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# 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

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

### HIGHLIGHTS

- Revenue reached HK\$3.3 billion, representing a decrease of 47.0% as compared with the same period last year
- SSSG<sup>1</sup> for the Hong Kong SAR<sup>2</sup> and Macau SAR<sup>3</sup> market was -70.2%, while that for the Mainland China<sup>4</sup> market was -30.1%
- Gross profit decreased by 41.2% to HK\$1.1 billion, with overall gross margin increased by 3.3 p.p. to 33.2% under high gold price rise
- Operating profit decreased by 41.4% to HK\$387 million
- Profit attributable to equity holders decreased by 41.3% to HK\$291 million
- Basic earnings per share were HK\$0.50, decreased by 41.2%
- Proposed interim and special dividends of HK\$0.225 and HK\$0.275 per share, respectively, a total of 100.8% dividend payout ratio
- Net addition of 60 shops during the period with a total of 2,180 shops globally at period end

<sup>1</sup> 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 shops and Mainland China’s e-commerce business.

<sup>2</sup> Hong Kong SAR: Hereafter refers to as “Hong Kong”

<sup>3</sup> Macau SAR: Hereafter refers to as “Macau”

<sup>4</sup> Mainland China: Hereafter refers to as “Mainland”

## FINANCIAL PERFORMANCE

	<b>For the six months ended 30 September 2020 HK\$'000</b>	For the six months ended 30 September 2019 HK\$'000	Y-o-Y Changes
Revenue	<b>3,343,776</b>	6,305,284	-47.0%
Gross Profit	<b>1,109,704</b>	1,886,243	-41.2%
Operating Profit	<b>387,120</b>	660,471	-41.4%
Profit for the period	<b>293,003</b>	497,291	-41.1%
Profit Attributable to Equity Holders	<b>291,191</b>	496,303	-41.3%
Basic Earnings per Share	<b>HK\$0.500</b>	HK\$0.85	-41.2%
Interim Dividend per Share	<b>HK\$0.225</b>	HK\$0.50	-55.0%
Special Dividend per Share	<b>HK\$0.275</b>	–	N/A
Dividend Payout Ratio <sup>1</sup>	<b>100.8%</b>	59.1%	+41.7p.p.
Gross Margin	<b>33.2%</b>	29.9%	+3.3p.p.
Operating Margin	<b>11.6%</b>	10.5%	+1.1p.p.
Net Margin	<b>8.8%</b>	7.9%	+0.9p.p.
EBITDA	<b>649,039</b>	929,121	-30.1%
EBITDA Margin	<b>19.4%</b>	14.7%	+4.7p.p.
Total Operating Expenses to Revenue Ratio	<b>23.7%</b>	17.2%	+6.5p.p.
Effective Tax Rate	<b>20.0%</b>	20.6%	-0.6p.p.

<sup>1</sup> Dividend policy: Dividend payout ratio at 40-45%

The board of directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2020 together with comparative figures for the corresponding period in 2019 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
*For the six months ended 30 September 2020*

		<b>Unaudited</b>	
		<b>for the six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		<b>3,343,776</b>	6,305,284
Cost of sales	5	<u>(2,234,072)</u>	<u>(4,419,041)</u>
<b>Gross profit</b>		<b>1,109,704</b>	1,886,243
Other income	6	<b>139,633</b>	50,339
Other losses, net	7	<b>(68,761)</b>	(132,979)
Selling and distribution costs		<b>(719,989)</b>	(999,673)
Administrative expenses		<b>(73,819)</b>	(87,408)
Net reversal of impairment loss/(net impairment loss) on financial assets		<b>352</b>	(56,051)
<b>Operating profit</b>	5	<u><b>387,120</b></u>	<u>660,471</u>
Finance income		<b>31,405</b>	17,820
Finance costs		<b>(18,701)</b>	(31,671)
Finance income/(costs), net		<u><b>12,704</b></u>	<u>(13,851)</u>
Share of results of associates		<u><b>(33,687)</b></u>	<u>(20,608)</u>
<b>Profit before income tax</b>		<b>366,137</b>	626,012
Income tax expenses	8	<b>(73,134)</b>	(128,721)
<b>Profit for the period</b>		<u><b>293,003</b></u>	<u>497,291</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>291,191</b>	496,303
Non-controlling interests		<b>1,812</b>	988
		<u><b>293,003</b></u>	<u>497,291</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>	9		
– Basic		<u><b>HK\$0.50</b></u>	<u>HK\$0.85</u>
– Diluted		<u><b>HK\$0.50</b></u>	<u>HK\$0.85</u>

Details of dividends to equity holders of the Company are set out in Note 10.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 September 2020*

	<b>Unaudited</b>	
	<b>for the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>293,003</b>	497,291
<b>Other comprehensive income:</b>		
<i>Items that may be or have been subsequently reclassified to profit or loss</i>		
Currency translation differences		
– Group	<b>270,018</b>	(334,534)
– Associates	<b>(2,633)</b>	60
Release of exchange reserve to profit or loss upon disposal of a subsidiary	<b>(1,489)</b>	–
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Revaluation of financial assets at fair value through other comprehensive income	<b>(1,543)</b>	(769)
<b>Other comprehensive income for the period, net of tax</b>	<b>264,353</b>	(335,243)
<b>Total comprehensive income for the period</b>	<b>557,356</b>	162,048
<b>Attributable to:</b>		
– Equity holders of the Company	<b>553,644</b>	167,616
– Non-controlling interests	<b>3,712</b>	(5,568)
<b>Total comprehensive income for the period</b>	<b>557,356</b>	162,048

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

	As at 30 September 2020	As at 31 March 2020
Note	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	860,870	841,004
Investment properties	801,146	791,617
Right-of-use assets	757,588	919,706
Interests in associates	11 21,735	60,689
Financial assets at fair value through other comprehensive income	822	2,365
Trading license	1,080	1,080
Gold loan receivables	63,133	–
Deposits, prepayments and other receivables	327,722	156,284
Deferred income tax assets	99,639	71,839
	<u>2,933,735</u>	<u>2,844,584</u>
<b>Current assets</b>		
Inventories	6,924,888	7,533,146
Right of return assets	78,534	93,383
Trade receivables	12 195,022	231,309
Deposits, prepayments and other receivables	480,930	447,443
Amount due from an associate	11 –	1,372
Gold loan receivables	15,783	–
Income tax recoverables	63,909	59,578
Cash and cash equivalents	2,638,619	2,714,233
	<u>10,397,685</u>	<u>11,080,464</u>
<b>Total assets</b>	<u><u>13,331,420</u></u>	<u><u>13,925,048</u></u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the equity holders of the Company</b>		
Share capital	58,710	58,710
Share premium	2,494,040	2,494,040
Reserves	8,079,045	7,818,955
	<u>10,631,795</u>	<u>10,371,705</u>
Non-controlling interests	(428)	40,406
<b>Total equity</b>	<u><u>10,631,367</u></u>	<u><u>10,412,111</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2020

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		157,468	146,837
Lease liabilities		171,219	283,661
Employee benefit obligations		9,618	9,618
		<u>338,305</u>	<u>440,116</u>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	13	888,446	707,861
Contract liabilities		111,033	97,692
Derivative financial instruments		19,428	22
Lease liabilities		411,603	469,394
Sales refund liabilities		157,686	173,221
Amount due to an associate	11	9,641	20
Bank borrowings	14	354,851	1,126,072
Gold loans		280,083	386,739
Current income tax liabilities		128,977	111,800
		<u>2,361,748</u>	<u>3,072,821</u>
<b>Total liabilities</b>		<u>2,700,053</u>	<u>3,512,937</u>
<b>Total equity and liabilities</b>		<u>13,331,420</u>	<u>13,925,048</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2020*

Unaudited	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Share premium	Reserves	Subtotal	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000
<b>For the period ended</b>						
<b>30 September 2020</b>						
As at 31 March 2020	<b>58,710</b>	<b>2,494,040</b>	<b>7,818,955</b>	<b>10,371,705</b>	<b>40,406</b>	<b>10,412,111</b>
<b>Comprehensive income</b>						
Profit for the period	-	-	291,191	291,191	1,812	293,003
<b>Other comprehensive income</b>						
Currency translation differences						
– Group	-	-	268,118	268,118	1,900	270,018
– Associates	-	-	(2,633)	(2,633)	-	(2,633)
Release of exchange reserve to profit or loss upon disposal of a subsidiary	-	-	(1,489)	(1,489)	-	(1,489)
Revaluation of financial assets at fair value through other comprehensive income	-	-	(1,543)	(1,543)	-	(1,543)
<b>Total comprehensive income</b>	-	-	553,644	553,644	3,712	557,356
<b>Transaction with owners</b>						
Dividends paid	-	-	(293,554)	(293,554)	-	(293,554)
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	(10,992)	(10,992)
Disposal of a subsidiary	-	-	-	-	(33,554)	(33,554)
	-	-	(293,554)	(293,554)	(44,546)	(338,100)
As at 30 September 2020	<b>58,710</b>	<b>2,494,040</b>	<b>8,079,045</b>	<b>10,631,795</b>	<b>(428)</b>	<b>10,631,367</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(CONTINUED)**

*For the six months ended 30 September 2019*

Unaudited	Attributable to equity holders of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000		
<b>For the period ended 30 September 2019</b>						
As at 31 March 2019	58,710	2,494,040	7,964,520	10,517,270	45,646	10,562,916
Change in accounting policy	–	–	(24,479)	(24,479)	–	(24,479)
Restated total equity as at 1 April 2019	58,710	2,494,040	7,940,041	10,492,791	45,646	10,538,437
<b>Comprehensive income</b>						
Profit for the period	–	–	496,303	496,303	988	497,291
<b>Other comprehensive income</b>						
Currency translation differences						
– Group	–	–	(327,978)	(327,978)	(6,556)	(334,534)
– Associates	–	–	60	60	–	60
Revaluation of financial assets at fair value through other comprehensive income	–	–	(769)	(769)	–	(769)
<b>Total comprehensive income</b>	–	–	167,616	167,616	(5,568)	162,048
<b>Transaction with owners</b>						
Dividends paid	–	–	(352,265)	(352,265)	–	(352,265)
As at 30 September 2019	58,710	2,494,040	7,755,392	10,308,142	40,078	10,348,220



## NOTES:

### 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (a) New amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3 (Revised) Conceptual Framework for Financial Reporting 2018	Definition of a Business Revised Conceptual Framework for Financial Reporting

There are no new amendments to standards that are effective for the first time for this interim period that have a material impact on the Group.

- (b) Certain new standard and amendments to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 April 2021, which the Group has not early adopted, are as follows:

Amendments to HKAS 1	Classification of liabilities as current or non-current <sup>(3)</sup>
Amendment to HKAS 16	Proceeds before Intended Use <sup>(2)</sup>
Amendment to HKAS 37	Cost of fulfilling a Contract <sup>(2)</sup>
Amendment to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2 <sup>(1)</sup>
Amendments to Annual Improvement Project HKFRS 17	Annual improvements 2018-2020 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41) <sup>(2)</sup> Insurance contracts <sup>(3)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>
Amendment to HKFRS 3	Reference to the Conceptual Framework <sup>(2)</sup>

<sup>(1)</sup> Effective for annual period beginning on or after 1 January 2021

<sup>(2)</sup> Effective for annual period beginning on or after 1 January 2022

<sup>(3)</sup> Effective for annual period beginning on or after 1 January 2023

<sup>(4)</sup> To be announced by HKICPA

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standard and amendments to standards. The directors of the Group will adopt the new standards and amendments to standards when they become effective.

### **3 ESTIMATES**

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

### **4 SEGMENT INFORMATION**

The chief operating decision-maker ("CODM") has been identified as the executive directors and senior management collectively. The CODM reviews 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.

The CODM considers 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
- iii. Wholesaling – Hong Kong
- iv. Wholesaling – Mainland
- v. Licensing

CODM assesses the performance of the operating segments based on segment results. Finance income and costs, share of results of associates, corporate income and expenses are not included in the results of 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 condensed consolidated interim financial information.

Assets of reportable segments exclude interests in associates, certain leasehold land and buildings, investment properties, gold loan receivables, deferred income tax assets, income tax recoverable and corporate assets, all of which are managed centrally. 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 centrally. These form part of the reconciliation to total assets and liabilities on the condensed consolidated balance sheet.

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 condensed consolidated income statement and condensed consolidated balance sheet.

For the six months ended 30 September 2020							
(Unaudited)	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
<b>Revenue</b>							
Sales to external customers	1,038,022	689,436	91,887	1,110,291	–	–	2,929,636
Sales of scrap	–	–	6,556	–	–	–	6,556
	<u>1,038,022</u>	<u>689,436</u>	<u>98,443</u>	<u>1,110,291</u>	<u>–</u>	<u>–</u>	<u>2,936,192</u>
Inter-segment sales	330,161	52,152	218,107	274,550	–	(874,970)	–
	<u>1,368,183</u>	<u>741,588</u>	<u>316,550</u>	<u>1,384,841</u>	<u>–</u>	<u>(874,970)</u>	<u>2,936,192</u>
Sales of merchandises	–	–	–	–	359,640	–	359,640
Royalty and service income	–	–	–	–	47,944	–	47,944
Consultancy fee income	–	–	–	–	–	–	–
	<u>1,368,183</u>	<u>741,588</u>	<u>316,550</u>	<u>1,384,841</u>	<u>407,584</u>	<u>(874,970)</u>	<u>3,343,776</u>
<b>Total</b>	<u>1,368,183</u>	<u>741,588</u>	<u>316,550</u>	<u>1,384,841</u>	<u>407,584</u>	<u>(874,970)</u>	<u>3,343,776</u>
<b>Results of reportable segments</b>	<u>(105,534)</u>	<u>83,334</u>	<u>(11,495)</u>	<u>158,970</u>	<u>290,271</u>	<u>–</u>	<u>415,546</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
<b>Results of reportable segments</b>							415,546
Unallocated income							55,128
Unallocated expenses							(83,554)
<b>Operating profit</b>							387,120
Finance income							31,405
Finance costs							(18,701)
Share of results of associates							(33,687)
<b>Profit before income tax</b>							366,137
Income tax expenses							(73,134)
<b>Profit for the period</b>							293,003
Less: Profit attributable to non-controlling interests							(1,812)
<b>Profit attributable to equity holders of the Company</b>							<u>291,191</u>

As at 30 September 2020

(Unaudited)	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>5,096,107</u>	<u>1,064,146</u>	<u>502,420</u>	<u>2,212,343</u>	<u>1,565,445</u>		10,440,461
Interests in associates						21,735	21,735
Land and buildings						780,275	780,275
Investment properties						801,146	801,146
Gold loan receivables						78,916	78,916
Deferred income tax assets						99,639	99,639
Income tax recoverable						63,909	63,909
Other unallocated assets						<u>1,045,339</u>	<u>1,045,339</u>
<b>Total assets</b>							<u><u>13,331,420</u></u>
Segment liabilities	<u>(758,028)</u>	<u>(44,509)</u>	<u>(49,305)</u>	<u>(235,750)</u>	<u>(589,148)</u>		(1,676,740)
Deferred income tax liabilities						(157,468)	(157,468)
Current income tax liabilities						(128,977)	(128,977)
Bank borrowings						(354,851)	(354,851)
Gold loans						(280,083)	(280,083)
Other unallocated liabilities						<u>(101,934)</u>	<u>(101,934)</u>
<b>Total liabilities</b>							<u><u>(2,700,053)</u></u>

For the six months ended 30 September 2019

(Unaudited)	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – Mainland HK\$'000	Wholesaling – Hong Kong HK\$'000	Wholesaling – Mainland HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000
<b>Revenue</b>							
Sales to external customers	3,544,238	943,121	41,728	1,318,501	–	–	5,847,588
Sales of scrap	–	–	16,185	–	–	–	16,185
	<u>3,544,238</u>	<u>943,121</u>	<u>57,913</u>	<u>1,318,501</u>	<u>–</u>	<u>–</u>	<u>5,863,773</u>
Inter-segment sales	65,986	8,286	967,187	330,447	–	(1,371,906)	–
	<u>3,610,224</u>	<u>951,407</u>	<u>1,025,100</u>	<u>1,648,948</u>	<u>–</u>	<u>(1,371,906)</u>	<u>5,863,773</u>
Sales of merchandises	–	–	–	–	388,174	–	388,174
Royalty and service income	–	–	–	–	53,337	–	53,337
Consultancy fee income	–	–	–	–	–	–	–
<b>Total</b>	<u>3,610,224</u>	<u>951,407</u>	<u>1,025,100</u>	<u>1,648,948</u>	<u>441,511</u>	<u>(1,371,906)</u>	<u>6,305,284</u>
<b>Results of reportable segments</b>	<u>262,888</u>	<u>93,928</u>	<u>29,256</u>	<u>135,730</u>	<u>312,594</u>	<u>–</u>	<u>834,396</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
<b>Results of reportable segments</b>							834,396
Unallocated income							39,323
Unallocated expenses							(213,248)
<b>Operating profit</b>							660,471
Finance income							17,820
Finance costs							(31,671)
Share of results of associates							(20,608)
<b>Profit before income tax</b>							626,012
Income tax expenses							(128,721)
<b>Profit for the period</b>							497,291
Less: Profit attributable to non-controlling interests							(988)
<b>Profit attributable to equity holders of the Company</b>							<u>496,303</u>

As at 31 March 2020

(Audited)	Retailing– Hong Kong, Macau and overseas HK\$'000	Retailing– Mainland HK\$'000	Wholesaling– Hong Kong HK\$'000	Wholesaling– Mainland HK\$'000	Licensing HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>5,489,209</u>	<u>1,553,067</u>	<u>653,756</u>	<u>2,549,080</u>	<u>1,317,452</u>		11,562,564
Interests in associates						60,689	60,689
Land and buildings						737,210	737,210
Investment properties						791,617	791,617
Deferred income tax assets						71,839	71,839
Income tax recoverable						59,578	59,578
Other unallocated assets						<u>641,551</u>	<u>641,551</u>
<b>Total assets</b>							<u><u>13,925,048</u></u>
Segment liabilities	<u>(915,824)</u>	<u>(51,989)</u>	<u>(38,628)</u>	<u>(139,033)</u>	<u>(517,837)</u>		(1,663,311)
Deferred income tax liabilities						(146,837)	(146,837)
Current income tax liabilities						(111,800)	(111,800)
Bank borrowings						(1,126,072)	(1,126,072)
Gold loans						(386,739)	(386,739)
Other unallocated liabilities						<u>(78,178)</u>	<u>(78,178)</u>
<b>Total liabilities</b>							<u><u>(3,512,937)</u></u>

## 5 OPERATING PROFIT

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Cost of sales ( <i>Note (i)</i> )		
– Cost of inventories sold	<b>2,126,294</b>	4,296,960
– Cost of licensing business	<b>107,778</b>	122,081
Staff costs (including the directors' emoluments) ( <i>Note (i)</i> )	<b>281,440</b>	413,871
Expenses relating to short-term leases and variable lease payments	<b>35,225</b>	125,880
Rent concession related to COVID-19 ( <i>Note (ii)</i> )	<b>(50,392)</b>	–
Commission expenses to payment service providers	<b>12,956</b>	43,869
Depreciation of right-of-use assets	<b>233,040</b>	229,966
Depreciation of investment properties	<b>12,039</b>	4,560
Depreciation of property, plant and equipment	<b>50,527</b>	54,732
Loss on disposal of property, plant and equipment	<b>1,072</b>	8,623
Impairment losses on property, plant and equipment	<b>7,146</b>	–
Impairment losses on right-of-use assets	<b>33,925</b>	–
	<u><b>33,925</b></u>	<u>–</u>

*Note:*

- (i) Staff costs (including the directors' emoluments) of HK\$130,914,000 (2019: HK\$157,298,000) are included in cost of sales.
- (ii) For the period ended 30 September 2020, rent concession related to COVID-19 of HK\$50,392,000 (2019: Nil) has been included in selling and distribution costs.

## 6 OTHER INCOME

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Government subsidies		
– Valued-added tax refund ( <i>Note i</i> )	17,231	6,276
– Other government subsidies ( <i>Note ii</i> )	32,568	18,156
– Employment Support Scheme ( <i>Note iii</i> )	57,759	–
Rental income	22,555	16,272
Others	9,520	9,635
	<b>139,633</b>	<b>50,339</b>

### Notes:

- (i) This represents refunds from the tax authority in Mainland. 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.
- (iii) The amount represents salaries and wage subsidies granted under Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to September 2020.

## 7 OTHER LOSSES, NET

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Net realised losses on derivative financial instruments ( <i>Note</i> )	(24,622)	(26,718)
Fair value gains on convertible bond	–	861
Net realised gains on foreign exchange forward contracts	10,139	5,822
Net realised losses on gold loans	(42,806)	(56,252)
Net unrealised gains/(losses) on gold loan receivables and gold loans	16,442	(13,679)
Loss on disposal of a subsidiary	(199)	–
Loss on a financial guarantee contract	(20,000)	–
Net exchange losses	(7,715)	(43,013)
	<b>(68,761)</b>	<b>(132,979)</b>

*Note:* Derivative financial instruments mainly represent gold contracts and gold future contracts. These derivative financial instruments are not qualified for hedge accounting within the context of HKFRS 9.

## 8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period.

Taxation on profits of Mainland and other countries has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	4,962	24,116
– Mainland and others taxation	85,336	109,040
Deferred income tax	(17,164)	(4,435)
	<u>73,134</u>	<u>128,721</u>

## 9 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\$291,191,000 (2019: HK\$496,303,000) and the weighted average number of 587,107,850 (2019: 587,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2020 and 2019 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

## 10 DIVIDENDS

At a meeting held on 26 June 2020, the directors of the Company recommended the payment of a final dividend of HK\$0.50 per ordinary share, amounting to a total dividend of HK\$293,554,000 for the year ended 31 March 2020. Such dividend was approved by the shareholders at the Annual General Meeting of the Company on 20 August 2020 and has been reflected as an appropriation of retained earnings for the period ended 30 September 2020.

At a meeting held on 26 November 2020, the directors declared the payment of an interim dividend of HK\$0.225 per ordinary share and a special dividend of HK\$0.275 per ordinary share, totalling HK\$0.50 per ordinary share, amounting to a total dividend of HK\$293,554,000. This proposed dividend has not been reflected as a dividend payable in these condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2021.



## 11 INTERESTS IN ASSOCIATES

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
Interests in associates	21,735	60,689
Amount due from an associate ( <i>Note i</i> )	–	1,372
Amount due to an associate ( <i>Note i</i> )	(9,641)	(20)
	<u>21,735</u>	<u>60,689</u>
	<b>For the six months ended</b>	
	<b>30 September</b>	
	2020	2019
	HK\$'000	HK\$'000
As at 1 April	60,689	13,279
Share of results of associates for the period ( <i>Note ii</i> )	(33,687)	(20,608)
Share of reserve movement of associates for the period	(2,633)	60
Derecognition upon step acquisition of a subsidiary	(2,634)	–
Reclassified from loan to an associate	–	100,000
	<u>21,735</u>	<u>92,731</u>

### Notes:

- (i) Amounts due from/(to) associates are trade in nature. Such balances are denominated in HK\$ and are unsecured, interest-free and repayable on demand.
- (ii) The financial year of one of the associates is not coterminous with that of the Group and the financial statements used for equity accounting are for the 6 months period ended 30 June 2020. This associate uses 30 June as its financial year to conform with its holding company's reporting date.
- (iii) The Group's associates did not have any significant commitments as at 30 September 2020 and 31 March 2020.

## 12 TRADE RECEIVABLES

The Group's sales 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 by invoice date is as follows:

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
0–30 days	166,340	163,081
31–60 days	13,853	6,138
61– 90 days	1,693	49,657
91–120 days	134	8,966
Over 120 days	13,650	4,467
	<u>195,670</u>	<u>232,309</u>
Less: Provision for impairment of trade receivables	(648)	(1,000)
	<u>195,022</u>	<u>231,309</u>

The carrying amounts of trade receivables approximate their fair values.

### 13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$201,199,000 (As at 31 March 2020: HK\$98,440,000) and the ageing is as follows:

	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
0–30 days	165,425	73,096
31–60 days	24,801	17,201
61–90 days	7,284	7,187
91–120 days	1,956	617
Over 120 days	1,733	339
	<u>201,199</u>	<u>98,440</u>

The carrying amounts of trade payables and other payables approximate their fair values.

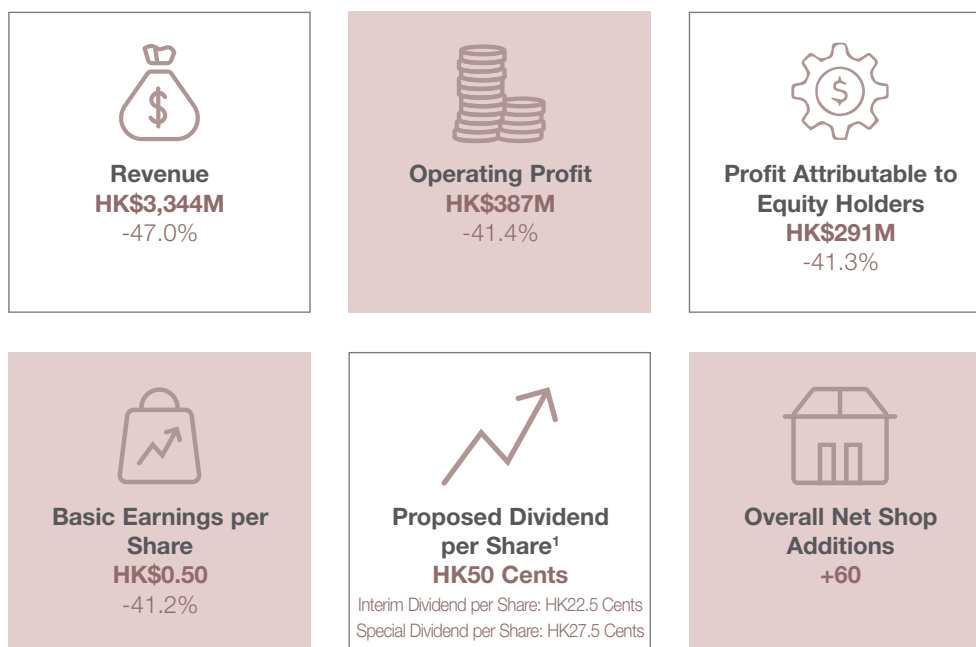
### 14 BANK BORROWINGS

	As at 30 September 2020 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>
Bank borrowings, secured	354,851	456,072
Bank borrowings, unsecured	–	670,000
	<u>354,851</u>	<u>1,126,072</u>

As at 30 September 2020, bank borrowings of HK\$354,851,000 (as at 31 March 2020: HK\$456,072,000) were secured by land and building with carrying amount of HK\$481,679,000 (as at 31 March 2020: HK\$490,683,000) and investment properties with carrying amount of HK\$84,360,000 (as at 31 March 2020: HK\$85,937,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE



<sup>1</sup> Dividend Payout Ratio: 100.8%

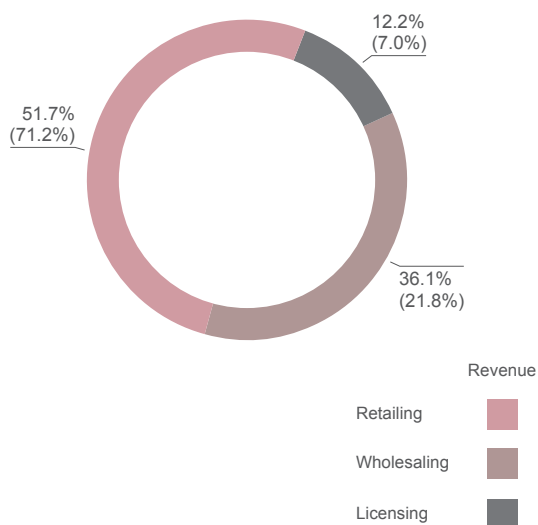
### Results

With the continuing impact of COVID-19 pandemic and high gold price, Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded a substantial revenue drop of 47.0% to HK\$3,343,776,000 (2019: HK\$6,305,284,000) for the six months ended 30 September 2020 (the “Period under review”). Nevertheless, the overall gross margin increased by 3.3 p.p. to 33.2% (2019: 29.9%) because of gold price rise. Gross profit therefore decreased by 41.2% only to HK\$1,109,704,000 (2019: HK\$1,886,243,000) and operating profit decreased by 41.4% to HK\$387,120,000 (2019: HK\$660,471,000). Operating margin was 11.6% (2019: 10.5%), while net margin was 8.8% (2019: 7.9%). Profit attributable to equity holders decreased by 41.3% to HK\$291,191,000 (2019: HK\$496,303,000) and basic earnings per share decreased by 41.2% to HK\$0.50 (2019: HK\$0.85).

## Overview

During the Period under review, the Group added a net total of 60 shops worldwide, out of which 44 were “Lukfook” shops including a net reduction of 2 self-operated shops in Hong Kong, a net addition of 1 self-operated shop in Macau and 45 shops in Mainland (including a net addition of 76 licensed shops and a net reduction of 31 self-operated shops). Apart from that, during the Period under review, the Group has also net added 20 “Goldstyle” shops (including net additions of 15 licensed shops and 5 self-operated shops), net reduced 1 “Dear Q” shop and 3 “3D GOLD” shops in Mainland. As at 30 September 2020, the Group had a global network of 2,180 shops (2019: 1,970 shops), including 2,106 “Lukfook” shops (2019: 1,957 shops), with business spanning across Hong Kong, Macau, Mainland, Singapore, Malaysia, Cambodia, the Philippines, the United States, Canada and Australia, and operated a total of 72 “Goldstyle” shops (2019: 6 shops) and 2 “Dear Q” self-operated shops (2019: 3 shops) in Mainland.

### Revenue and Segment Profit by Business



By Business (HK\$M)	Revenue	Segment Profit		Segment Profit Margin
			Mix	
Retailing	1,727 -61.5%	-22 -106.2%	-5.3% (42.8%)	-1.3% -9.3 p.p.
Wholesaling	1,209 -12.2%	147 -10.6%	35.5% (19.8%)	12.2% +0.2 p.p.
Licensing	408 -7.7%	290 -7.1%	69.8% (37.4%)	71.2% +0.4 p.p.
Adjusted Wholesaling	1,701 <sup>1</sup> -36.4%	147 -10.6%	N/A	8.7% +2.5 p.p.

Remarks: Figures for 1HFY2020 are shown in brackets

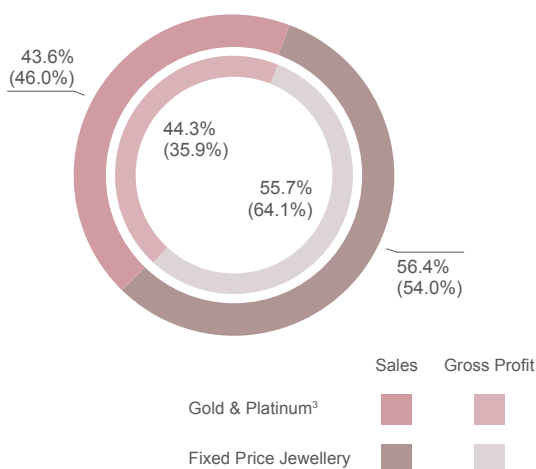
<sup>1</sup> Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue

During the Period under review, due to the impact of COVID-19 pandemic, the Group's retail business revenue substantially decreased by 61.5% year-on-year to HK\$1,727,458,000 (2019: HK\$4,487,359,000), accounting for 51.7% (2019: 71.2%) of total revenue. Its segment loss was HK\$22,200,000 (2019: profit of HK\$356,816,000), accounting for -5.3% (2019: 42.8%) of the total, and its segment profit margin was -1.3% (2019: 8.0%).

Despite the increase in the number of licensed shops, as the retail sentiment has not yet recovered, the Group's wholesale business revenue fell by 12.2% over the corresponding period last year to HK\$1,208,734,000 (2019: HK\$1,376,414,000), accounting for 36.1% (2019: 21.8%) of the Group's total revenue. Its segment profit therefore decreased by 10.6% to HK\$147,475,000 (2019: HK\$164,986,000), accounting for 35.5% (2019: 19.7%) of the total. Its segment profit margin was 12.2% (2019: 12.0%).

During the Period under review, licensing income decreased by 7.7% to HK\$407,584,000 (2019: HK\$441,511,000), accounting for 12.2% (2019: 7.0%) of the Group's total revenue. Its segment profit margin was 71.2% (2019: 70.8%), while its segment profit decreased by 7.1% to HK\$290,271,000 (2019: HK\$312,594,000), accounting for 69.8% (2019: 37.5%) of the total.

### Sales<sup>1</sup> and Gross Profit<sup>2</sup> by Product



By Product (HK\$M)	Sales	Gross Profit	Gross Margin
Gold & Platinum	1,280 -52.5%	359 -36.3%	28.0% +7.1 p.p.
Fixed Price Jewellery	1,656 -47.7%	451 -55.0%	27.2% -4.5 p.p.

Remarks: Figures for 1HFY2020 are shown in brackets

<sup>1</sup> Sales = Revenue – Licensing Income

<sup>2</sup> Gross Profit = Consolidated Gross Profit – Gross Profit of Licensing Income

<sup>3</sup> Gold & Platinum refers to gold & platinum products sold by weight based on international market price, i.e. at non-fixed price

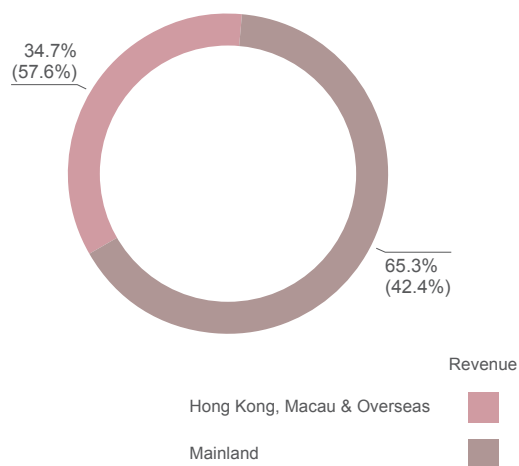
With a decreasing demand due to the strong gold price and the impact of poor macro-economic conditions on consumer sentiment, sales amount of gold and platinum products substantially decreased by 52.5% to HK\$1,280,163,000 (2019: HK\$2,696,411,000) during the Period under review, accounting for 43.6% (2019: 46.0%) of the overall sales amount (Group revenue minus licensing income). Its gross margin rose by 7.1 p.p. to 28.0% (2019: 20.9%) because the average gold price rose by around 30% during the Period under review. Gross profit of gold and platinum products therefore only declined by 36.3% to HK\$358,698,000 (2019: HK\$563,089,000), accounting for 44.3% (2019: 35.9%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income). On the other hand, sales amount of fixed price jewellery products also fell notably by 47.7% to HK\$1,656,030,000 (2019: HK\$3,167,362,000), accounting for 56.4% (2019: 54.0%) of the overall sales amount. Gross margin of fixed price jewellery products dropped by 4.5 p.p. to 27.2% (2019: 31.7%) because of substantial decrease in sales mix of retail business which was at relatively higher gross margin and discounting activities in Hong Kong and Macau market for slow-moving stocks. Its gross profit, as a result, decreased by 55.0% to HK\$451,201,000 (2019: HK\$1,003,724,000), accounting for 55.7% (2019: 64.1%) of the overall gross profit.

During the Period under review, the overall SSSG of the Group was -63.9% (2019: -23.8%). SSSG for gold and platinum products was -57.1% (2019: -32.3%) and that for fixed price jewellery products was -71.8% (2019: -10.5%).

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 30 September 2020, the Group was the authorised dealer of 13 watch brands, including CERTINA, COINWATCH, DOXA, ENICAR, HAMILTON, LONGINES, MIDO, OMEGA, RADO, ROMAGO SWISS, TISSOT, BIJOU MONTRE and SEIKO. During the Period under review, the watch business contributed revenue of HK\$7,538,000 (2019: HK\$60,624,000), accounting for 0.2% (2019: 1.0%) of the Group's total revenue with 87.6% decrease when compared with the same period last year.

## BUSINESS REVIEW

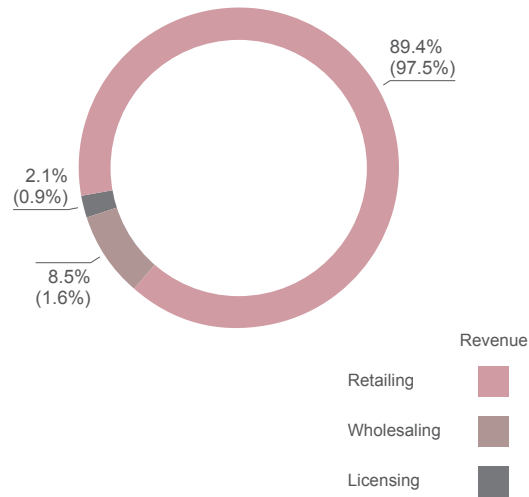
### Revenue and Segment Profit by Market



By Market (HK\$M)	Revenue	Segment Profit		Segment Profit Margin
			Mix	
Hong Kong, Macau & Overseas	1,161 -68.1%	-93 -128.6%	-22.3% (38.8%)	-8.0% -16.9 p.p.
Mainland	2,183 -18.3%	508 -0.4%	122.3% (61.2%)	23.3% +4.2 p.p.

Remarks: Figures for 1HFY2020 are shown in brackets

## Hong Kong, Macau and Overseas



(HK\$M)	Revenue	Segment Profit		Segment Profit Margin
			Mix	
Retailing	1,038 -70.7%	-106 -140.1%	113.7% (81.2%)	-10.2% -17.6p.p.
Wholesaling	99 +70.0%	-11 -139.3%	12.4% (9.0%)	-11.7% -62.2p.p.
Licensing	24 -25.0%	24 -23.8%	-26.1% (9.8%)	100.3% +1.5p.p.
Overall	1,161 -68.1%	-93 -128.6%	100% (100%)	-8.0% -16.9p.p.
Adjusted Wholesaling	317 <sup>1</sup> -69.1%	-11 -139.3%	N/A	-3.6% -6.5p.p.

Remarks: Figures for 1HFY2020 are shown in brackets

<sup>1</sup> Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue



## **Hong Kong, Macau and Overseas**

### ***Hong Kong***

As a result of the substantial decline in the number of visitors due to the continuing impact of pandemic, retail sentiment in the Hong Kong and Macau market has been weakening. According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in October 2020, Mainland visitors from January to September 2020 fell by 92.7% year-on-year to 2.70 million. In respect of tourist spending, according to the retail sales figures released by the Census and Statistics Department of Hong Kong in November 2020, the sales value of jewellery, watches and clocks, and valuable gifts from January to September 2020 decreased by 59.6% over the corresponding period last year. The Group's retail revenue in the Hong Kong market therefore significantly declined by 66.2% to HK\$869,174,000 (2019: HK\$2,568,840,000) during the Period under review. As at 30 September 2020, the Group operated a total of 47 self-operated shops (2019: 51 shops) in Hong Kong.

### ***Macau***

According to the tourism statistics published by the Statistics and Census Service of Macau in October 2020, Mainland visitor arrivals to Macau from January to September 2020 fell by 85.9% year-on-year to 3.02 million. The Group's revenue generated from the Macau market therefore decreased substantially by 87.6% to HK\$102,617,000 (2019: HK\$829,959,000) during the Period under review. As at 30 September 2020, the Group had a total of 12 self-operated shops (2019: 12 shops) in Macau.

### ***Overseas***

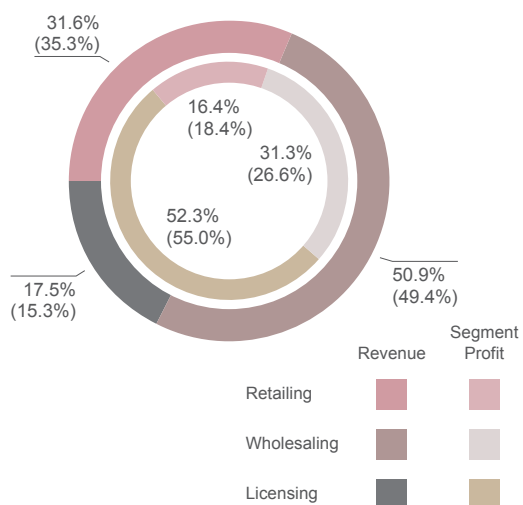
Adhering to its motto "Brand of Hong Kong, Sparkling the World", the Group has been seeking new opportunities around the world in recent years. As at 30 September 2020, the Group operated a total of 14 overseas shops (2019: 13 shops), including self-operated shops of 1 in Singapore, 3 in Malaysia, 4 in the United States, 2 in Canada and 1 in Australia, as well as 1 licensed shop and 2 licensed shops in Cambodia and the Philippines respectively.

During the Period under review, retail revenue from the Hong Kong, Macau and overseas market decreased by 70.7% to HK\$1,038,022,000 (2019: HK\$3,544,238,000), accounting for 31.0% (2019: 56.2%) of the Group's total revenue. Its segment loss was HK\$105,534,000 (2019: profit of HK\$262,888,000), accounting for -25.4% (2019: 31.5%) of the total. Its segment profit margin was -10.2% (2019: 7.4%). In addition, due to the sale of excessive gold raw materials, its wholesale business revenue increased by 70.0% to HK\$98,443,000 (2019: HK\$57,913,000), accounting for 2.9% (2019: 0.9%) of the Group's total revenue. However, because of the increase in gold hedging loss by HK\$17 million in its wholesale business during the Period under review, its wholesale business turned from a profit to loss, resulting to a segment loss of HK\$11,495,000 (2019: profit of HK\$29,256,000), accounting for -2.8% (2019: 3.5%) of the total. Its segment profit margin was -11.7% (2019: 50.5%). Besides, the segment loss 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 -3.6% (2019: 2.9%). On the other hand, Hong Kong licensing income decreased by 25.0% to HK\$24,146,000 (2019: HK\$32,179,000), accounting for 0.7% (2019: 0.5%) of the Group's total revenue. Its segment profit decreased by 23.8% to HK\$24,229,000 (2019: HK\$31,797,000), accounting for 5.8% (2019: 3.8%) of the total, and its segment profit margin was 100.3% (2019: 98.8%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets decreased by 68.1% to HK\$1,160,611,000 (2019: HK\$3,634,330,000) during the Period under review, accounting for 34.7% (2019: 57.6%) of the Group's total revenue. Its segment loss was HK\$92,800,000 (2019: profit of HK\$323,941,000), accounting for -22.3% (2019: 38.8%) of the total. Its segment profit margin was -8.0% (2019: 8.9%).

The overall SSSG in the Hong Kong, Macau and overseas markets was -68.7% (2019: -32.6%). The SSSG for its gold and platinum products was -61.3% (2019: -33.9%), while that for fixed price jewellery products was -76.9% (2019: -9.8%).

## Mainland



(HK\$M)	Revenue	Segment Profit	Segment Profit Margin
Retailing	690 -26.9%	83 -11.3%	12.1% +2.1 p.p.
Wholesaling	1,110 -15.8%	159 +17.1%	14.3% +4.0 p.p.
Licensing	383 -6.3%	266 -5.3%	69.4% +0.8 p.p.
Overall	2,183 -18.3%	508 -0.4%	23.3% +4.2 p.p.
Adjusted Wholesaling	1,385 <sup>1</sup> -16.0%	159 +17.1%	11.5% +3.3 p.p.

Remarks: Figures for 1HFY2020 are shown in brackets

<sup>1</sup> Adjusted Wholesaling Revenue = Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue

## Mainland

During the Period under review, with the high gold price and the continuing impact of the pandemic, retail revenue from the Mainland market declined by 26.9% to HK\$689,436,000 (2019: HK\$943,121,000), accounting for 20.6% (2019: 15.0%) of the Group's total revenue. Its segment profit fell by 11.3% to HK\$83,334,000 (2019: HK\$93,928,000), accounting for 20.1% (2019: 11.3%) of the total. Its segment profit margin was 12.1% (2019: 10.0%). The overall SSSG in Mainland was -30.1% (2019: -15.8%). The SSSG for its gold and platinum products was -33.0% (2019: -17.3%) and that for its fixed price jewellery products was -25.0% (2019: -12.2%).

Revenue of the wholesale business in the Mainland market declined by 15.8% to HK\$1,110,291,000 (2019: HK\$1,318,501,000), which accounted for 33.2% (2019: 20.9%) of the Group's total revenue. Because of an unrealised gain of HK\$34 million on gold loan to a licensee, its segment profit increased by 17.1% to HK\$158,970,000 (2019: HK\$135,730,000), accounting for 38.3% (2019: 16.3%) of the total. Its segment profit margin was 14.3% (2019: 10.3%). Besides, 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 of wholesale business would be 11.5% (2019: 8.2%).

As the increase in the number of licensed shops in Mainland offset the impact of other unfavourable factors, licensing income in the Mainland market fell by 6.3% only to HK\$383,438,000 (2019: HK\$409,332,000), accounting for 11.5% (2019: 6.5%) of the Group's total revenue. Its segment profit fell by 5.3% to HK\$266,042,000 (2019: HK\$280,797,000), accounting for 64.0% (2019: 33.7%) of the total, and its segment profit margin was 69.4% (2019: 68.6%).

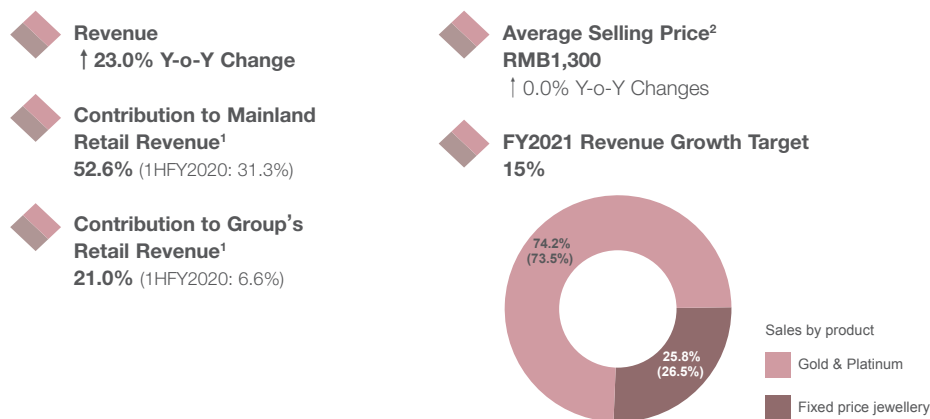
### Mainland distribution network

Shop number of different brands		30 September 2020	31 March 2020	Changes
“Lukfook”	Self-operated	79	110	-31
	Licensed	1,954	1,878	+76
	Sub-total	2,033	1,988	+45
“Goldstyle”	Self-operated	8	3	+5
	Licensed	64	49	+15
	Sub-total	72	52	+20
“Dear Q”	Self-operated	2	3	-1
“3D-GOLD”	Self-operated	0	3	-3
Total	Self-operated	89	119	-30
	Licensed	2,018	1,927	+91
	<b>Total</b>	<b>2,107</b>	<b>2,046</b>	<b>+61</b>

With the adoption of multi-brand strategy, the Group has developed the popular product collections of “Goldstyle” and “Dear Q” into independent brands since May 2019. As at 30 September 2020, the Group operated a total of 72 “Goldstyle” shops (2019: 6 shops), including 64 licensed shops (2019: 5 shops) and 8 self-operated shops (2019: 1 shop) and 2 “Dear Q” individual self-operated shops (2019: 3 shops) in Mainland. As at the same date, the Group had a total of 2,033 shops (2019: 1,881 shops) under the “Lukfook” brand name in Mainland, including 79 self-operated shops (2019: 136 shops) and 1,954 licensed shops (2019: 1,745 shops). During the Period under review, the Group reported a net increase of 76 “Lukfook” licensed shops (2019: 131 shops), and a net reduction of 31 “Lukfook” self-operated shops (2019: net reduction of 5 shops), out of which 19 shops were operated under a joint venture with a licensee. They were converted into licensed shops during the Period under review for enhancement of management efficiency.

During the Period under review, the overall same store sales of “Lukfook” licensed shops in Mainland declined by 11.9% (2019: -6.2%). That for gold and platinum products was -14.6% (2019: -12.1%), while that for fixed price jewellery products was -7.9% (2019: +4.4%).

**F1HY2020 Mainland  
E-commerce Business Performance**



Remarks: Figures for 1HFY2020 are shown in brackets  
<sup>1</sup> Sales of self-operated shops and e-commerce business  
<sup>2</sup> ASP included value-added tax (VAT)

Revenue of e-commerce business from Mainland increased by 23.0% to HK\$362,954,000 (2019: HK\$295,031,000) during the Period under review, accounting for 52.6% (2019: 31.3%) of the retail revenue in Mainland and 21.0% (2019: 6.6%) of the Group's retail revenue. Sales of gold and platinum products accounted for 74.2% (2019: 73.5%) of its sales mix while sales of fixed price jewellery products accounted for 25.8% (2019: 26.5%).

Overall speaking, during the Period under review, revenue from the Mainland market decreased by 18.3% to HK\$2,183,165,000 (2019: HK\$2,670,954,000), accounting for 65.3% (2019: 42.4%) of the Group's total revenue. Its segment profit maintained at around flat level of HK\$508,346,000 (2019: HK\$510,455,000), accounting for 122.3% (2019: 61.2%) of the total, and its segment profit margin was 23.3% (2019: 19.1%).

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

Profit/(Loss)			
HK\$M	1HFY2021	1HFY2020	Y-o-Y Change
50% share of loss of associate	(32)	(19)	(13)
Valuation gain on convertible bond	–	1	(1)
Impairment provision on amount due from HKRH	–	(57)	57
Wholesale gross profit	(1)	–	(1)
Loss on a financial guarantee contract	(20)	–	(20)
Interest income on working capital loan	2	1	1
Interest income on convertible bond and amount due from HKRH	–	1	(1)
<b>Total</b>	<b>(51)</b>	<b>(73)</b>	<b>22</b>

Contributed by the ongoing pandemic and the effect of HK\$20 million loss on a financial guarantee contract, the loss in HKRH and its subsidiaries widened. However, during the Period under review, there was no impairment loss on amount due from HKRH as in the same period last year. As a result, its total loss of investments and operating activities narrowed to HK\$51 million.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 September 2020, the Group's cash and bank balances amounted to HK\$2,639,000,000 (31 March 2020: HK\$2,714,000,000). Net cash was HK\$2,004,000,000 (31 March 2020: 1,201,000,000). The debt-to-equity ratio was 25.4% (31 March 2020: 33.9%), being the ratio of total liabilities of HK\$2,700,000,000 (31 March 2020: HK\$3,513,000,000) against total shareholders' equity of HK\$10,632,000,000 (31 March 2020: HK\$10,372,000,000). As at 30 September 2020, the Group's banking facilities amounted to HK\$4.3 billion (31 March 2020: HK\$4.3 billion), of which HK\$0.63 billion (31 March 2020: HK\$1.5 billion) has been utilised. The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

## Inventory

### Inventory Turnover Days (By Product)

(Turnover Days)	Average Inventory		Closing Inventory	
	1HFY2021	Y-o-Y change	1HFY2021	Y-o-Y change
Gold	524	+266	497	+259
Fixed price jewellery	703	+227	678	+232
<b>Overall</b>	<b>622</b>	<b>+251</b>	<b>596</b>	<b>+250</b>

As at 30 September 2020, the Group's inventory was HK\$6,925,000,000 (31 March 2020: HK\$7,533,000,000). The average inventory turnover days were 622 days (2019: 371 days) with the average inventory turnover days of gold products being 524 days (2019: 258 days) and that of fixed price jewellery products being 703 days (2019: 476 days).

## Capital Expenditure

During the Period under review, the Group's capital expenditures amounted to HK\$177,000,000 (31 March 2020: HK\$392,000,000), including the costs of properties, leasehold lands, right-of-use assets, leasehold improvements, furniture, fixtures and equipment.

## Capital Commitments

As at 30 September 2020, the Group's total capital commitments amounted to HK\$14,000,000 (31 March 2020: HK\$11,000,000).

## Contingent Liabilities

As at 30 September 2020, the Group issued corporate financial guarantee amounting to HK\$1,075,000,000 (31 March 2020: HK\$1,075,000,000) to banks in respect of 50% of the aggregated amount of banking facilities granted to an associate.

## Human Capital Policy

As at 30 September 2020, the number of employees of the Group was 5,800 (2019: 7,100). 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.



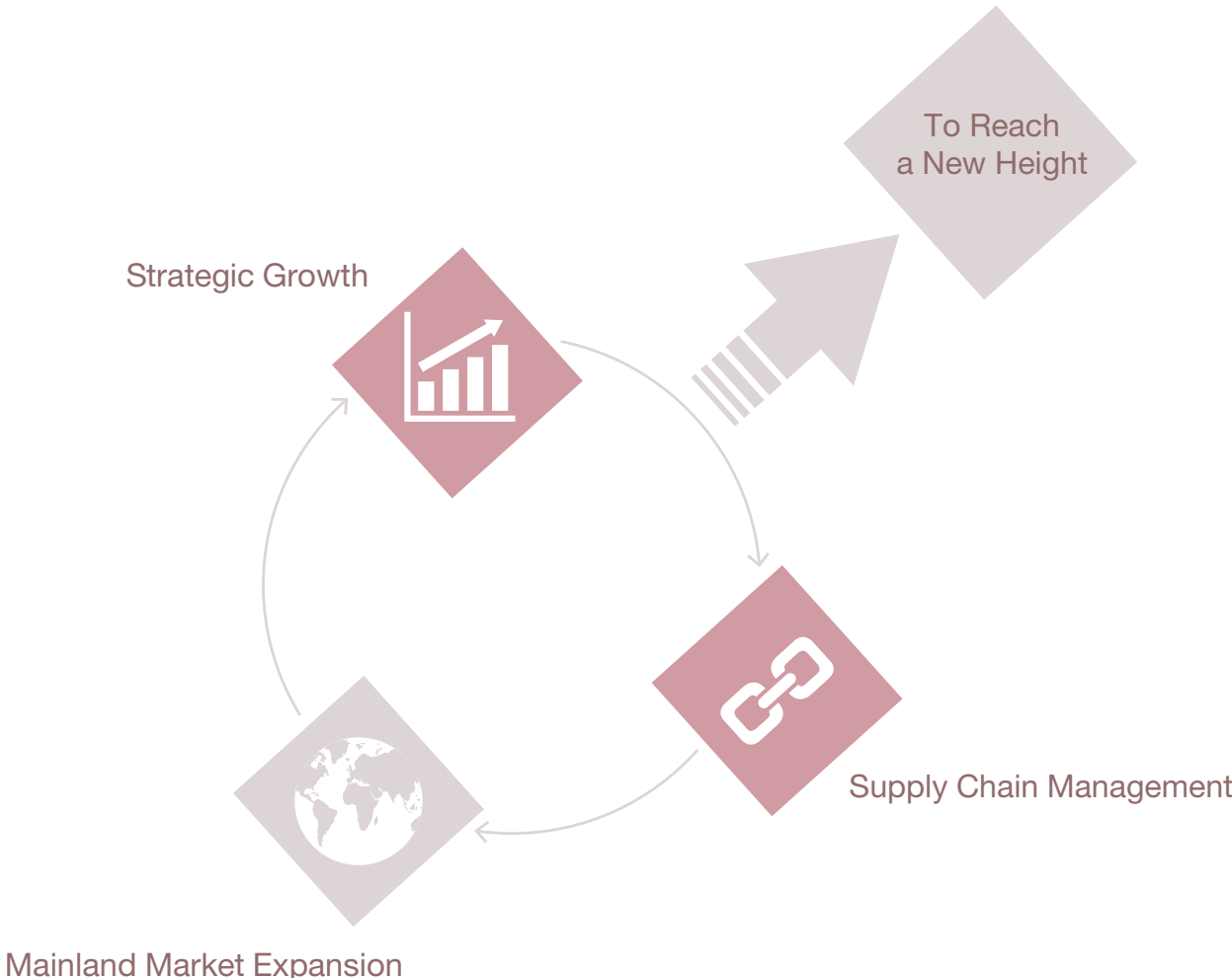
## **BRANDING**

In order to align with the branding theme of “Love is Beauty”, the Group has been building a welcoming and warm-hearted brand image, strengthening customers’ recognition and emotional attachment to the brand, and striving to become a globally recognised jewellery brand through outstanding marketing campaigns and excellent customer service programmes. Targeting the mid- to high-end markets, the Group has adopted effective marketing strategies to keep abreast of the times, and launched diversified product offerings with exquisite designs, together with sincere services to seize the business opportunities in the middle-class, wedding and kids markets.

The Group capitalised on different promotional channels to further enhance its brand awareness. We also kept pace with the rapid growth of online marketing by placing advertisements on major social media platforms and search engines. Moreover, the Group has continued to be appointed as the official partner for Tencent’s famous mobile game “King Pro League” champion rings for seven consecutive seasons, with a view to enhancing our brand’s penetration into the market of younger generation. As the Group’s anniversary this year fell on the day of Double Seventh Festival, we invited our global brand ambassador Mr. Li Yi Feng to show up and interact with audience at the live-streaming event, which recorded over 12 million views that effectively enhanced brand awareness and created hot topics. In addition, we also held a contest on the popular social media platform Xiaohongshu, which recorded over 10 million views, so as to raise Lukfook’s brand awareness among young consumers. The Group also sponsored medals for marathons in various regions to penetrate the middle-class customers. Furthermore, the Group participated in wedding expos and a series of promotional activities to seize the business opportunities in the wedding market. Besides, we actively adopted multi-brand strategy, and strived to develop more new brands, apart from “Dear Q” and “Goldstyle”, to cater for the tastes of different customer groups.

The Group’s full efforts in escalating brand value and influence have been recognised with numerous awards from the industry and market for its outstanding achievements in branding, corporate governance, customer service, community welfare and environmental protection.

**OUTLOOK**



As the border restrictions have not been fully lifted in Hong Kong, Macau and Mainland under the ongoing pandemic, same store sales in the Hong Kong and Macau market still fell notably yet at a slower pace. Same store sales for self-operated and licensed shops in the Mainland market recorded a much smaller decline due to more effective control of the pandemic in Mainland and gradual improvement of consumer sentiment. The retail sentiment in the market gradually recovered. The same store sales of Hong Kong and Macau market were around -40% in October 2020 and -30% in the first three weeks of November, which were further improved from the -46% in September 2020. Besides, the overall same store sales of the Mainland market, including both self-operated and licensed shops recorded a low single digit growth in October 2020 and a high single digit growth in the first three weeks of November, a turnaround from negative to positive as compared to the -5% in September 2020. As it would take some time for the Mainland tourists to come back to Hong Kong and for the retail atmosphere to resume normal, the Group will net reduce 2 shops in Hong Kong, and seek opportunities to net add 2 shops in Macau in the current financial year. Besides, the Group will keep on freezing salary and maintaining natural turnover measures for the upcoming year and continue to negotiate with shop landlords seeking for rental concessions so as to reduce costs.

In view of the anticipated considerable growth of the middle-class population in Mainland, the Group remains optimistic about the mid- to long-term business prospects, and will focus its expansion in the Mainland market. The Group looks forward to regaining business growth in the near future.

The Group has set up its new three-year corporate strategy in the last financial year with Supply Chain Management, Mainland 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 offer products to market at the right time by implementing higher level of automation and big data management; improving factory productivity; improving 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 business development and strengthen operational efficiency and effectiveness.

## **Mainland Market Expansion**

As Mainland remains to be a market with growth potential in the mid- to long-term, the Group will continue to focus on business expansion in Mainland. The target for net addition of “Lukfook” shops in Mainland for this financial year will be adjusted upward to around 250 shops, mainly focused on opening licensed shops in fourth- and fifth-tier cities, while the target for net addition of new brands’ stores in Mainland is 50 shops, which will also be mainly licensed shops. The Group is also committed to further developing its e-commerce business and strengthening cooperation with various e-commerce platforms in Mainland, aiming to sustain the growth in e-commerce revenue at a target of 15% growth in this financial year. 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 has already adopted multi-brand strategy, and strives to develop more new brands in the future, apart from “Goldstyle” and “Dear Q”. In addition, the Group will adopt holistic approach to penetrate into the markets for the middle-class, wedding couples and kids by understanding customers’ spending habits. It will also continue to attract customers and encourage local consumption by visual merchandising enhancement, cross-selling boosting and VIP promotional activities, so as to improve sales and profits. Given the importance of social media in product promotion, the Group will continue to showcase and promote its products on mobile applications and social media platforms such as Facebook, Weibo and WeChat, etc.

## **INTERIM AND SPECIAL DIVIDENDS**

With the strong financial position, the Board has resolved to declare an interim dividend of HK\$0.225 per ordinary share and a special dividend of HK\$0.275 per ordinary share, totalling HK\$0.50 per ordinary share (2019: HK\$0.50 per share) for the six months ended 30 September 2020, to shareholders whose names appear on the register of members of the Company as at 11 December 2020. The interim and special dividends will be paid on or around 24 December 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company for the interim and special dividends will be closed on 11 December 2020 and no transfer of shares will be registered on that day. In order to qualify for the interim 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 10 December 2020.

## **CORPORATE GOVERNANCE**

The Board and management of the Company are committed to maintaining good corporate governance practices and procedures. The corporate governance principles of the Company place emphasis on a quality Board, sound risk management and internal controls as well as 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 six months ended 30 September 2020, 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 Group's business deriving from the Mainland 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. 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 assistance of the Board Committees and two Deputy Chairmen, can ensure a balance of power and authority. The Board will nevertheless review this structure from time to time and will consider segregation of the two roles if and when appropriate.

## **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 standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Period under review.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period under review.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2020. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim results of the Group for the Period under review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information will be included in the interim report for distribution to shareholders.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2020/21**

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the "HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([lukfook.com](http://lukfook.com)). The Interim Report 2020/21 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.

By Order of the Board  
**Luk Fook Holdings (International) Limited**  
**WONG Wai Sheung**  
*Chairman and Chief Executive Officer*

Hong Kong, 26 November 2020

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