



CORPORATE PRESENTATION

HKIAAT

November 2014



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Company Profile



About LUKFOOK

A leading jewellery retailer in Hong Kong and Mainland China

Main Business

- The Group principally engages in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery, gold ornaments and gem-set

Milestone

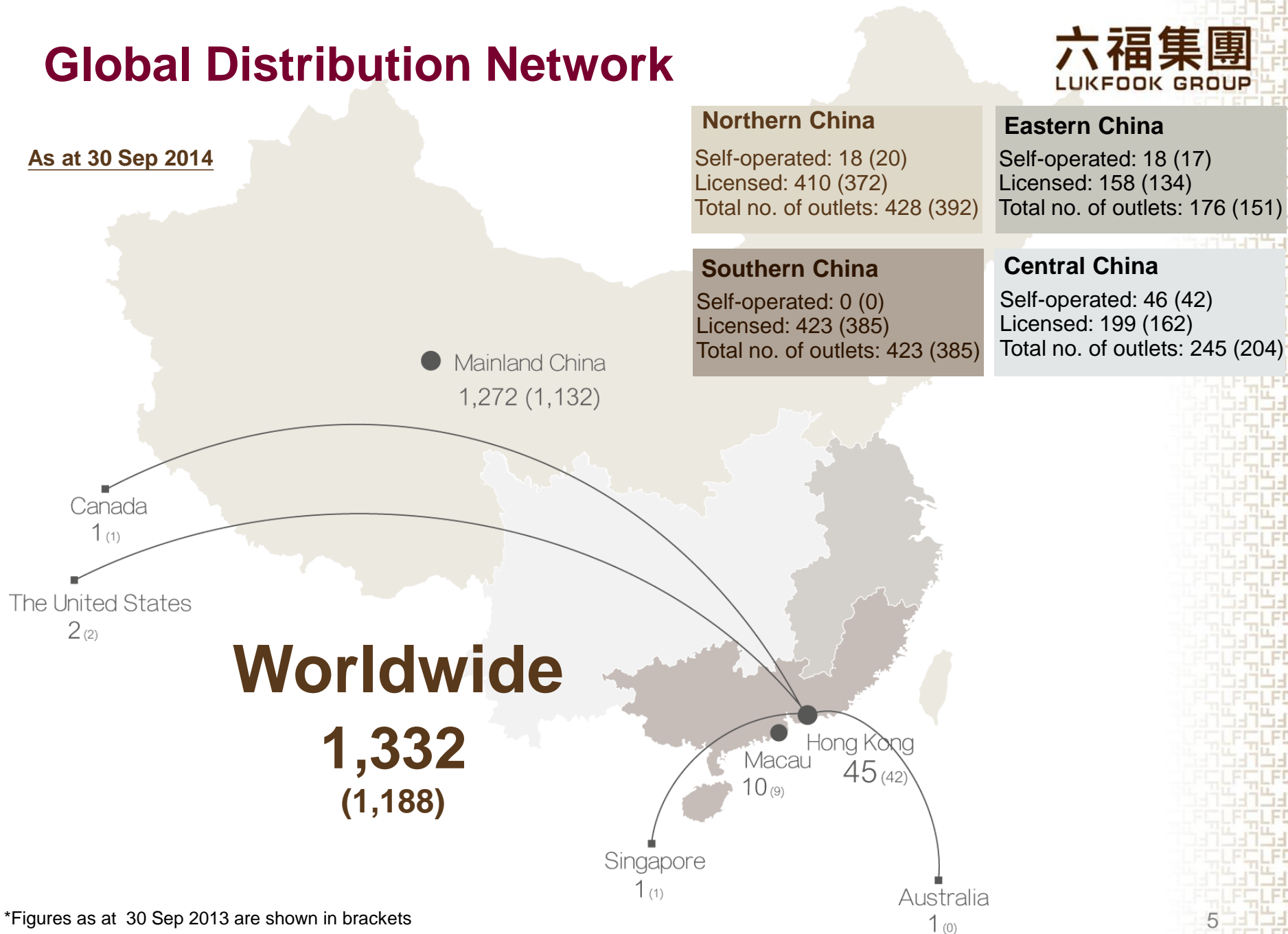
- Opened the first self-operated store in Hong Kong in 1991
- Opened its first licensed shop and self-operated shop in Mainland China in 1994 and 2004, respectively
- Listed on the Main Board of Hong Kong Stock Exchange (Stock code: 0590) in 1997
- Mainland's first flagship store opened in Wuhan in May 2013
- Lukfook's largest flagship store worldwide opened in Macau in June 2013
- Acquired 50% interest in CGS¹ in 2014

¹A wholly-owned subsidiary of Hong Kong Resources Holdings Company Limited (Stock Code:2882), which conducts its jewellery retail and franchise businesses under the brand name of "3D-GOLD" in Hong Kong, Macau and the Mainland



Global Distribution Network

As at 30 Sep 2014



*Figures as at 30 Sep 2013 are shown in brackets

Supply Chain



**Notes: Royalty income received from licensees on their purchases of all inventories from Lukfook (wholesale) and authorized suppliers

Licensing Model



Advantages

- Better local market knowledge
- Rapid development of both brand and market
- Diversification of investment risk
- Enhancement of brand recognition

Requirements

- Initial investment: Min. RMB 5m
- Vetting licensees and location
- Contract renewal period: 1 year

Payment terms:
Cash On Delivery

“WISDOM” Monitoring System

- Whistle-blowing System and Reward Scheme
- Inventory Quality Control
- Sales and Inventory System Access
- DVR System
- Operational Compliance Audit Team
- Mystery Shopper System on service quality control



Key Achievements



Key Achievements for FY2014

Reaching Three Record Highs

- Revenue surged 43% to HK\$19 billion, 10th consecutive year of record high, 8th consecutive year of double digit growth
- Profit attributable to equity holders increased by 50% to HK\$1.9 billion, another record high
- Annual dividend of HK\$1.268 per share, record high as well

Milestone

- Group's largest flagship store worldwide opened in Macau in Jun 2013
- Mainland's first flagship store opened in Wuhan in May 2013
- Acquired 50% interest in CGS¹, kicking off dual brand strategy

¹A wholly-owned subsidiary of Hong Kong Resources Holdings Company Limited (Stock Code: 2882), which conducts its jewellery retail and franchise businesses under the brand name of "3D-GOLD" in Hong Kong, Macau and the Mainland



Financial Review



Financial Highlights

(HK\$ m)	FY2014	FY2013	Y-o-Y Change
Revenue	19,215	13,412	43.3%
Gross Profit	4,214	2,830	48.9%
Operating Profit	2,309	1,501	53.8%
Profit for the Year	1,867	1,246	49.8%
Profit Attributable to Equity Holders	1,865	1,243	50.0%
Basic Earnings per Share	HK\$ 3.17	HK\$ 2.11	50.0%
Final Dividend per Share	HK\$ 0.638	HK\$ 0.48	32.9%
Annual Dividend per Share	HK\$ 1.268	HK\$ 0.86	47.4%
Dividend Payout Ratio	40.1%	40.8%	(0.7)p.p.
Gross Profit Margin	21.9%	21.1%	0.8p.p.
Operating Margin	12.0%	11.2%	0.8p.p.
Net Margin	9.7%	9.3%	0.4p.p.
EBITDA	2,432	1,600	52.0%
EBITDA Margin	12.7%	11.9%	0.8p.p.
Total Operating Expenses Percentage to Revenue	10.8%	10.8%	0
Effective Tax Rate	19.5%	17.3%	2.2p.p.

Strong Financial Position

(HK\$ m)	FY2014	FY2013	Y-o-Y Change
Average Inventory Turnover (Days) ¹	138 days	162 days	(24 days)
Inventory Level	6,225	4,955	25.6%
Net Cash	1,237	1,187	4.2%
Bank Borrowings	568	0	N/A
Gearing Ratio ²	7.4%	N/A	N/A
Total Debt to Equity Ratio ³	24.7%	16.9%	7.8 p.p.
Return on Equity (ROE) ⁴	24.4%	19.3%	5.1 p.p.
Current Ratio	4.8	6.7	(1.9)

¹ (Opening Inventory + Closing Inventory)/2/COGS (excluding Cost of Licensing Income)* Number of the dates for the year

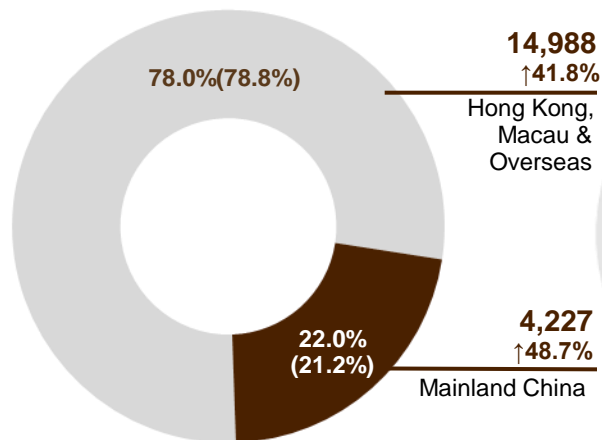
² (Long-term Bank Loan + Short-term Bank Loan + Bank Overdrafts)/Capital and reserves attributable to equity holders of the Company

³ (Long-term Liabilities + Short-term Liabilities)/Capital and reserves attributable to equity holders of the Company

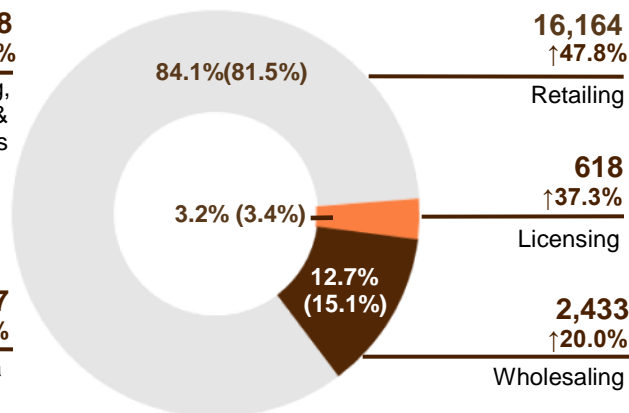
⁴ Profit attributable to equity holders of the Company for the year /Capital and reserves attributable to equity holders of the Company

Revenue and Profit Analysis

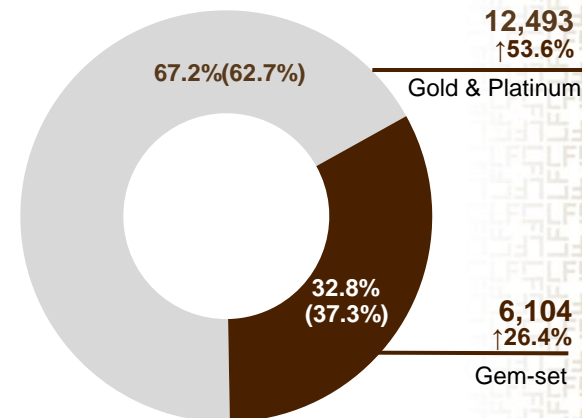
Revenue by Market



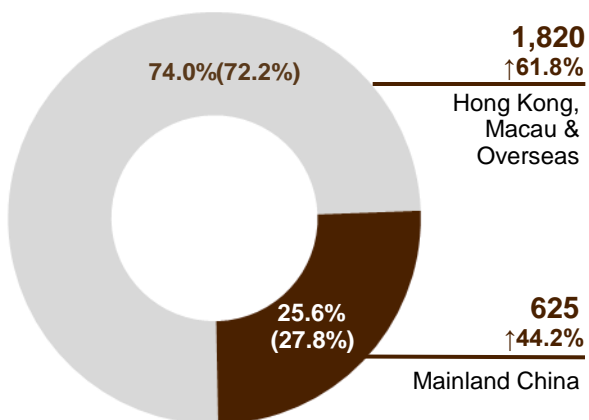
Revenue by Business



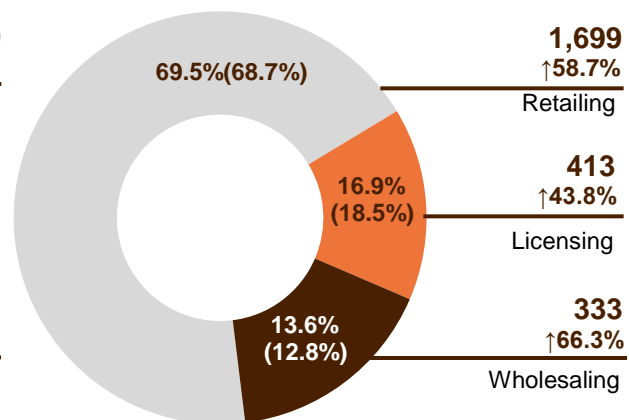
Sales¹ by Product



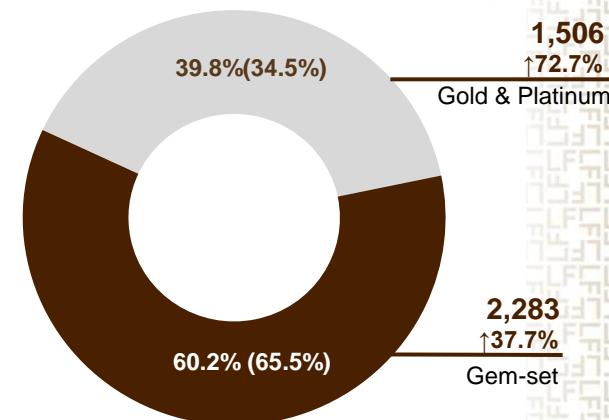
Segmental Profit by Market



Segmental Profit by Business



Gross Profit² by Product



*Comparative figures for FY2013 are shown in brackets

¹ Sales = Revenue – Licensing Income

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



Core Competences



Vertically Integrated Business Model

The Group's vertically business model delivers competitiveness through operational efficiency and control, cost effectiveness, market responsiveness and reliable supply

Distribution

- Extensive distribution network:
 - Self-operated shops
 - Licensed shops
 - Corporate clients
 - Online platforms

Production

- Nansha production plant: 350,000 sq. ft., ISO 9001 + 14001 QA systems
- December 2013: Phase II commissioned – doubled annual production capacity
- Awards:
 - Hong Kong – Guangdong Cleaner Production Partners (Manufacturing)
 - Excellence Enterprise of National Cleaner Production Audit, Guangzhou

Design

- Appealing and trendy jewellery designs
 - Attained over 150 design awards

Sourcing

- All raw materials and finished products sourced only from authorized suppliers

Quality Assurance

Dual Quality Assurance



Authentication Service



No Fakes Logo



Awarded "Quality Gold Mark" & Passed regular checking by HK Customs



Attained "Authentication of Natural Fei Cui (Jadeite)"



"Natural Jadeite" by Gems & Jewelry Trade Association of China

ONLY subsidiary laboratory of Hong Kong jewellery retailer with ISO17025 in both jadeite authentication and diamond testing and grading qualification

Branding



Brand Building

- Mass media advertising, including a TV commercial series “Love is Beauty” Charity Marketing Campaigns
- Beauty Pageant Sponsorships

Customer Engagement

- Multiple innovative VIP programs to build relationships with customers e.g. DIY workshop, VIP dinner, travel tour etc.



Shop Image Enhancement

- Adopt the new shop image progressively and identify suitable locations for flagship stores

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LUKFOOK GROUP



Award

- Continuous branding efforts well-received by the industry and market
- Awarded “Brand of the Year–Retail” of the JNA Awards 2013
- Won the “Hong Kong Top Brand Ten Year Achievement Award” of the “2013 Hong Kong Top Brand Awards”



Excellent Service



- 01** Complimentary Certificate For Jadeite &Diamond
- 02** Professional Sales Team
- 03** Product Photo and Comprehensive Checklist on Invoice

04 Gem Examination Microscope

05 Free Engraving Service

06 Free Gift Cards



香港名牌十年成就獎
Hong Kong Top Brand Ten Year
Achievement Award



Appealing Product Design

- Professional jewellery design teams in Hong Kong, Shenzhen and Nansha in the Mainland China
- Have attained over 150 awards



The 15th Hong Kong Jewellery Design Competition

“Joyful Tear”
Best of Show Award
of Open Group



Chuk Kam Jewellery Design Competition 2014

“Origin of Symbiotic Harmony”
Award in Open Group
“Inspiration of Live”



Chuk Kam Jewellery Design Competition 2014

“My Golden Generation”
Award in
The Fashionable 18K Group
“Inspiration of Live”



Platinum Guild International

“Jiang”
Jewellery Masterpiece
in 2005

Corporate Social Responsibility



01

Supported Charitable Activities

02

A charitable donation to the "Tung Wah Charity Gala 2013", held by the Tung Wah Group of Hospitals

03

Title sponsorship of "The 2013 Sedan Chair Race & Bazaar" held by the Sedan Chair Charities Fund

04

Participated in "Food Angel"



Environmental Protection



01

Consecutively named the “Prime Awards for Eco-Business” – “Eco Jewellery Corporation”

02

Titled “Hong Kong-Guangdong Cleaner Production Partners (Manufacturing)”

03

Attained the honour of “Excellence Enterprise of National Cleaner Production Audit in Guangzhou”

04

Won the “3 Years + Entrant and Green Participant” and “Green Medalist” at the “Hang Seng Pan Pearl River Delta Environmental Awards 2012/13





Future Plans & Strategies



Key Strategies

Revenue Growth

- Wholesale & Licensing
- Online business

Gross Margin Improvement

- Product mix improvement

Productivity Enhancement

- Enlarge retail floor space of shops in Mainland China
- Increase production capacity
- Staff training and development
- Optimize network in Hong Kong

Branding Strategy

- Increase overall A&P expense by 30%
- Online marketing
- Shop image enhancement
- Kick off dual-brand strategy





Open Forum



Disclaimer

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Thank You!