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 2019

HIGHLIGHTS

- Revenue reached HK$6.3 billion, representing a decrease of 19.8% as compared with the same period last year
- SSSG* for the Hong Kong SAR# and Macau SAR^ market and the Mainland China& market was -24.9% and -15.7% respectively
- Gross profit increased by 1.2% to HK$1.9 billion
- Operating profit decreased by 21.2% to HK$660 million
- Profit attributable to equity holders amounted to HK$496 million, a decrease of 25.4%
- Basic earnings per share were HK$0.85, decreased by 24.8%
- Proposed interim dividend of HK$0.50 per share, representing 59.1% dividend payout ratio
- Net addition of 129 Lukfook shops during the period with a total of 1,957 Lukfook shops globally at period end

Hong Kong SAR: Hereafter refers to as "Hong Kong"
^ *Macau SAR: Hereafter refers to as "Macau"*
& *Mainland China: Hereafter refers to as "Mainland"*

* *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's e-commerce business.*

FINANCIAL PERFORMANCE

	For the six months ended 30 September 2019 *HK$'000*	For the six months ended 30 September 2018 *HK$'000*	Y-o-Y Changes
Revenue	**6,305,284**	7,859,454	-19.8%
Gross Profit	**1,886,243**	1,863,633	+1.2%
Operating Profit	**660,471**	837,982	-21.2%
Profit for the period	**497,291**	669,955	-25.8%
Profit Attributable to Equity Holders	**496,303**	665,423	-25.4%
Basic Earnings per Share	**HK$0.85**	HK$1.13	-24.8%
Interim Dividend per Share	**HK$0.50**	HK$0.55	-9.1%
Dividend Payout Ratio	**59.1%**	48.5%	+10.6p.p.
Gross Margin	**29.9%**	23.7%	+6.2p.p.
Operating Margin	**10.5%**	10.7%	-0.2p.p.
Net Margin	**7.9%**	8.5%	-0.6p.p.
EBITDA	**929,121**	887,679	+4.7%
EBITDA Margin	**14.7%**	11.3%	+3.4p.p.
Total Operating Expenses to Revenue Ratio	**17.2%**	15.1%	+2.1p.p.
Effective Tax Rate	**20.6%**	20.1%	+0.5p.p.

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 2019 together with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2019

		Unaudited for the six months ended 30 September	
	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue		**6,305,284**	7,859,454
Cost of sales	*6*	**(4,419,041)**	(5,995,821)
Gross profit		**1,886,243**	1,863,633
Other income	*7*	**50,339**	164,790
Other (losses)/gains, net	*8*	**(132,979)**	15,302
Selling and distribution costs		**(999,673)**	(1,102,625)
Administrative expenses		**(87,408)**	(81,517)
Net impairment losses on financial assets	*9*	**(56,051)**	(21,601)
Operating profit	*6*	**660,471**	837,982
Finance income		**17,820**	19,592
Finance costs		**(31,671)**	(12,772)
Finance (costs)/income, net		**(13,851)**	6,820
Share of results of associates		**(20,608)**	(5,988)
Profit before income tax		**626,012**	838,814
Income tax expenses	*10*	**(128,721)**	(168,859)
Profit for the period		**497,291**	669,955
Profit attributable to:			
Equity holders of the Company		**496,303**	665,423
Non-controlling interests		**988**	4,532
		497,291	669,955
Earnings per share for profit attributable to equity holders of the Company during the period	*11*		
– Basic		**HK$0.85**	HK$1.13
– Diluted		**HK$0.85**	HK$1.13

Details of dividends to equity holders of the Company are set out in Note 12.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2019

	Unaudited for the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**497,291**	669,955
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences		
– Group	**(334,534)**	(426,897)
– Associates	**60**	(3,260)
Items that will not be subsequently reclassified to profit or loss		
Revaluation of financial assets at fair value through other comprehensive income	**(769)**	(2,134)
Other comprehensive income for the period, net of tax	**(335,243)**	(432,291)
Total comprehensive income for the period	**162,048**	237,664
Attributable to:		
– Equity holders of the Company	**167,616**	237,311
– Non-controlling interests	**(5,568)**	353
Total comprehensive income for the period	**162,048**	237,664

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2019

	Note	(Unaudited) As at 30 September 2019 HK$'000	(Audited) As at 31 March 2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**930,415**	951,782
Land use rights		**–**	483,131
Investment properties		**303,632**	311,716
Right-of-use assets		**1,329,659**	–
Interests in associates	*13*	**92,731**	13,279
Loan to an associate		**–**	99,208
Financial assets at fair value through other comprehensive income		**2,365**	3,134
Trading license		**1,080**	1,080
Deposits and prepayments		**312,955**	105,101
Deferred income tax assets		**68,238**	54,643
		3,041,075	2,023,074
Current assets			
Inventories		**8,114,106**	9,321,522
Right of return assets		**97,989**	85,897
Trade receivables	*14*	**221,081**	362,675
Deposits, prepayments and other receivables		**382,809**	474,014
Amount due from an associate	*13*	**–**	3,078
Derivative financial instruments		**–**	56,219
Income tax recoverable		**12,124**	10,571
Cash and cash equivalents		**2,503,903**	2,086,522
		11,332,012	12,400,498
Total assets		**14,373,087**	14,423,572
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**58,710**	58,710
Share premium		**2,494,040**	2,494,040
Reserves		**7,755,392**	7,964,520
		10,308,142	10,517,270
Non-controlling interests		**40,078**	45,646
Total equity		**10,348,220**	10,562,916

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 30 September 2019

	Note	(Unaudited) As at 30 September 2019 HK$'000	(Audited) As at 31 March 2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**138,821**	133,690
Lease liabilities		**416,204**	–
Employee benefit obligations		**10,823**	10,823
		565,848	144,513
Current liabilities			
Trade payables, other payables and accruals	*15*	**798,110**	975,840
Contract liabilities		**91,440**	122,502
Derivative financial instrument		**–**	3,929
Lease liabilities		**486,230**	–
Sales refund liabilities		**178,566**	155,768
Amount due to associates	*13*	**4,754**	2,715
Bank borrowings	*16*	**1,193,006**	1,855,224
Gold loans		**547,464**	450,889
Current income tax liabilities		**159,449**	149,276
		3,459,019	3,716,143
Total liabilities		**4,024,867**	3,860,656
Total equity and liabilities		**14,373,087**	14,423,572

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2019

	Attributable to equity holders of the Company					
Unaudited	**Share capital** *HK$'000*	**Share premium** *HK$'000*	**Reserves** *HK$'000*	**Subtotal** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
For the period ended 30 September 2019						
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 *(Note 3)*	**–**	**–**	**(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**
Comprehensive income						
Profit for the period	**–**	**–**	**496,303**	**496,303**	**988**	**497,291**
Other comprehensive income						
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)**
Total comprehensive income	**–**	**–**	**167,616**	**167,616**	**(5,568)**	**162,048**
Transaction with owners						
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**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2018

Unaudited	Attributable to equity holders of the Company					
	Share capital	Share premium	Reserves	Subtotal	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the period ended 30 September 2018						
As at 31 March 2018	58,710	2,494,040	7,482,019	10,034,769	44,968	10,079,737
Change in accounting policies	–	–	(50,003)	(50,003)	–	(50,003)
Restated total equity as at 1 April 2018	58,710	2,494,040	7,423,016	9,984,766	44,968	10,029,734
Comprehensive income						
Profit for the period	–	–	665,423	665,423	4,532	669,955
Other comprehensive income						
Currency translation differences						
– Group	–	–	(422,718)	(422,718)	(4,179)	(426,897)
– Associates	–	–	(3,260)	(3,260)	–	(3,260)
Revaluation of financial assets at fair value through other comprehensive income	–	–	(2,134)	(2,134)	–	(2,134)
Total comprehensive income	–	–	237,311	237,311	353	237,664
Transaction with owners						
Dividends paid	–	–	(322,909)	(322,909)	–	(322,909)
As at 30 September 2018	58,710	2,494,040	7,346,418	9,899,168	45,321	9,944,489

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2019 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 2019, 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 2019, 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 standards and amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2019:

Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11	Annual Improvements 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16, "Leases" is disclosed in Note 3 below.

Apart from aforementioned HKFRS 16, there are no other new standards, amendments to standards and interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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

Amendments to HKFRS 3 (Revised)	Definition of a Business (1)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting (1)
HKFRS 17	Insurance contracts (2)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)

(1) Effective for annual period beginning on or after 1 January 2020
(2) Effective for annual period beginning on or after 1 January 2021
(3) 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 standards and amendments to standards. The directors of the Group will adopt the new standards and amendments to standards when they become effective.

3 CHANGE IN ACCOUNTING POLICY

Below explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 April 2019, where they use different to those applied in prior period.

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard using a modified retrospective approach. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognised in the opening condensed consolidated statement of balance sheet as at 1 April 2019.

(a) Adjustments recognised on adoption of HKFRS 16 “Leases”

On adoption of HKFRS 16 “Leases”, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.14%.

Set out below is a reconciliation of the operating lease commitments disclosed at 31 March 2019 to lease liabilities recognised on 1 April 2019:

	HK$’000
Operating lease commitments disclosed as at 31 March 2019	817,010
Less: Short-term leases to be recognised on a straight-line basis as expense	(87,382)
	729,628
Effect of discounting at incremental borrowing rate at the date of initial adoption	(14,373)
Lease liabilities recognised upon initial adoption of HKFRS 16	715,255
Representing:	
Current lease liabilities	358,126
Non-current lease liabilities	357,129
	715,255

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. In addition, land use rights previously presented as a separate item and certain property, plant and equipment on the condensed consolidated balance sheet are grouped as part of right-of-use assets with effect from 1 April 2019.

The recognised right-of-use assets relate to the following types of assets:

	As at 30 September 2019 *HK$'000*	As at 1 April 2019 *HK$'000*
Land use rights in Mainland	447,058	483,131
Properties leases	882,601	696,336
Total right-of-use assets	1,329,659	1,179,467

The change in accounting policy affected the following items in the condensed consolidated balance sheet on 1 April 2019:

Condensed consolidated balance sheet (Extract)	**31 March 2019 as originally presented** *HK$'000*	**Effects of the adoption of HKFRS 16** *HK$'000*	**1 April 2019 Restated** *HK$'000*
ASSETS			
Non-current assets			
Right-of-use assets	–	1,179,467	1,179,467
Property, plant and equipment	951,782	(2,714)	949,068
Land use rights	483,131	(483,131)	–
Deferred income tax assets	54,643	4,029	58,672
Current assets			
Deposits, prepayments and other receivables	474,014	(12,331)	461,683
LIABILITIES			
Non-current liabilities			
Lease liabilities	–	357,129	357,129
Current liabilities			
Lease liabilities	–	358,126	358,126
Trade payables, other payables and accruals	975,840	(5,456)	970,384
EQUITY			
Retained earnings	7,964,520	(24,479)	7,940,041

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(b) The Group's leasing activities and how these are accounted for

The Group leases various retail spaces and premises, warehouses, offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in Note 3(b)(ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group also leases certain land use rights in Mainland. These land use rights are leased for a period of between 16 to 51 years on which plants and buildings of the Group are situated on.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 31 March 2019, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated income statement on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in condensed consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 percent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in condensed consolidated income statement in the period in which the condition that triggers those payments occurs.

(ii) Extension and termination options

Extension and termination options are included in certain property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

4 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 2019.

5 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive directors and senior management. 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 measure of segment results. Finance income and costs, share of results of associates, corporate income and expenses are not included in the results for each operating segment 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, 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 on a central basis. 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 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*
Revenue							
Sales to external customers	**3,544,238**	**943,121**	**41,728**	**1,318,501**	**–**	**–**	**5,847,588**
Sales of scrap	**–**	**–**	**16,185**	**–**	**–**	**–**	**16,185**
	3,544,238	**943,121**	**57,913**	**1,318,501**	**–**	**–**	**5,863,773**
Inter-segment sales	**65,986**	**8,286**	**967,187**	**330,447**	**–**	**(1,371,906)**	**–**
Sales of merchandises	**3,610,224**	**951,407**	**1,025,100**	**1,648,948**	**–**	**(1,371,906)**	**5,863,773**
Royalty and service income	**–**	**–**	**–**	**–**	**388,174**	**–**	**388,174**
Consultancy fee income	**–**	**–**	**–**	**–**	**53,337**	**–**	**53,337**
Total	**3,610,224**	**951,407**	**1,025,100**	**1,648,948**	**441,511**	**(1,371,906)**	**6,305,284**
Results of reportable segments	**262,888**	**93,928**	**29,256**	**135,730**	**312,594**	**–**	**834,396**
A reconciliation of results of reportable segments to profit for the period is as follows:							
Results of reportable segments							**834,396**
Unallocated income							**39,323**
Unallocated expenses							**(213,248)**
Operating profit							**660,471**
Finance income							**17,820**
Finance costs							**(31,671)**
Share of results of associates							**(20,608)**
Profit before income tax							**626,012**
Income tax expenses							**(128,721)**
Profit for the period							**497,291**
Less: Profit attributable to non-controlling interests							**(988)**
Profit attributable to equity holders of the Company							**496,303**

	As at 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$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	**5,886,193**	**1,820,501**	**1,005,166**	**3,143,031**	**518,055**		**12,372,946**
Interests in associates						**92,731**	**92,731**
Land and buildings						**885,185**	**885,185**
Investment properties						**303,632**	**303,632**
Deferred income tax assets						**68,238**	**68,238**
Income tax recoverable						**12,124**	**12,124**
Other unallocated assets						**638,231**	**638,231**
Total assets							**14,373,087**
Segment liabilities	**(1,144,676)**	**(30,082)**	**(30,329)**	**(192,441)**	**(510,564)**		**(1,908,092)**
Deferred income tax liabilities						**(138,821)**	**(138,821)**
Current income tax liabilities						**(159,449)**	**(159,449)**
Bank borrowings						**(1,193,006)**	**(1,193,006)**
Gold loans						**(547,464)**	**(547,464)**
Other unallocated liabilities						**(78,035)**	**(78,035)**
Total liabilities							**(4,024,867)**

	For the six months ended 30 September 2018						
	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
Revenue							
Sales to external customers	4,853,922	1,153,768	30,691	1,423,082	–	–	7,461,463
Sales of scrap platinum	–	–	16,872	–	–	–	16,872
	4,853,922	1,153,768	47,563	1,423,082	–	–	7,478,335
Inter-segment sales	48,534	325	1,157,507	383,569	–	(1,589,935)	–
Sales of merchandises	4,902,456	1,154,093	1,205,070	1,806,651	–	(1,589,935)	7,478,335
Royalty and service income	–	–	–	–	346,024	–	346,024
Consultancy fee income	–	–	–	–	35,095	–	35,095
Total	4,902,456	1,154,093	1,205,070	1,806,651	381,119	(1,589,935)	7,859,454
Results of reportable segments	335,443	60,956	57,727	122,778	273,281	–	850,185

A reconciliation of results of reportable segments to profit for the period is as follows:	
Results of reportable segments	850,185
Unallocated income	37,758
Unallocated expenses	(49,961)
Operating profit	837,982
Finance income	19,592
Finance costs	(12,772)
Share of results of associates	(5,988)
Profit before income tax	838,814
Income tax expenses	(168,859)
Profit for the period	669,955
Less: Profit attributable to non-controlling interests	(4,532)
Profit attributable to equity holders of the Company	665,423

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

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Cost of sales *(Note)*		
– Cost of inventories sold	**4,296,960**	5,893,319
– Cost of licensing business	**122,081**	102,502
Staff costs (including the directors' emoluments)	**413,871**	447,517
Rental expense in respect of		
– Contingent rents	**–**	95,621
– Minimum lease payments and short term leases	**–**	301,998
Expenses relating to short-term leases and variable lease payments	**125,880**	–
Commission expenses to credit card companies	**36,808**	51,720
Depreciation of right-of-use assets	**229,966**	–
Depreciation of investment properties	**4,560**	587
Depreciation of property, plant and equipment	**54,732**	50,240
Amortisation of land use rights	**–**	4,858
Loss on disposal of property, plant and equipment	**8,623**	1,078

Note: Staff costs (including directors' emoluments) of HK$157,298,000 (2018: HK$195,663,000) are included in cost of sales.

7 OTHER INCOME

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Government subsidies		
– Valued-added tax refund *(Note i)*	**6,276**	128,081
– Other subsidies *(Note ii)*	**18,156**	22,635
Rental income	**16,272**	2,738
Others	**9,635**	11,336
	50,339	164,790

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.

8 OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
Net realised (losses)/gains on derivative financial instruments *(Note)*	**(26,718)**	25,320
Fair value gains on convertible bond	**861**	3,471
Net realised gains on foreign exchange forward contracts	**5,822**	5,059
Net unrealised gains on foreign exchange forward contracts	**–**	2,580
Net realised (losses)/gains on gold loans	**(56,252)**	21,974
Net unrealised (losses)/gains on gold loans	**(13,679)**	15,253
Net exchange losses	**(43,013)**	(58,355)
	(132,979)	15,302

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.

9 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The net impairment losses on financial assets include the impairment on amount due from Hong Kong Resources Holdings Company Limited ("HKRH") of HK$57,080,000, which was reclassified from derivatives financial instruments upon expiry of the conversion options on 6 June 2019. It bore an interest rate of 8% per annum and was scheduled to be repaid on 9 September 2019. Up to the date of this announcement, the balance has been overdue and remained outstanding. On 2 October 2019, the Group served a statutory demand to HKRH to request for repayment and on 24 October 2019, the Group further filed a petition with the Hong Kong Court to wind-up HKRH, which is due for hearing in January 2020. In view of the situation, the Group has made a full provision on the outstanding balance under HKFRS 9 to reflect the expected credit losses.

10 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period.

Taxation on overseas profits 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	
	2019	2018
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	**24,116**	41,588
– Overseas taxation	**109,040**	100,210
Deferred taxation	**(4,435)**	27,061
	128,721	168,859

11 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$496,303,000 (2018: HK$665,423,000) and the weighted average number of 587,107,850 (2018: 587,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2019 and 2018 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

12 DIVIDENDS

At a meeting held on 27 June 2019, the directors recommended the payment of a final dividend of HK$0.60 per ordinary share, amounting to a total dividend of HK$352,265,000 for the year ended 31 March 2019. Such dividend was approved by the shareholders at the Annual General Meeting of the Company on 22 August 2019 and has been reflected as an appropriation of retained earnings for the period.

At a meeting held on 28 November 2019, the directors declared the payment of an interim dividend of HK$0.50 per ordinary share, amounting to a total dividend of HK$293,554,000. This 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 period ended 30 September 2019.

13 INTERESTS IN ASSOCIATES

	As at 30 September 2019 *HK$'000*	As at 31 March 2019 *HK$'000*
Interests in associates	**92,731**	13,279
Amount due from an associate *(Note i)*	**–**	3,078
Amount due to associates *(Note i)*	**(4,754)**	(2,715)

	For the six months ended 30 September 2019 *HK$'000*	2018 *HK$'000*
As at 1 April	**13,279**	67,593
Share of results of associates for the period *(Note ii)*	**(20,608)**	(5,988)
Share of reserve movement of associates for the period	**60**	(3,260)
Reclassified from loan to an associate *(Note iii)*	**100,000**	–
As at 30 September	**92,731**	58,345

Notes:

(i) Amount due from/(to) associates are trade in nature. Amount due from/(to) associates are denominated in HK$ and are unsecured, interest-free and repayable on demand.

(ii) The financial year of one of the associates is not conterminous with that of the Group and the financial statements used for equity accounting are for the 6 months period ended 30 June 2019. This associate uses 30 June as its financial year to conform with its holding company's reporting date.

(iii) During the period ended 30 September 2019, having considered the financial position and future business development of CGS, it is not expected that this shareholder loan will be demanded for in the near future and therefore the balance is reclassified as part of interest in an associate from loan to an associate.

(iv) The Group's associates did not have any significant commitments as at 30 September 2019 and 31 March 2019.

14 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 2019 *HK$'000*	As at 31 March 2019 *HK$'000*
0–30 days	**185,196**	311,167
31–60 days	**25,634**	34,784
61– 90 days	**4,210**	12,103
91–120 days	**3,529**	2,214
Over 120 days	**2,779**	3,703
	221,348	363,971
Less: Provision for impairment of trade receivables	**(267)**	(1,296)
Trade receivables, net	**221,081**	362,675

The carrying amounts of trade receivables approximate their fair values.

15 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK$123,837,000 (As at 31 March 2019: HK$292,456,000) and the ageing is as follows:

	As at 30 September 2019 *HK$'000*	As at 31 March 2019 *HK$'000*
0–30 days	**118,185**	255,580
31–60 days	**4,234**	25,396
61–90 days	**1,181**	7,908
91–120 days	**148**	2,663
Over 120 days	**89**	909
	123,837	292,456

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

16 BANK BORROWINGS

	As at 30 September 2019 *HK$'000*	As at 31 March 2019 *HK$'000*
Bank borrowings, secured	**555,006**	983,244
Bank borrowings, unsecured	**638,000**	871,980
	1,193,006	1,855,224

As at 30 September 2019, bank borrowings of HK$555,006,000 (as at 31 March 2019: HK$983,244,000) were secured by land and building of HK$565,674,000 (as at 31 March 2019: HK$575,864,000) and investment properties of HK$21,526,000 (as at 31 March 2019: HK$21,914,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Revenue
HK$6,305M
-19.8%

Operating Profit
HK$660M
-21.2%

Profit Attributable to Equity Holders
HK$496M
-25.4%

Basic Earnings per Share
HK$0.85
-24.8%

Proposed Dividend per Share
HK50 Cents
Dividend Payout Ratio: 59.1%

Overall Net Shop Additions
Lukfook: +129
Mainland: +126
Hong Kong, Macau & Overseas: +3

Goldstyle
Mainland: +6

Dear Q
Mainland: +3

3D-GOLD
Mainland: -1

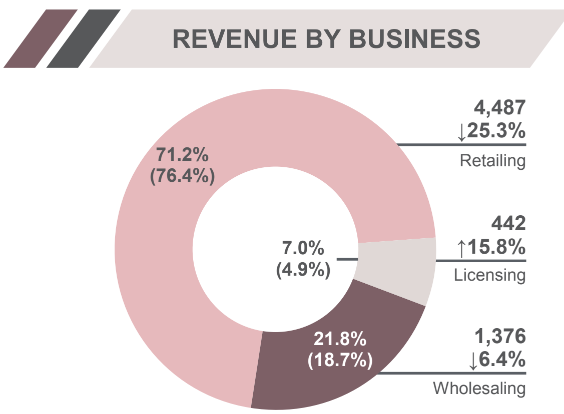
Results

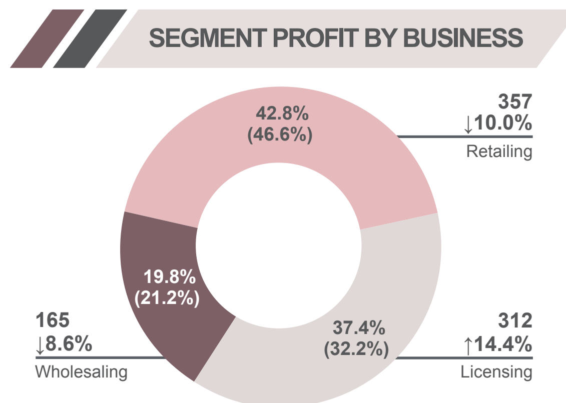
With a relatively high base, strong gold price, and the continuing impact of Hong Kong social incidents and US-China trade war on market sentiment, Luk Fook Holdings (International) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a revenue drop of 19.8% to HK$6,305,284,000 (2018: HK$7,859,454,000) for the six months ended 30 September 2019 (the "Period under review"). Nevertheless, the overall gross margin increased by 6.2 p.p. to 29.9% (2018: 23.7%), attributable to the substantially increased gold price and the rise in sales mix of gem-set jewellery products. Gross profit therefore rose by 1.2% to HK$1,886,243,000 (2018: HK$1,863,633,000). On the other hand, the total operating expenses decreased by 8.2%; its ratio to revenue thus increased to 17.2% (2018: 15.1%). In addition, with the decline in diamond sales leading to the reduction in diamond purchases, which resulted to significant decrease of value-added tax refund in relation to diamond import in Mainland of approximately HK$121.8 million, the turnaround of a gold hedging profit of HK$62.5 million same period last year to a loss of HK$96.6 million this year contributed by the high gold price, together with an impairment provision of HK$57.1 million as a result of HKRH[#]'s failure to redeem the convertible bond issued to the Group on the maturity date, operating profit therefore decreased by 21.2% to HK$660,471,000 (2018: HK$837,982,000). Operating margin was 10.5% (2018: 10.7%), while net margin was 7.9% (2018: 8.5%). Profit attributable to equity holders, as a result, dropped by 25.4% to HK$496,303,000 (2018: HK$665,423,000) and basic earnings per share also decreased by 24.8% to HK$0.85 (2018: HK$1.13).

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

Overview

During the Period under review, the Group added a net total of 129 new Lukfook shops worldwide, including a net addition of 2 self-operated shops in Hong Kong, 1 self-operated shop in Macau, and 126 shops in Mainland (including a net addition of 131 licensed shops and a net reduction of 5 self-operated shops). As at 30 September 2019, the Group had a global network of 1,970 shops (2018: 1,730 shops), including 1,957 Lukfook shops (2018: 1,725 shops), with business spanning across Hong Kong, Macau, Mainland, Singapore, Malaysia, Cambodia, the Philippines, the United States, Canada and Australia, and operated 6 "Goldstyle" shops (including 5 licensed shops and 1 self-operated shop) (2018: 0 shop) and 3 "Dear Q" (2018: 0 shop) and 4 "3D-GOLD" self-operated shops (2018: 5 shops) in Mainland.





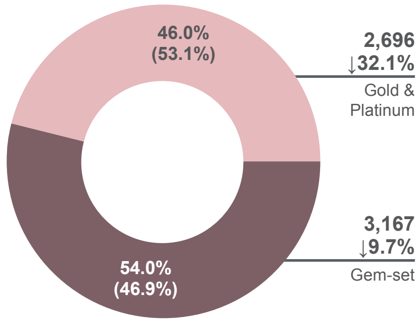
Remarks: Comparative figures for 1HFY2019 are shown in brackets

The retail business was the Group's primary source of revenue. Its revenue decreased by 25.3% year-on-year to HK$4,487,359,000 (2018: HK$6,007,690,000), accounting for 71.2% (2018: 76.4%) of the Group's total revenue. Due to the high gross margin led by the significant increase in gold price, its segment profit therefore only decreased by 10.0% to HK$356,816,000 (2018: HK$396,399,000), accounting for 42.8% (2018: 46.6%) of the total, and its segment profit margin was 8.0% (2018: 6.6%).

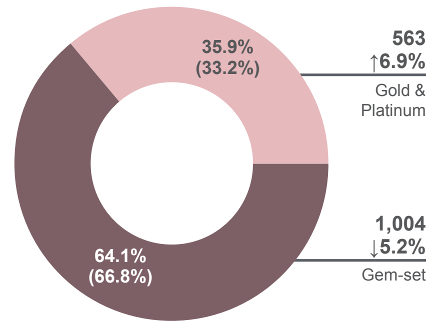
Despite the increase in the number of licensed shops, with the drop in the wholesaling of diamond products in Mainland, though impact of which had been partially offset by the satisfactory sales of fixed-price gold products, the Group's wholesale business revenue fell by 6.4% over the corresponding period last year to HK$1,376,414,000 (2018: HK$1,470,645,000), accounting for 21.8% (2018: 18.7%) of the Group's total revenue. Its segment profit thus decreased by 8.6% to HK$164,986,000 (2018: HK$180,505,000), accounting for 19.7% (2018: 21.2%) of the total. Its segment profit margin was 12.0% (2018: 12.3%).

Licensing income, which accounted for 7.0% (2018: 4.9%) of the Group's total revenue, increased by 15.8% to HK$441,511,000 (2018: HK$381,119,000) due to an increase in the number of licensed shops. Its segment profit margin was 70.8% (2018: 71.7%), while its segment profit increased by 14.4% to HK$312,594,000 (2018: HK$273,281,000), accounting for 37.5% (2018: 32.2%) of the total.

SALES[1] BY PRODUCT



GROSS PROFIT[2] BY PRODUCT



[1] Sales = Revenue – Licensing Income

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

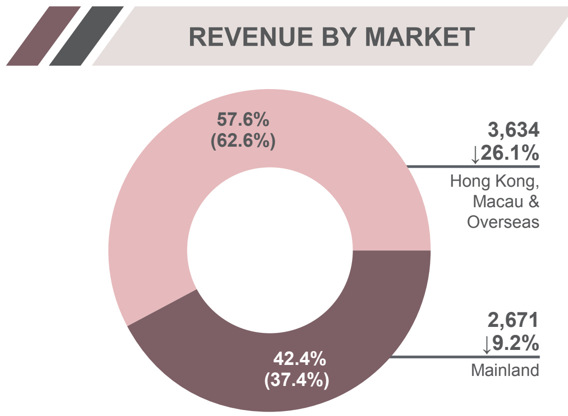
Remarks: Comparative figures for 1HFY2019 are shown in brackets

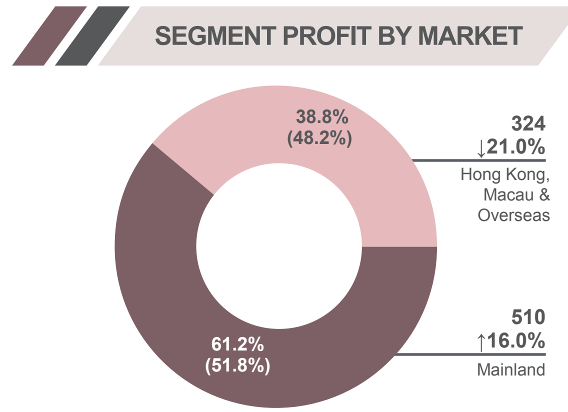
With a decreasing demand due to the strong gold price, sales of gold and platinum products substantially decreased by 32.1% to HK$2,696,411,000 (2018: HK$3,972,193,000), accounting for 46.0% (2018: 53.1%) of the overall sales (Group revenue minus licensing income). Its gross margin rose by 7.6 p.p. to 20.9% (2018: 13.3%) as a result of the high gold price. Gross profit of gold and platinum products therefore increased by 6.9% to HK$563,089,000 (2018: HK$526,511,000), accounting for 35.9% (2018: 33.2%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income). On the other hand, sales of gem-set jewellery products fell by 9.7% to HK$3,167,262,000 (2018: HK$3,506,142,000), accounting for 54.0% (2018: 46.9%) of the overall sales. Gross margin of gem-set jewellery products improved by 1.5 p.p. to 31.7% (2018: 30.2%) because of the high gold price. Its gross profit, as a result, only decreased by 5.2% to HK$1,003,724,000 (2018: HK$1,058,505,000), accounting for 64.1% (2018: 66.8%) of the overall gross profit.

During the Period under review, the overall SSSG of the Group was -23.8% (2018: +17.7%). SSSG for the Hong Kong and Macau market and that for the Mainland market were -24.9% (2018: +21.4%) and -15.7% (2018: +0.7%) respectively. SSSG for gold and platinum products was -32.3% (2018: +22.3%) and that for gem-set jewellery products was -10.5% (2018: +11.3%).

The Group has been striving to diversify its product mix to offer customers more choices. Since 2010, the Group has been engaging in the mid- to high-end watch business. As at 30 September 2019, the Group was the authorised dealer of 14 watch brands, including BALMAIN, CERTINA, COINWATCH, DOXA, ENICAR, HAMILTON, LONGINES, MIDO, OMEGA, RADO, ROMAGO SWISS, TISSOT, BIJOUMONTRE and SEIKO. For the Period under review, the watch business contributed revenue of HK$60,624,000 (2018: HK$79,430,000), accounting for 1.0% (2018: 1.0%) of the Group’s total revenue with 23.7% decrease when compared with the same period last year.

BUSINESS REVIEW

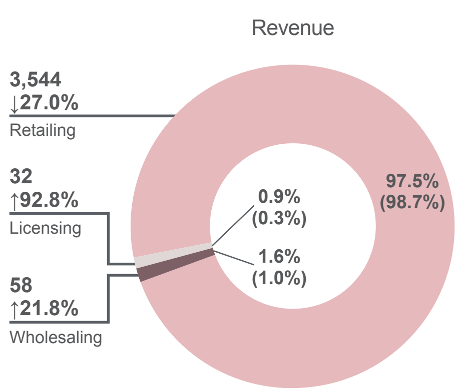


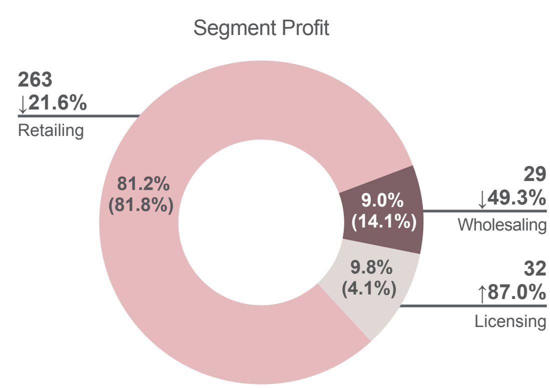


Remarks: Comparative figures for 1HFY2019 are shown in brackets

	Segment Profit Margin	Y-o-Y Changes
Hong Kong, Macau and Overseas	8.9%	+0.6 p.p.
Mainland	19.1%	+4.1 p.p.
Overall	**13.2%**	**+2.4 p.p.**

HONG KONG, MACAU AND OVERSEAS





Remarks: Comparative figures for 1HFY2019 are shown in brackets

Segment Profit Margin		
	Hong Kong, Macau and Overseas	Y-o-Y Changes
Retailing	7.4%	+0.5 p.p.
Wholesaling	50.5%	-70.9 p.p.
• Adjusted Wholesaling[1]	2.9%	-1.9 p.p.
Licensing	98.8%	-3.1 p.p.
Overall	**8.9%**	**+0.6 p.p.**

[1] Adjusted Wholesaling Segment Profit Margin = Segment Profit of Wholesale Business ÷ (Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue of HK$967M)

Hong Kong, Macau and Overseas

Hong Kong

Consumption expenditure per capita in the Hong Kong and Macau market has been weakening as a result of the high gold price, high base effect, together with substantial decline in the number of visitors to Hong Kong due to the recent on-going social activities. According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in July 2019, the number of overall visitor arrivals from January to June 2019 increased by 13.9% year-on-year to approximately 34.9 million, while visitors from Mainland increased by 16.4% year-on-year to approximately 27.6 million. However, visitor arrivals from July to September fell notably. The number of overall visitor arrivals in July, August and September were approximately 5.2 million, 3.6 million and 3.1 million respectively, representing a year-on-year decline of 4.8%, 39.1% and 34.2% respectively. The number of visitor arrivals from Mainland in July, August and September were approximately 4.2 million, 2.8 million and 2.4 million respectively, representing a year-on-year decrease of 5.5%, 42.3% and 35.0% respectively. The overall retail atmosphere has been weakening continuously in recent months. According to the statistics on retail sales published by the Census and Statistics Department of the Hong Kong Government in October 2019, the sales value of gem-set jewellery, watches and clocks, and valuable gifts from January to September 2019 decreased by 16.5% over the corresponding period last year. In addition to the weak sales of gold products driven by the high gold price, the Group's retail revenue in the Hong Kong market therefore significantly declined by 31.6% to HK$2,568,840,000 (2018: HK$3,757,424,000) during the Period under review. As at 30 September 2019, the Group operated a total of 51 self-operated shops (2018: 50 shops) in Hong Kong.

Macau

According to the tourism statistics published by the Statistics and Census Service of the Macau Special Administrative Region in August 2019, the number of overall visitor arrivals to Macau from January to June 2019 increased by 20.6% over last year to approximately 20.3 million, in which Mainland visitors increased by 22.3% to approximately 14.3 million, accounting for 70.6% of the overall visitors. However, total spending of visitors to Macau in January to June 2019 fell by 0.2% year-on-year to approximately MOP16.2 billion. Due to the drop in average selling price of gem-set jewellery products as well as the poor sales of gold products, the Group's revenue generated from the Macau market decreased by 12.5% to HK$829,959,000 (2018: HK$948,105,000) during the Period under review. As at 30 September 2019, the Group had a total of 12 self-operated shops (2018: 11 shops) in Macau.

Overseas

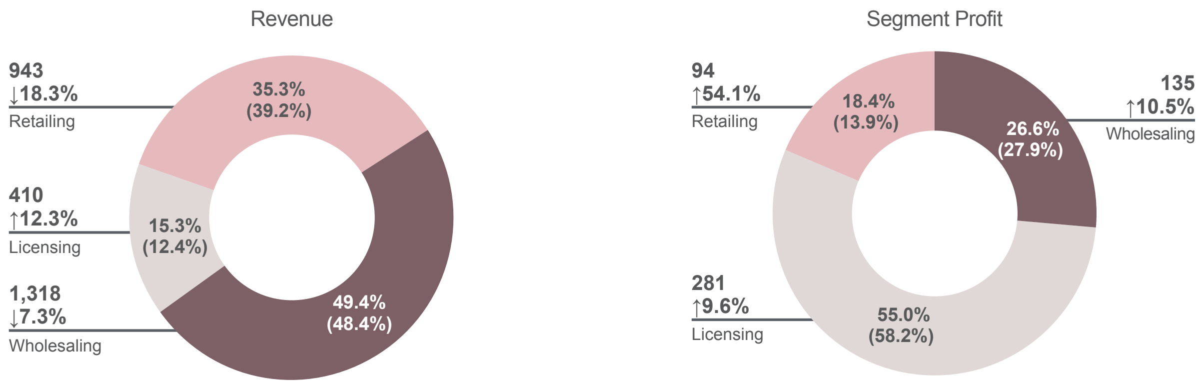
Adhering to its motto "Brand of Hong Kong, Sparkling the World", the Group has been seeking new opportunities around the world in recent years. As at 30 September 2019, the Group operated a total of 13 overseas shops (2018: 13 shops), including self-operated shops of 1 in Singapore, 3 in Malaysia, 4 in the United States, 2 in Canada and 1 in Australia, as well as 1 licensed shop in both Cambodia and the Philippines.

During the Period under review, retail revenue from the Hong Kong, Macau and overseas markets decreased by 27.0% to HK$3,544,238,000 (2018: HK$4,853,922,000), accounting for 56.2% (2018: 61.8%) of the Group's total revenue. Because of the increase in gross margin driven by the high gold price, its segment profit reduced by 21.6% only to HK$262,888,000 (2018: HK$335,443,000), which accounted for 31.5% (2018: 39.5%) of the total. Its segment profit margin was 7.4% (2018: 6.9%). Its wholesale business revenue increased by 21.8% to HK$57,913,000 (2018: HK$47,563,000), accounting for 0.9% (2018: 0.6%) of the Group's total revenue. However, because of the drop in product sales with high gross margin and reduction in profit arising from decrease of inter-segment sales, its segment profit decreased by 49.3% to HK$29,256,000 (2018: HK$57,727,000), accounting for 3.5% (2018: 6.8%) of the total. Its segment profit margin thus declined significantly to 50.5% (2018: 121.4%). As the segment profit of wholesale business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, the segment profit margin would be 2.9% (2018: 4.8%). Apart from that, benefiting from the increase in designated supplier consultancy services revenue as a result of the increase in the number of licensed shops, Hong Kong licensing income increased by 92.8% to HK$32,179,000 (2018: HK$16,691,000), accounting for 0.5% (2018: 0.2%) of the Group's total revenue. Its segment profit increased by 87.0% to HK$31,797,000 (2018: HK$17,005,000), accounting for 3.8% (2018: 2.0%) of the total, and resulting in its segment profit margin of 98.8% (2018: 101.9%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets decreased by 26.1% to HK$3,634,330,000 (2018: HK$4,918,176,000) during the Period under review, accounting for 57.6% (2018: 62.6%) of the Group's total revenue. Its segment profit decreased by 21.0% to HK$323,941,000 (2018: HK$410,175,000), accounting for 38.8% (2018: 48.2%) of the total, while its segment profit margin was 8.9% (2018: 8.3%).

The SSSG for gold and platinum products in the Hong Kong, Macau and overseas markets was -33.9% (2018: +27.8%), while that for gem-set jewellery products was -9.8% (2018: +10.7%).

MAINLAND



Remarks: Comparative figures for 1HFY2019 are shown in brackets

Segment Profit Margin		
	Mainland	Y-o-Y Changes
Retailing	10.0%	+4.7 p.p.
Wholesaling	10.3%	+1.7 p.p.
• Adjusted Wholesaling[1]	8.2%	+1.4 p.p.
Licensing	68.6%	-1.7 p.p.
Overall	**19.1%**	**+4.1 p.p.**

1 Adjusted Wholesaling Segment Profit Margin = Segment Profit of Wholesale Business ÷ (Revenue of Wholesale Business to External Parties + Inter-Segment Wholesale Revenue of HK$330M)

Mainland

During the Period under review, with the high gold price and continuing impact of the US-China trade war on macro-economic conditions, retail revenue from the Mainland market declined by 18.3% to HK$943,121,000 (2018: HK$1,153,768,000), accounting for 15.0% (2018: 14.7%) of the Group's total revenue. Its segment profit, contributed by a rise in gross margin due to the high gold price and higher gem-set jewellery product sales mix, increased by 54.1% to HK$93,928,000 (2018: HK$60,956,000), accounting for 11.3% (2018: 7.2%) of the total. Its segment profit margin was 10.0% (2018: 5.3%). The SSSG for gold and platinum products in Mainland was -17.3% (2018: -4.8%) and that for gem-set jewellery products was -12.2% (2018: +14.1%).

Because of the unsatisfactory sales of diamond products, though impact of which had been partially offset by the satisfactory sales of fixed-price gold products, revenue of the wholesale business in the Mainland market declined by 7.3% to HK$1,318,501,000 (2018: HK$1,423,082,000), which accounted for 20.9% (2018: 18.1%) of the Group's total revenue. Due to the increased gross margin contributed by the high gold price, its segment profit increased by 10.5% to HK$135,730,000 (2018: HK$122,778,000), accounting for 16.3% (2018: 14.4%) of the total. Its segment profit margin was 10.3% (2018: 8.6%). As the segment profit of wholesale business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, the segment profit margin of wholesale business would be 8.2% (2018: 6.8%).

Due to an increase in the number of licensed shops, licensing income in Mainland increased by 12.3% to HK$409,332,000 (2018: HK$364,428,000), accounting for 6.5% (2018: 4.6%) of the Group's total revenue. Its segment profit rose by 9.6% to HK$280,797,000 (2018: HK$256,276,000), accounting for 33.7% (2018: 30.2%) of the total, and its segment profit margin was 68.6% (2018: 70.3%).

Mainland distribution network

Shop number of different brands		**30 September 2019**	31 March 2019	Changes
Lukfook	Self-operated	**136**	141	-5
	Licensed	**1,745**	1,614	+131
	Sub-total	**1,881**	1,755	+126
Goldstyle	Self-operated	**1**	0	+1
	Licensed	**5**	0	+5
	Sub-total	**6**	0	+6
Dear Q	Self-operated	**3**	0	+3
3D-GOLD	Self-operated	**4**	5	-1
Total	Self-operated	**144**	146	-2
	Licensed	**1,750**	1,614	+136
	Total	**1,894**	**1,760**	**+134**

With the adoption of a multi-brand strategy starting from this financial year, the Group has developed the popular product collections of "Goldstyle" and "Dear Q" into independent brands since May 2019. During the Period under review, the Group opened a total of 6 "Goldstyle" and 3 "Dear Q" individual shops in Mainland. As at 30 September 2019, the Group had a total of 1,881 shops (2018: 1,651 shops) under the "Lukfook" brand name in Mainland, including 136 self-operated shops (2018: 151 shops) and 1,745 licensed shops (2018: 1,500 shops). During the Period under review, the Group reported a net increase of 131 Lukfook licensed shops (2018: 96 shops) and net reduction of 5 self-operated shops (2018: net reduction of 6 shops) in Mainland. Moreover, the Group also operated 4 3D-GOLD self-operated shops (2018: 5 shops) in Mainland.

During the Period under review, the overall same store sales of Lukfook licensed shops in Mainland recorded a 6.2% drop (2018: +7.0%). That for gold and platinum products and gem-set jewellery products recorded a 12.1% drop (2018: +2.3%) and a 4.4% growth (2018: +16.7%) respectively.

1HFY2020 MAINLAND E-COMMERCE BUSINESS PERFORMANCE

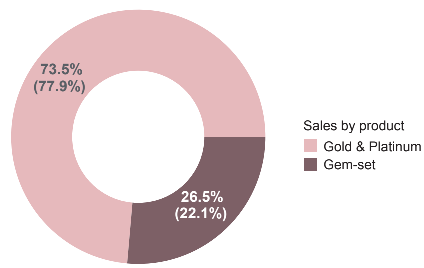
Revenue
+16.1% Y-o-Y Changes

Contribution to Mainland Retail Revenue*
31.3% (1HFY2019: 22.0%)

Contribution to Group's Retail Revenue
6.6% (1HFY2019: 4.2%)

Average Selling Price
(value-added tax (VAT) included)
RMB1,300 (+8.3% Y-o-Y Changes)

FY2020 Revenue Growth Target
20%



Remarks: Comparative figures for 1HFY2019 are shown in brackets
** Self-operated shops and e-commerce business*

Revenue of e-commerce business from Mainland increased by 16.1% to HK$295,031,000 (2018: HK$254,191,000) during the Period under review, accounting for 31.3% (2018: 22.0%) of the retail revenue in Mainland. Sales of gold and platinum products accounted for 73.5% (2018: 77.9%) of its sales mix while sales of gem-set jewellery products accounted for 26.5% (2018: 22.1%).

Overall speaking, during the Period under review, revenue from the Mainland market decreased by 9.2% to HK$2,670,954,000 (2018: HK$2,941,278,000), accounting for 42.4% (2018: 37.4%) of the Group's total revenue. Its segment profit increased by 16.0% to HK$510,455,000 (2018: HK$440,010,000), accounting for 61.2% (2018: 51.8%) of the total; and its segment profit margin was 19.1% (2018: 15.0%).

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

Profit /(Loss)			
HK$M	**1HFY2020**	1HFY2019	Y-o-Y Changes
50% Share of Profit/(Loss) of Associate	**(19)**	(7)	(12)
Valuation Gain on Convertible Bond	**1**	3	(2)
Impairment Loss on Amount Due from HKRH	**(57)**	–	(57)
Wholesale Gross Profit	**–**	1	(1)
Interest Income on Working Capital Loan	**1**	2	(1)
Interest on Convertible Bond	**1**	1	–
Total	**(73)**	**–**	**(73)**

Contributed by the deterioration in macro-economic conditions and an impairment loss of HK$57,080,000 as a result of HKRH's failure to redeem the convertible bond issued to the Group on the maturity date, the loss of investments and operation activities in HKRH and its subsidiaries widened to approximately HK$73 million (2018: Nil) during the Period under the review. The Group has filed winding-up petitions against HKRH for the recovery of the debt amount together with relevant interest.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2019, the Group's cash and bank balances amounted to approximately HK$2,504,000,000 (31 March 2019: approximately HK$2,087,000,000). Net cash was approximately HK$763,000,000 (31 March 2019: net borrowing of approximately HK$220,000,000). The debt-to-equity ratio was 39.0% (31 March 2019: 36.7%), being the ratio of total liabilities of approximately HK$4,025,000,000 (31 March 2019: approximately HK$3,861,000,000) against total shareholders' equity of approximately HK$10,308,000,000 (31 March 2019: approximately HK$10,517,000,000). As at 30 September 2019, the Group's banking facilities amounted to approximately HK$4.26 billion (31 March 2019: approximately HK$4.01 billion), of which approximately HK$1.76 billion (31 March 2019: approximately HK$2.33 billion) has been utilised. The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

Inventory

INVENTORY TURNOVER DAYS BY PRODUCT

	1HFY2020	1HFY2019	FY2019
Gold	**258**	157	171
Gem-set	**476**	400	397
Overall	**371**	**261**	**273**

As at 30 September 2019, the Group's inventory decreased by 13.0% to approximately HK$8,114,000,000 (31 March 2019: approximately HK$9,322,000,000). The average inventory turnover days were 371 days (31 March 2019: 273 days) with the average inventory turnover days of gold products being 258 days (31 March 2019: 171 days) and that of gem-set jewellery products being 476 days (31 March 2019: 397 days).

Capital Expenditure

During the Period under review, the Group's capital expenditures amounted to approximately HK$271,000,000 (31 March 2019: approximately HK$934,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipment.

Capital Commitments

As at 30 September 2019, the Group's total capital commitments amounted to approximately HK$21,000,000 (31 March 2019: approximately HK$18,000,000).

Contingent Liabilities

As at 30 September 2019, the Group had outstanding financial guarantees amounting to approximately HK$1,075,000,000 (31 March 2019: approximately HK$1,075,000,000) issued in favour of several banks in respect of banking facilities granted to an associate.

Human Capital Policy

As at 30 September 2019, the number of employees of the Group was approximately 7,100 (31 March 2019: approximately 7,600). 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.

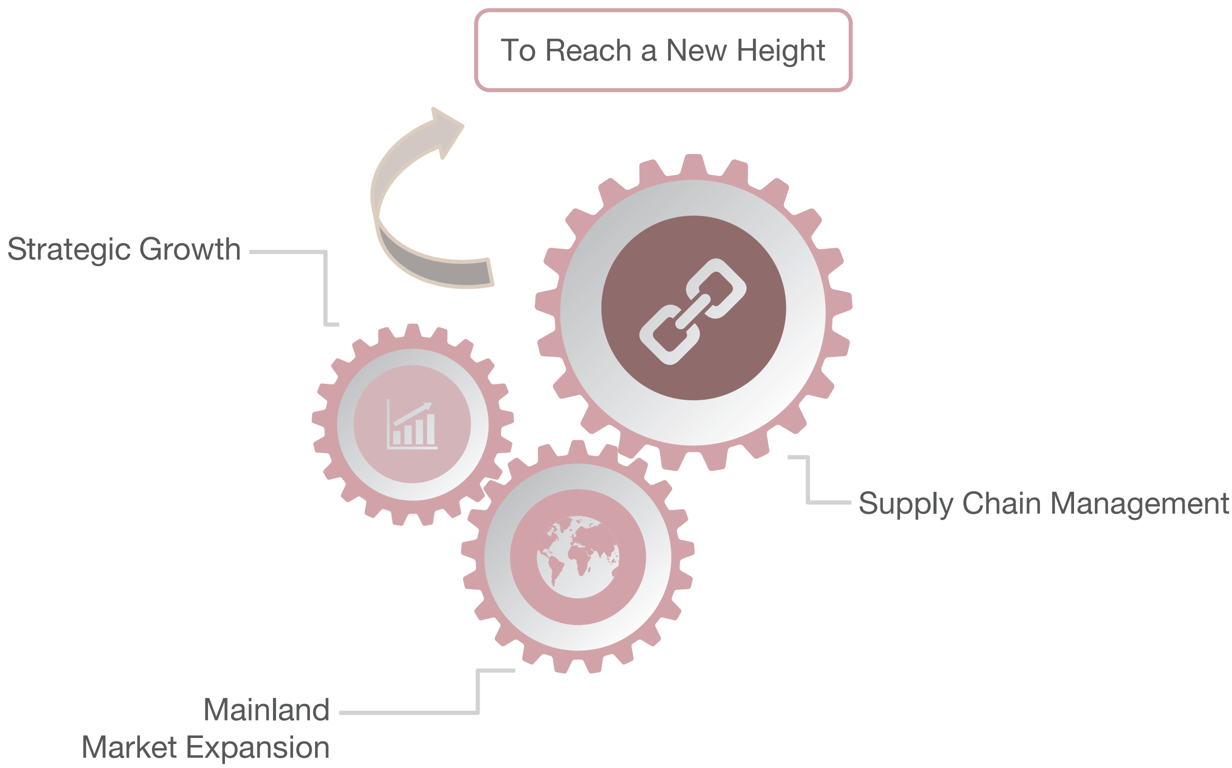
BRANDING

In order to consistently align with the branding theme of "Love is Beauty", the Group has been building a welcoming and warm-hearted brand image, strengthening customers' 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 comprehensive marketing strategies, and launched diversified product offerings with exquisite designs, and provided meticulous services to seize the business opportunities in the middle-class, wedding and kids markets.

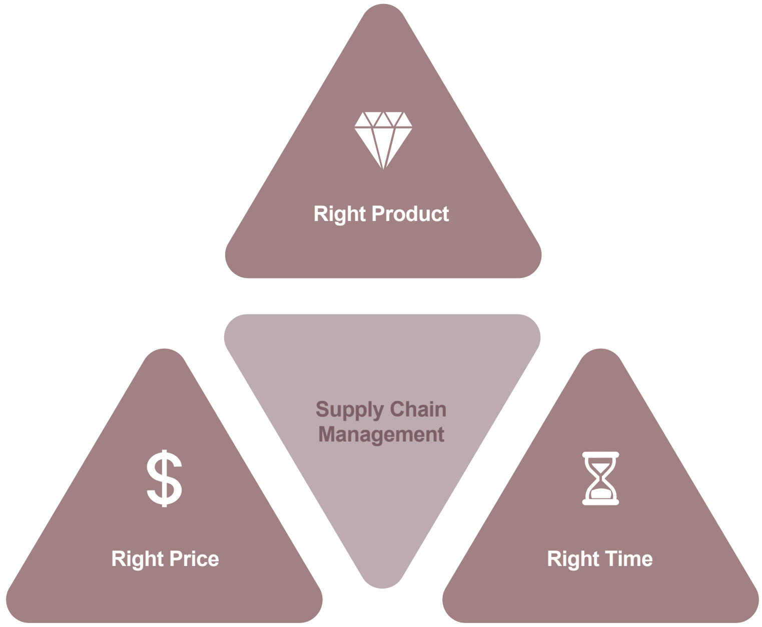
The Group capitalised on different promotional channels to further enhance its brand awareness. The Group also captured the rapid growth of online marketing by placing advertisements on major social media platforms and search engines. Moreover, the Group has continued to be appointed as the official partner for Tencent's famous online mobile game "King Pro League" Spring Season Champion Ring, and created the champion medal for the first ever "Honour of Kings 2019 World Champion Cup", with a view to increase brand exposure. As for the anniversary promotions this year, apart from establishing "91 Golden Fantasyland" pop-up store, the Group also held the "On-screen Bomber Challenge" on the popular social media platform Xiaohongshu, which recorded a total of over 11 million click rates, so as to raise Lukfook's brand awareness among young consumers. The Group also sponsored medals for marathons in various regions to reach out to 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. The Group also actively adopted multi-brand strategy in which "Dear Q" and "Goldstyle" stores have been opened to cater for different tastes of customers.

The Group's tireless efforts in escalating brand influence and spreading brand value 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



During the Period under review, the same store sales in the Hong Kong and Macau market of the Group declined significantly as a result of the high base effect, strong gold price, and the continuing impact of social incidents in Hong Kong and US-China trade war, while the same store sales in the Mainland market also dropped because of the high gold price and the impact of the US-China trade war. From October to the first three weeks of November this year, with a relatively low base, Macau market resumed the growth track attributable to an increase in gold sales. The same store sales of both self-operated shops and licensed shops in the Mainland market saw a progressive narrowing decline as well. However, the same-store sales drop in the Hong Kong market did not improve. Therefore, the downside risk of the Group's business will continue into the second half of the financial year. The Group thus expects a double-digit drop in terms of annual revenue and profit in this financial year. The Group will reduce the number of shops in areas which are considerably impacted by the social incidents in Hong Kong, and search for opportunities for opening new shops in Macau market and expects to have 3 net shop additions in Hong Kong and Macau market. The Group will also actively seek expansion opportunities in overseas and Mainland market, targeting to achieve a net addition of 3 shops in overseas market and a net addition of not less than 200 shops in Mainland market for the full year. 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 looks forward to bringing its business to a new height in the near future.



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 products, set right prices and offer products to market at the right time by implementing higher level of automation and big data management; improving factory productivity; shortening inventory turnover period; establishing strategic partnership with suppliers; streamlining logistics on distribution and intensifying support to licensees, with a hope that all these would help to promote business development and strengthen operational efficiency.

As Mainland remains to be a market with promising growth potential in the mid- to long-term, the Group will continue to focus on business expansion in Mainland and strive to promote multi-brand strategy. Apart from further shop expansion in Mainland, the Group is also committed to further developing its e-commerce business and strengthening cooperation with e-commerce platforms in Mainland, aiming to grow e-commerce revenue by 20%. In light of the enormous spending potential of young consumers on online sales platforms, the Group will step up its efforts to promote the sales of affordable luxury jewellery products to expand its footprint in the young consumer market.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.50 per ordinary share (2018: HK$0.55 per share) for the six months ended 30 September 2019, to shareholders whose names appear on the register of members of the Company as at 13 December 2019. The interim dividend will be paid on or around 24 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the interim dividend will be closed on 13 December 2019 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 12 December 2019.

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 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 2019, 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 growth being driven by 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 conducting future business negotiations. Moreover, members of the Board also consist of qualified professionals and other prominent and experienced individuals from the community. The Board is of the view that the existing Board's 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 FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the six months ended 30 September 2019. 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2019/20

This interim 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 Interim Report 2019/20 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 Officer

Hong Kong, 28 November 2019

As at the date of this announcement, the Company's Executive Directors are Mr. WONG Wai Sheung (Chairman and Chief Executive Officer), Mr. TSE Moon Chuen (Deputy Chairman), Ms. WONG Hau Yeung, Ms. WONG Lan Sze, Nancy and Dr. CHAN So Kuen; the Non-executive Directors are Mr. WONG Ho Lung, Danny (Deputy Chairman), Ms. YEUNG Po Ling, Pauline, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, BBS, MH, JP; the Independent Non-executive Directors are Mr. TAI Kwok Leung, Alexander, Mr. IP Shu Kwan, Stephen, GBS, JP, Mr. MAK Wing Sum, Alvin, Ms. WONG Yu Pok, Marina, JP and Mr. HUI King Wai.