(losses) on convertible bond	**2,844**	(20,600)
Net realised losses on gold loans	**(14,815)**	(3,577)
Net unrealised losses on gold loans	**(9,716)**	(4,029)
Net realised losses on foreign exchange forward contracts	**–**	(12,650)
Realised gain on gold forward contract	**2,943**	–
Net exchange gains	**7,013**	2,126
	(13,775)	(50,671)

6 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	**80,047**	91,355
– overseas taxation	**149,710**	122,797
– under/(over)-provision in prior years	**696**	(247)
Deferred income tax	**(7,406)**	(14,274)
	223,047	199,631

7 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$1,016,838,000 (2016: HK$958,692,000) and the weighted average number of 587,107,850 (2016: 588,636,276) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2017 and 2016 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

8 DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
2016/17 interim, paid, of HK$0.29 (2015/16 interim: HK$0.315) per ordinary share	**170,261**	185,569
2016/17 special, paid, of HK$0.26 (2015/16 special: HK$0.235) per ordinary share	**152,648**	138,440
	322,909	324,009
2016/17 final, proposed, of HK$0.40 (2015/16 final: HK$0.34) per ordinary share *(Note)*	**234,843**	199,617
2016/17 special, proposed, of HK$0.15 (2015/16 special: HK$0.21) per ordinary share *(Note)*	**88,066**	123,292
	322,909	322,909

Note: At a meeting held on 29 June 2017, the directors recommended the payment of a final dividend of HK$0.40 per ordinary share and a special dividend of HK$0.15 per ordinary share, totalling HK$0.55 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 23 August 2017. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2018.

9 INTERESTS IN ASSOCIATES

	Group	
	2017	2016
	HK$'000	*HK$'000*
As at 1 April	**154,531**	245,934
Share of results of associates for the year	**(54,273)**	(79,103)
Share of reserve movement of associates for the year	**(15,246)**	(12,300)
As at 31 March	**85,012**	154,531
Amount due from an associate *(Note i)*	**33,340**	56,374
Amount due to an associate *(Note i)*	**(1,995)**	(2,235)

Notes:

(i) Amount due from an associate of HK$33,340,000 (2016: HK$56,374,000) are trade in nature. Amount due from/(to) associates are denominated in HK$ and are unsecured, interest-free and repayable on demand.

(ii) The Group's associates did not have any significant capital commitments as at 31 March 2017 and 2016.

10 LOAN TO AN ASSOCIATE

	2017 *HK$'000*	2016 *HK$'000*
Non-current portion *(Note i)*	**90,830**	86,911
Current portion *(Note ii)*	**20,000**	20,000
	110,830	106,911

Notes:

(i) In connection with the acquisition of China Gold Silver Group Limited ("CGS") on 6 June 2014, both of the Group and Hong Kong Resources Holdings Company 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 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) The Group and HKRH each agreed to provide a short term shareholder loan of HK$20,000,000 to CGS. The short term shareholder loan is interest bearing at 2% per annum and with maturity date on 4 May 2017. This shareholder loan was subsequently extended to 4 May 2018.

11 DERIVATIVE FINANCIAL INSTRUMENT

	2017	2016
	HK$'000	*HK$'000*
Non-current portion		
Convertible bond *(Note)*	**48,979**	46,135
Current portion		
CGS Share Option	**9**	9
	48,988	46,144

Note:

On 6 June 2014, the Company 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 expiries on the date which is three days before its maturity.

The convertible bond comprises a loan receivable component and option component which together have been designated as derivative financial instrument by the Company. The convertible bond was initially recognised at HK$57,080,000 and subsequently revalued to HK$48,979,000 at year end (2016: HK$46,135,000).

The fair value gain of HK$2,844,000 (2016: fair value loss of HK$20,600,000) was included under "Other losses, net" in the consolidated income statement for the year ended 31 March 2017.

12 TRADE RECEIVABLES

The Group's sales to retail customers comprised mainly cash sales and credit card sales. Concessionaire sales through department stores and sales to wholesale customers are generally on credit terms ranging from 0 to 90 days.

The ageing of trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**143,542**	148,719
31–60 days	**44,481**	52,730
61–90 days	**20,371**	12,121
91–120 days	**2,944**	36
Over 120 days	**5,920**	928
	217,258	214,534

The credit quality of trade receivables has been assessed by reference to historical default rate of the counterparty. The existing counterparties have not defaulted in the past.

As at 31 March 2017, trade receivables of HK$8,864,000 (2016: HK$964,000) were past due but not considered impaired, all of which were aged over 90 days.

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**381,575**	246,076
Deposits from customers and licensees	**318,647**	297,397
Salaries and welfare payables	**160,004**	154,873
Other payables	**111,736**	142,359
Accrued expenses	**32,702**	51,754
	1,004,664	892,459

The ageing of trade payables is as follows:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**247,907**	150,510
31–60 days	**120,730**	81,445
61–90 days	**11,224**	9,512
91–120 days	**1,417**	4,583
Over 120 days	**297**	26
	381,575	246,076

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Revenue
HK$12,807M
-8.7%

Operating Profit
HK$1,289M
+6.4%

Profit Attributable to Equity Holders
HK$1,017M
+6.1%

Mainland China's Segmental Profit Mix
54.4%
+10.4 p.p.

Basic Earnings per Share
HK$1.73
+6.1%

Proposed Dividend per Share
HK55 Cents
Final Dividend per Share: HK40 Cents
Special Dividend per Share: HK15 Cents

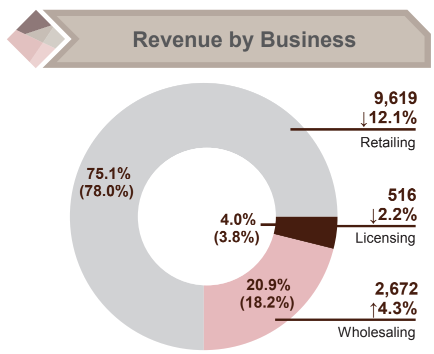
Overall Net Shop Additions
+68
Mainland China: +64
Overseas: +4

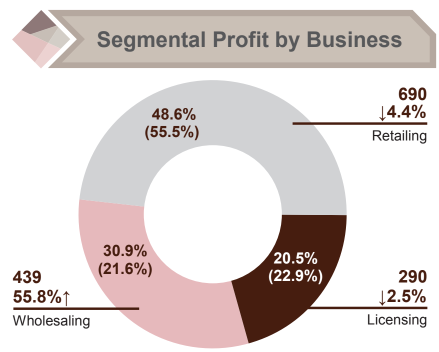
Results

With the gradually improving retail sentiment and a relatively low base in the second half of the financial year, Luk Fook Holdings (International) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded slight revenue drop of 8.7% only to HK$12,807,277,000 (2016: HK$14,031,302,000) for the year ended 31 March 2017 (the "Year under review"). Nevertheless, the sales mix of gem-set jewellery products which were at a relatively higher gross margin increased, as a result of slowdown in demand for gold products due to the relatively high gold price. Together with the improved gross margin of both gold and gem-set jewellery products, the Group's overall gross margin improved by 2.4 p.p. to 25.6% (2016: 23.2%). Gross profit therefore still improved by 0.7% to HK$3,277,061,000 (2016: HK$3,254,111,000) despite the decrease in revenue. The total operating expenses to revenue ratio increased to 16.8% (2016: 15.2%). Moreover, the much narrowed loss in the investments and operating activities in relation to Hong Kong Resources Holdings Company Limited ("HKRH") and its subsidiaries contributed to the improvement in the Group's business performance. Therefore, the operating profit increased by 6.4% to HK$1,289,317,000 (2016: HK$1,212,152,000) and the operating margin was 10.1% (2016: 8.6%), restoring to a double-digit level; the net margin was 8.0% (2016: 6.9%). The profit attributable to equity holders increased by 6.1% to HK$1,016,838,000 (2016: HK$958,692,000). Basic earnings per share were HK$1.73 (2016: HK$1.63).

Overview

During the Year under review, the Group added a net total of 68 new shops worldwide, including a net addition of 64 Lukfook shops in Mainland China, 1 self-operated shop in New York, the United States and 2 self-operated shops in Kuala Lumpur, Malaysia, as well as re-opening of 1 licensed shop in Seoul, Korea. As at 31 March 2017, the Group had a global network of 1,505 shops (2016: 1,437 shops), including 1,496 Lukfook shops (2016: 1,428 shops) and 9 3D-GOLD self-operated shops (2016: 9 shops) operated in Mainland China, with business spanning over Hong Kong, Macau, Mainland China, Singapore, Korea, Malaysia, the United States, Canada and Australia.

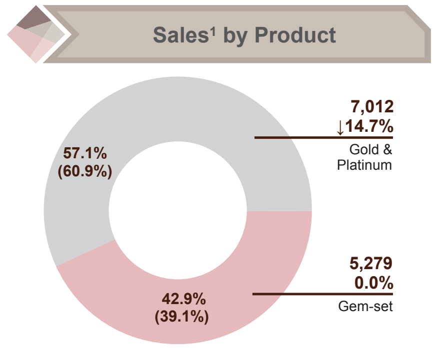


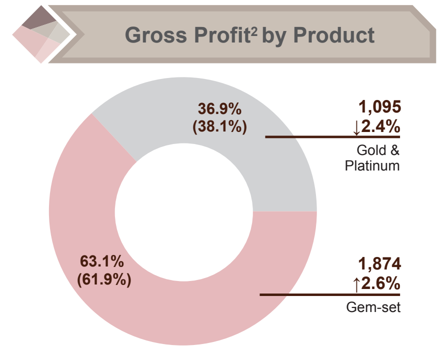


The retail business was the primary revenue source of the Group. During the Year under review, its revenue declined by 12.1% year-on-year to HK$9,618,677,000 (2016: HK$10,940,712,000) mainly because of sales decline in Hong Kong and Macau. It accounted for 75.1% (2016: 78.0%) of the Group's total revenue. With improved gross margin, segmental profit in the retail business dropped by 4.4% only to HK$690,021,000 (2016: HK$721,645,000), representing 48.6% (2016: 55.5%) of the total; its segmental profit margin was 7.2% (2016: 6.6%).

Benefited from the increase in sales of scrap gold and rough diamond, the wholesale business revenue increased by 4.3% over the corresponding period last year to HK$2,672,459,000 (2016: HK$2,562,697,000), accounting for 20.9% (2016: 18.2%) of the Group's total revenue; its segmental profit, because of the improved gross margin as well, increased substantially by 55.8% to HK$438,891,000 (2016: HK$281,637,000), representing 30.9% (2016: 21.6%) of the total, while its segmental profit margin was 16.4% (2016: 11.0%).

Due to depreciation of Renminbi, licensing income decreased by 2.2% to HK$516,141,000 (2016: HK$527,893,000), accounting for 4.0% (2016: 3.8%) of the Group's total revenue; its segmental profit dropped by 2.5% to HK$290,384,000 (2016: HK$297,797,000), representing 20.5% (2016: 22.9%) of the total, while its segmental profit margin was 56.3% (2016: 56.4%).





[1] Sales = Revenue - Licensing Income

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

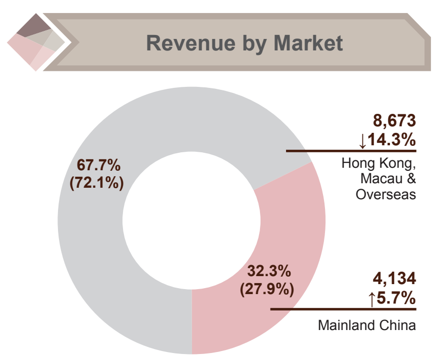
Gold products remained the most favourite item; together with platinum products, their revenue decreased by 14.7% (2016: -10.9%) to HK$7,012,528,000 (2016: HK$8,225,319,000) due to the relatively high gold price which had adversely affected the demand, accounting for 57.1% (2016: 60.9%) of the overall sales (the Group's revenue minus licensing income). However, the high gold price also led to an increase in gross margin of gold products of 1.6 p.p. to 15.2% (2016: 13.6%), gross profit of gold and platinum products therefore decreased slightly by 2.4% only to HK$1,094,924,000 (2016: HK$1,122,157,000), accounting for 36.9% (2016: 38.1%) 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 stayed flat at HK$5,278,608,000 (2016: HK$5,278,090,000), accounting for 42.9% (2016: 39.1%) of the overall sales. Gross margin of gem-set jewellery products increased slightly by 0.9 p.p. to 35.5% (2016: 34.6%), its gross profit, as a result, increased by 2.6% to HK$1,873,848,000 (2016: HK$1,826,796,000), accounting for 63.1% (2016: 61.9%) of the overall gross profit.

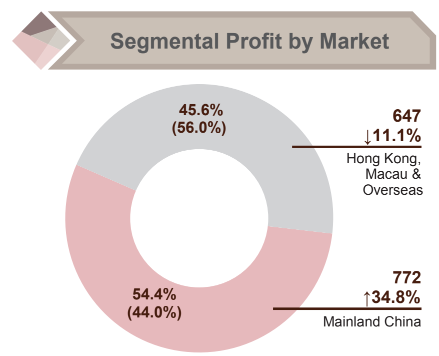
During the Year under review, the overall same store sales growth* of the Group was -18.3% (2016: -19.3%). SSSG for Hong Kong and Macau market was -19.5% (2016: -20.1%) and that for the Mainland China market was -4.8% (2016: -8.2%). The SSSG for gold and platinum products was -24.6% (2016: -16.7%). The Group's same store sales drop of gem-set jewellery products substantially narrowed to -6.3% (2016: -24.1%) because of the much improved performance in Hong Kong and Macau market under the relatively low base situation.

* *Same store sales growth ("SSSG") represented a comparison of sales of the same self-operated shop having full day operations in the comparable periods and such data did not include sales of licensed shop and Mainland China's E-commerce business.*

The Group has been striving to diversify its product mix to offer customers with more choices. Since 2010, the Group has been engaging in the mid-to-high end watch business. As at 31 March 2017, the Group was the authorised dealer of 36 watch brands, including ARNOLD & SON, AUDEMARS PIGUET, BALL and its BALL for BMW series, BALMAIN, BULOVA, BURBERRY, BVLGARI, CERTINA, COINWATCH, CORUM, DOXA, EMILE CHOURIET, EMPORIO ARMANI, ENICAR, ERNEST BOREL, ETERNA, FREDERIQUE CONSTANT, GRONEFELD, HAMILTON, H. MOSER & CIE, LONGINES, LOUIS ERARD, LUDOVIC BALLOUARD, MAURICE LACROIX, MIDO, OMEGA, ORIS, RADO, ROMAGO SWISS, TAG HEUER, TISSOT, URWERK, VICTORINOX SWISS ARMY, ZENITH, WENGER and PHANTOMS. For the Year under review, the watch business contributed a revenue of HK$211,182,000 (2016: HK$247,843,000), representing 1.6% (2016: 1.8%) of the Group's total revenue with 14.8% decrease when compared with last year.

BUSINESS REVIEW





Hong Kong, Macau and Overseas

Hong Kong

The Hong Kong market has been 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 for the past few years. However, under the impact of the slowdown in economic growth in Mainland China and the changes to the Individual Visit Scheme, Mainland tourists tended to stay shorter period of time. Consumption expenditure per capita continued to fall with the poor macro-economic conditions and decreased spending power of consumers. The situation, however, has started to stabilise and improve recently. According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in January 2017, visitor arrivals from Mainland China in 2016 decreased by 6.7% year-on-year to approximately 42.78 million. According to the visitor arrival statistics published in April 2017, Mainland Chinese visitors from January to March 2017 increased by 3.8% year-on-year to approximately 10.82 million. In respect of tourist spending, according to the figures on retail sales released by the Census and Statistics Department of Hong Kong in May 2017, the value of sales of jewellery, watches and clocks, and valuable gifts in 2016 decreased by 17.2% when compared to 2015. The sales value of jewellery, watches and clocks, and valuable gifts from January to March 2017 rose by 1.4% over last year. It indicated a gradually improving market sentiment.

Due to the impact of overall market performance, the Group's retail revenue in Hong Kong decreased by 19.4% to HK$6,227,060,000 (2016: HK$7,727,658,000) during the Year under review. However, the revenue of the wholesale business generated from the Hong Kong market increased by 45.5% to HK$713,900,000 (2016: HK$490,646,000) due to the increase in sales of scrap gold and wholesale of rough diamonds. As at 31 March 2017, the Group operated a total of 47 self-operated shops (2016: 47 shops) in Hong Kong, with the number of shops unchanged.

Macau

According to the tourism statistics published by the Statistics and Census Service of the Macau Special Administrative Region on 4 May 2017, visitor arrivals to Macau increased slightly by 0.8% in 2016 to 30.95 million, but GDP of Macau decreased by 2.1% over last year; while the number of visitor arrivals from January to March 2017 rose by 5.6% year-on-year. According to figures from the Macau Government Tourist Office, visiting tourists' per capita spending on jewellery and watches increased by 3.9% in 2016. With the better business environment in Macau than Hong Kong, its retail revenue in the second half of the financial year turned to a positive growth of 5.4% from a 27.7% drop in the first half of the financial year. Therefore, the Group's revenue generated from the Macau market decreased by only 11.9% to HK$1,549,409,000 (2016: HK$1,758,769,000) during the Year under review. As at 31 March 2017, the Group had a total of 10 self-operated shops (2016: 10 shops) in Macau.

Overseas

Adhering to its motto "Brand of Hong Kong, Sparkling the World", the Group has been seeking opportunities around the world in recent years. During the Year under review, the Group added 1 Lukfook self-operated shop in New York, the United States and 2 Lukfook self-operated shops in Kuala Lumpur, Malaysia, and re-opened 1 Lukfook licensed shop in Seoul, Korea. As at 31 March 2017, the Group operated a total of 10 overseas shops (2016: 6 shops), including self-operated shops of 1 in Singapore, 2 in Malaysia, 3 in the United States, 2 in Canada and 1 in Australia and 1 licensed shop in Korea.

The revenue from the Hong Kong, Macau and overseas markets decreased by 14.3% to HK$8,673,186,000 (2016: HK$10,119,551,000) due to the decreased retail revenue in Hong Kong and Macau, accounting for 67.7% (2016: 72.1%) of the Group's total revenue. Because of the improvement in gross margin, the segmental profit declined by 11.1% only to HK$647,637,000 (2016: HK$728,696,000), accounting for 45.6% (2016: 56.0%) of the total; their segmental profit margin was 7.5% (2016: 7.2%).

The SSSG for gold and platinum products of Hong Kong, Macau and overseas markets was -26.1% (2016: -16.9%) and that for gem-set jewellery products substantially narrowed to -6.8% (2016: -25.4%).

Mainland China

During the Year under review, retail revenue from the Mainland China market increased by 26.5% to HK$1,659,391,000 (2016: HK$1,311,807,000) due to the increase in the number of self-operated shops. The SSSG for gold and platinum products in Mainland China was -8.2% (2016: -12.8%) and that for gem-set jewellery products was +4.7% (2016: +8.7%).

The wholesale business from the Mainland China market, because of devaluation of Renminbi, fell by 5.5% to HK$1,958,559,000 (2016: HK$2,072,051,000) after the conversion to Hong Kong dollars, despite the around flat revenue in Renminbi. The decline of full year licensing income narrowed significantly from 17.8% for the first half of the financial year to a minor drop of 2.2% to HK$516,141,000 (2016: HK$527,893,000). Again, due to Renminbi devaluation, it changed from a slight rise to a slight drop after the conversion from Renminbi to Hong Kong dollars.

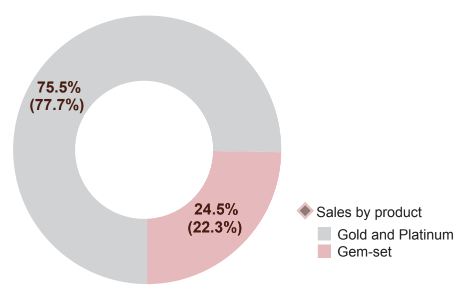
As at 31 March 2017, the Group had a total of 1,429 shops (2016: 1,365 shops) under the "Lukfook" brandname in Mainland China, including 133 self-operated shops (2016: 105 shops) and 1,296 licensed shops (2016: 1,260 shops). During the Year under review, the Group had a net increase of 36 Lukfook licensed shops (2016: 20 shops) and 28 Lukfook self-operated shops (2016: 26 shops) there. 23 (2016: 14 shops) of the new self-operated shops were opened by a joint venture (in which the Group held a 51% equity interest) established with a licensee. Together with 9 3D-GOLD self-operated shops in Mainland China, the Group had a total of 1,438 shops in Mainland China.

FY2017 Mainland China E-Commerce Performance

Revenue
↑ **97.4% YoY Change**

Contribution to Mainland China retail revenue
11.0% (FY2016: 7.0%)

Contribution to Group's retail revenue
1.9% (FY2016: 0.8%)



Average selling price
RMB700 (YoY Change: ↑ 16.0%)

FY2018 revenue growth target
50%

Due to the rapid growth of e-commerce, the revenue of e-commerce from Mainland China during the Year under review increased by 97.4% to HK$182,198,000 (2016: HK$92,277,000), which accounted for 11.0% (2016: 7.0%) of the Group's retail revenue in Mainland China. Gold and platinum product sales accounted for 75.5% (2016: 77.7%) of its sales mix while gem-set jewellery accounted for 24.5% (2016: 22.3%).

During the Year under review, revenue from the Mainland China market increased by 5.7% to HK$4,134,091,000 (2016: HK$3,911,751,000), accounting for 32.3% (2016: 27.9%) of the Group's total revenue. Benefited from its retail business growth and improved overall gross margin, its segmental profit increased by 34.8% to HK$771,659,000 (2016: HK$572,383,000), contributing more than half of the Group's profit, accounting for 54.4% (2016: 44.0%) of the total; its segmental profit margin was 18.7% (2016: 14.6%).

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

Profit/(Loss)

HK$ m	FY2017	FY2016	Y-o-Y Change
50% Share of Profit/(Loss) of Associate	(54)	(81)	27
Valuation Gain/(Loss) on Convertible Bond	3	(21)	24
Wholesale Gross Profit	9	13	(4)
Fair Value Devaluation of Option	–	(5)	5
Interest Income on Working Capital Loan	4	4	–
Interest Income on Convertible Bond	2	2	–
Total	**(36)**	**(88)**	**52**

The loss on investments and operating activities in HKRH and its subsidiaries substantially improved by 59.1% to approximately HK$36,000,000 (2016: HK$88,000,000 loss) during the Year under review.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2017, the Group's cash and bank balances were approximately HK$1,862,000,000 (2016: approximately HK$2,432,000,000). The Group's net gearing ratio at the year-end was 0% (2016: 0%), which was concluded by using the ratio of total bank borrowings and gold loans of approximately HK$437,000,000 (2016: approximately HK$711,000,000) less cash and bank balances against total shareholders' equity of approximately HK$8,873,000,000 (2016: approximately HK$8,674,000,000). Net cash was approximately HK$1,425,000,000 (2016: approximately HK$1,721,000,000). The debt-to-equity ratio was 19.1% (2016: 21.5%), being the ratio of total liabilities of approximately HK$1,699,000,000 (2016: approximately HK$1,861,000,000) against total shareholders' equity of approximately HK$8,873,000,000 (2016: approximately HK$8,674,000,000). The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

[#] *HKRH represents Hong Kong Resources Holdings Company Limited (Stock Code: 2882) which conducts jewellery retail and franchise business under the brandname of "3D-GOLD" in Hong Kong, Macau and Mainland China.*

Inventory

Inventory Turnover Days by Product

	FY2017	FY2016
Gold	152	119
Gem-set	436	469
Overall	261	238

As at 31 March 2017, the Group's inventory increased by 9.9% to approximately HK$6,973,000,000 (2016: approximately HK$6,345,000,000) due to increase in number of self-operated shops. The average inventory turnover days were 261 days (2016: 238 days) with inventory turnover days of gold products being 152 days (2016: 119 days) and that of gem-set jewellery products being 436 days (2016: 469 days).

Capital Expenditure

During the Year under review, the Group incurred capital expenditures of approximately HK$168,000,000 (2016: approximately HK$113,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipments.

Capital Commitments

As at 31 March 2017, the Group's total capital commitments amounted to approximately HK$13,000,000 (2016: approximately HK$12,000,000).

Contingent Liabilities

As at 31 March 2017, the Group had outstanding financial guarantees amounting to approximately HK$764,000,000 (2016: approximately HK$673,000,000) issued to several banks in respect of banking facilities granted to an associate.

Human Capital Policy

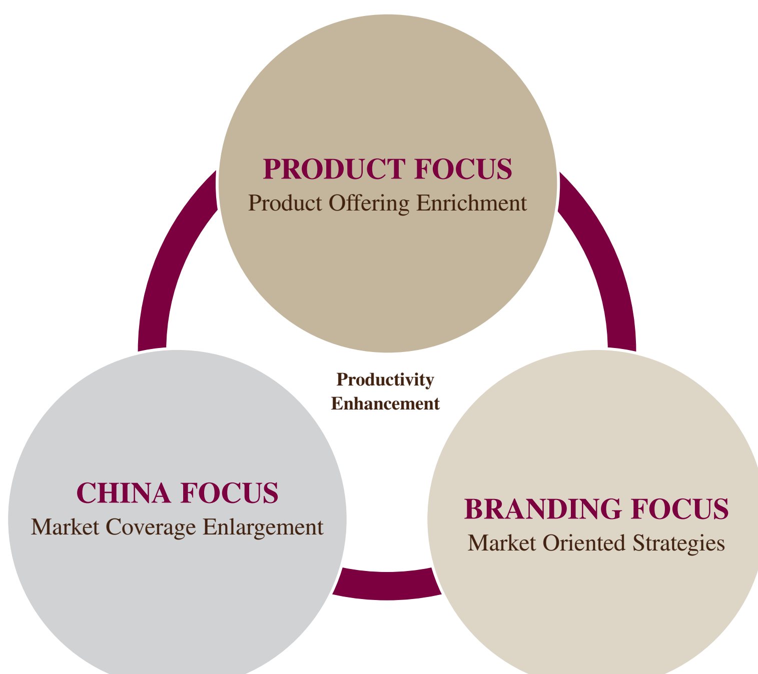
As at 31 March 2017, the number of employees of the Group was approximately 7,400 (2016: approximately 7,100). The management reviews and examines the remuneration policies on a regular basis to ensure that employees are offered fair rewards and compensation. Remuneration packages are structured to be comparable to the market rate 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 achieve the objective of enhancing the Group's business performance.

BRANDING

In order to align with the branding theme of "Love is Beauty", the Group has been building a brand image that is welcoming and warm-hearted, and strengthening customers' emotional attachment to the brand through outstanding marketing campaigns and excellent customer service programmes. Apart from making good use of traditional promotion channels, the Group has captured the trend of rapid growth of online marketing by placing advertisements on major social media platforms, portals, video and search engines, to promote products through mobile applications and internet celebrities. The Group has also organised different types of promotion campaigns to intensify our brand exposure and focus on our targeted audience more precisely, as well as enabling the Group's distinctive image to take root in people's minds.

The Group's tireless efforts in brand building have been well-received by the industry and market. During the Year under review, the Group received numerous awards and recognition in branding, corporate management, service quality, community welfare and environmental protection, in recognition of the Group's outstanding performance in providing quality products and caring service for customers worldwide.

OUTLOOK



During the Year under review, the same store sales of gem-set jewellery products in the Group's retail business recorded a substantially narrowed decline in Hong Kong and Macau market. Together with a relatively low base in the second half of the financial year, sales of gem-set jewellery products stopped its declining trend from the past year and extended to the first two months of the new financial year. Based on the continually improving market sentiment, the Group expects its business to restore growth in the coming year. The Group continues to be optimistic about the prospects of the mid- to long-term business development and will endeavor to focus on enriching the product offerings, expanding its network in Mainland China and implementing market-oriented branding strategies in the coming years, with a view to optimise the business development of the Group.

Product Focus

It was stated at the Fifth Plenary Session of the Eighteenth Central Committee of the Communist Party of China that China would maintain medium to high economic growth during the Thirteenth Five-Year Plan period (2016–2020) and that China would double its 2010 GDP and per capita income of urban and rural residents by 2020 as planned to build China into a moderately prosperous society in all respects. The per capita disposable income of all national residents and urban residents are both increasing. Furthermore, the annual number of marriages in Mainland China remained stable, and the annual number of births is increasing, which are conducive to the long-term development of the mass luxury sector. The demand for luxury products for kids will increase gradually as well. Accordingly, the Group will offer more fashionable yet affordable products to cater to the trend of trading down consumption and target at the mass market covering middle-class customers, wedding couples as well as kids.

China Focus

Based on the confidence in the long-term development of the Mainland China market, the Group will continue to focus its expansion in the sub second-tier cities. The net shop additions in Mainland China were 64 during the Year under review, while the target net addition of shops in the coming year is at least 50. The Group will also continue to develop the e-commerce business and to further strengthen cooperation with online platforms in Mainland China. During the Year under review, the Group had 12 online sales platforms in Mainland China, including Tmall.com, JD.com and VIP.com.

According to the report on internet spending trends in China jointly published by Taobao and CBNData at the end of 2015, 80% of consumers aged between 20 and 40 learnt about gold and jewellery products through the internet and 60% of them had spent money on the internet. The proportion of spending on gold jewellery under RMB1,600 was 64%, while that on gold jewellery over RMB3,000 was 15% only. Currently, the products priced at around RMB1,000 are prevalent in the internet spending on gold jewellery, while the products priced under RMB2,000 are the major market for the internet spending on gem-set jewellery. Since young consumers have enormous spending potential on online sales platforms, the Group will endeavour to promote sales of good-value-for-money jewellery on online platforms to attract young consumers group. The Group targets to grow e-commerce revenue by 50% in the coming year.

Branding Focus

By understanding customers' spending habits, the Group will adopt comprehensive initiatives to penetrate into the markets for middle-class, wedding couples and kids. It will also continue to attract customers and boost local consumption by enhancing product displays, cross-promotional campaigns and VIP promotional activities so as to improve sales and profit performance. The Group will also showcase, promote and market its products on mobile applications and internet social media platforms such as Facebook and WeChat.

Productivity Enhancement

In addition to broadening the sources of income in different ways, the Group will strive to enhance productivity and reduce expenditure in different operational aspects, including the ongoing negotiations with landlords about reducing rents as appropriate, improvement of service quality control, enhancement of support to licensees, promotion of a continuous improvement culture and full automation of operational processes, so as to enhance efficiency and reduce costs in the hope of restoring business growth and therefore obtaining better performance, with the improving retail sentiment.

The date of 6 May 2017 marked the 20th anniversary since the public listing of the Group on the Main Board of The Stock Exchange of Hong Kong Limited. This was an important milestone to the Group. Looking backward, the Group has made significant achievements. The Group's business has been progressing steadily, with the number of shops increasing continuously. The compound annual growth rate ("CAGR") of the revenue was 11% while the CAGR of the profit for the year was 14%. As at 28 June 2017, the Group's market capitalization reached HK$14.9 billion which was 33 times of that at the time of the initial public offering (the "IPO") and the net asset reached HK$8.9 billion, which was 41 times of that at the time of the IPO. We always strive for the best interest of our shareholders. We have had a generous dividend policy, with the average dividend payout ratio of 47% for the past 20 years. Except for FY2013 which was affected by SARS, the Group has achieved double-digit return on equity at average since its public listing, which was a remarkable performance.

As a traditional retail industry, there will still be a rigid demand for jewellery products from consumers. The outlook for jewellery industry is promising. In the long run, apart from the exceptional business environment shaped by the unique geographic and tax advantages of Hong Kong and Macau and increasing per capita income in Mainland China, the Group's sustainable business development relies on its brand awareness established over the years, constantly expanding retail network, management's effective sales strategy and cost-effectiveness-oriented measures. Therefore, the Group will sharpen its competitive edge and consolidate its leading position in the jewellery retail market through its pragmatic and prudent business strategies, proactive response to market challenges and a firm grip on opportunities.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The directors proposed a final dividend of HK$0.40 per ordinary share and a special dividend of HK$0.15 per ordinary share, totalling HK$0.55 per ordinary share for the year ended 31 March 2017 (2016: HK$0.55 per share) to shareholders whose names appear on the register of members of the Company on 29 August 2017. 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, totalling HK$645,818,000 for the year (2016: HK$1.10 per ordinary share, totalling HK$646,918,000). Subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM") of the Company to be held on 23 August 2017, the final and special dividends will be paid on or around 7 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the AGM will be closed from 18 August 2017 to 23 August 2017, 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 23 August 2017, 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 17 August 2017.

The register of members of the Company for the final and special dividends will also be closed on 29 August 2017 and no transfer of shares will be registered on that day. In order to qualify for the final and special dividends, 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 28 August 2017.

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 2017 (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 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 2017. 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 2017 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 2017

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 2017 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 sincere 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

Hong Kong, 29 June 2017

As at the date of this announcement, the Company's Executive Directors are Mr. WONG Wai Sheung (Chairman and Chief Executive), 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, 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.