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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 2024

HIGHLIGHTS

- The Group's revenue reached HK\$5.45 billion, a 27.2% decrease compared to the same period last year, primarily due to a decline in sales of gold products caused by record-high gold prices during the Period
- Benefitted from the rise in gold prices, the Group's overall gross profit margin increased by 4.9 p.p. to 32.7%, while gross profit fell by 14.4% to HK\$1.78 billion
- The surge in gold prices caused the gold hedging during the Period to turn from a gain of HK\$55 million last year to a loss of HK\$230 million. Consequently, the operating profit decreased by 53.0% to HK\$536 million and the operating profit margin declined to 9.8%
- The Group's profit for the Period decreased by 55.7% to HK\$417 million. If the impact of gold hedging losses was excluded, the adjusted decrease in profit for the Period would narrow to 27.1%, accounting for HK\$647 million
- Proposed interim dividend is HK\$0.55 per share with dividend payout ratio of 74%
- A net reduction of 175 shops

FINANCIAL PERFORMANCE

	For the six months ended 30 September 2024 <i>HK\$'000</i>	For the six months ended 30 September 2023 <i>HK\$'000</i>	Y-o-Y Changes
Revenue	5,448,634	7,486,031	-27.2%
Gross Profit	1,781,653	2,081,444	-14.4%
Operating Profit	536,301	1,140,331	-53.0%
Profit for the period	417,246	942,631	-55.7%
Profit Attributable to Equity Holders	434,469	942,651	-53.9%
Basic Earnings per Share	HK\$0.74	HK\$1.61	-54.0%
Interim Dividend per Share	HK\$0.55	HK\$0.72	-23.6%
Dividend Payout Ratio	74%	45%	+29 p.p.
Gross Margin	32.7%	27.8%	+4.9 p.p.
Operating Margin	9.8%	15.2%	-5.4 p.p.
Net Margin	7.7%	12.6%	-4.9 p.p.
EBITDA	836,232	1,374,036	-39.1%
EBITDA Margin	15.3%	18.4%	-3.1 p.p.
Adjusted EBITDA*	635,457	1,207,465	-47.4%
Adjusted EBITDA Margin	11.7%	16.1%	-4.4 p.p.
Total Operating Expenses to Revenue Ratio	21.3%	14.3%	+7.0 p.p.
Effective Tax Rate	20.4%	17.1%	+3.3 p.p.

* Adjusted EBITDA represents the EBITDA without adding back depreciation of right-of-use assets

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 2024 (the “Period”) together with comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 September 2024

		For the six-month period ended 30 September	
		2024	2023
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	5,448,634	7,486,031
Cost of sales		<u>(3,666,981)</u>	<u>(5,404,587)</u>
Gross profit		1,781,653	2,081,444
Other income	7	54,387	96,113
Other (losses)/gains, net	8	(138,898)	65,208
Selling and distribution costs		(968,055)	(957,368)
Administrative expenses		(192,095)	(113,053)
Net provision of impairment losses on financial assets and financial guarantee		<u>(691)</u>	<u>(32,013)</u>
Operating profit	6	536,301	1,140,331
Finance income		15,516	14,400
Finance costs		<u>(27,892)</u>	<u>(17,273)</u>
Finance costs, net		<u>(12,376)</u>	<u>(2,873)</u>
Profit before income tax		523,925	1,137,458
Income tax expenses	9	<u>(106,679)</u>	<u>(194,827)</u>
Profit for the period		417,246	942,631
Profit attributable to:			
Equity holders of the Company		434,469	942,651
Non-controlling interests		<u>(17,223)</u>	<u>(20)</u>
		417,246	942,631
Earnings per share for profit attributable to equity holders of the Company during the period			
Basic and diluted	10	<u>HK\$0.74</u>	<u>HK\$1.61</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 September 2024

	For the six-month period ended 30 September	
<i>Note</i>	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	417,246	942,631
Other comprehensive income/(loss):		
<i>Items that may be or have been subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	263,810	(390,389)
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Revaluation of financial assets at fair value through other comprehensive income	–	539
Other comprehensive income/(loss) for the period, net of tax	263,810	(389,850)
Total comprehensive income for the period	681,056	552,781
Attributable to:		
– Equity holders of the Company	704,357	552,801
– Non-controlling interests	(23,301)	(20)
Total comprehensive income for the period	681,056	552,781

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2024

	As at 30 September 2024 <i>Note</i> HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	1,185,944	1,176,194
Investment properties	932,859	925,726
Right-of-use assets	1,376,153	1,346,143
Goodwill	277,674	277,674
Intangible assets	514,814	537,241
Trading license	1,080	1,080
Deposits, prepayments and other receivables	73,251	103,050
Deferred income tax assets	189,191	154,648
	4,550,966	4,521,756
	4,550,966	4,521,756
Current assets		
Inventories	9,863,062	9,567,062
Right of return assets	79,266	105,194
Trade receivables	219,858	265,773
Deposits, prepayments and other receivables	442,378	366,595
Income tax recoverables	5,213	29,465
Cash and bank balances	1,934,188	1,998,219
	12,543,965	12,332,308
	12,543,965	12,332,308
Total assets	17,094,931	16,854,064
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	10,666,718	10,338,110
	13,219,468	12,890,860
Non-controlling interests	(50,263)	(26,962)
	13,169,205	12,863,898
	13,169,205	12,863,898

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2024

		As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		106,429	119,789
Lease liabilities		293,535	319,420
Employee benefit obligations		34,148	34,148
		<u>434,112</u>	<u>473,357</u>
Current liabilities			
Trade payables, other payables and accruals	13	1,283,365	1,226,814
Contract liabilities		81,034	188,264
Derivative financial instrument		–	8
Lease liabilities		340,383	287,697
Sales refund liabilities		181,021	214,374
Bank borrowings	14	20,000	362,000
Gold loans		1,388,060	1,065,805
Current income tax liabilities		197,751	171,847
		<u>3,491,614</u>	<u>3,516,809</u>
Total liabilities		<u>3,925,726</u>	<u>3,990,166</u>
Total equity and liabilities		<u>17,094,931</u>	<u>16,854,064</u>

NOTES:

1 General information

Luk Fook Holdings (International) Limited (the “Company”) was incorporated in Bermuda on 3 September 1996 as a company with limited liability under the Companies Act of Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of gold and platinum jewellery products, and gem-set jewellery products.

The Company’s shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 May 1997.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six-month period ended 30 September 2024 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountant (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2024, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those set out in the Group’s annual financial statements for the year ended 31 March 2024.

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

- (a) Amendments to existing standards and interpretation that are effective for the first time for the financial year beginning 1 April 2024:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HK-Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements

The adoption of the above amendments to existing standards and interpretation did not have any significant impact on the preparation of these condensed consolidated interim financial information.

- (b) Certain new standards and amendments to existing standards and interpretation have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2025, which the Group has not early adopted, are as follows:

HKAS 21 (Amendments)	Lack of Exchangeability ⁽¹⁾
HKFRS 9 and HKFRS 7 (Amendments)	Classification and Measurement of Financial Instruments ⁽²⁾
HKFRS 18	Presentation and Disclosure in Financial Statements ⁽³⁾
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁽³⁾
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements (Amendments)	Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause ⁽³⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

⁽¹⁾ Effective for annual period beginning on or after 1 January 2025

⁽²⁾ Effective for annual period beginning on or after 1 January 2026

⁽³⁾ Effective for annual period beginning on or after 1 January 2027

⁽⁴⁾ To be announced by HKICPA

The directors of the Group will adopt the new standards and amendments to existing standards and interpretation when they become effective. 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 existing standards and interpretation, none of which is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

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 annual financial statements for the year ended 31 March 2024.

5 SEGMENT INFORMATION

The executive directors and senior management collectively are identified as the chief operating decision-maker ("CODM"). 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, 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 certain leasehold land and buildings (accounted for as “property, plant and equipment” and “right of use assets”), investment properties, deferred income tax assets, income tax recoverables 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, financial guarantee contract 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-month period ended 30 September 2024 (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	3,437,907	1,222,343	42,554	341,492	–	–	5,044,296
Sales of scrap	–	–	530	–	–	–	530
	3,437,907	1,222,343	43,084	341,492	–	–	5,044,826
Inter-segment sales	36,371	14,259	769,695	45,719	–	(866,044)	–
Sales of merchandises							
– at a point of time	3,474,278	1,236,602	812,779	387,211	–	(866,044)	5,044,826
Royalty and service income							
– over time	–	–	–	–	319,556	–	319,556
Consultancy fee income – over time	–	–	–	–	84,252	–	84,252
Total	3,474,278	1,236,602	812,779	387,211	403,808	(866,044)	5,448,634
Results of reportable segments	418,411	(35,608)	(22,664)	(45,888)	239,002	–	553,253
A reconciliation of results of reportable segments to profit for the period is as follows:							
Results of reportable segments							553,253
Unallocated income							104,418
Unallocated expenses							(121,370)
Operating profit							536,301
Finance income							15,516
Finance costs							(27,892)
Profit before income tax							523,925
Income tax expenses							(106,679)
Profit for the period							417,246
Add: Loss attributable to non-controlling interests							17,223
Profit attributable to equity holders of the Company							434,469

As at 30 September 2024 (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>6,725,446</u>	<u>2,596,672</u>	<u>604,473</u>	<u>2,504,659</u>	<u>1,277,284</u>		13,708,534
Leasehold land and buildings						1,496,554	1,496,554
Investment properties						932,859	932,859
Deferred income tax assets						189,191	189,191
Income tax recoverables						5,213	5,213
Other unallocated assets						<u>762,580</u>	<u>762,580</u>
Total assets							<u>17,094,931</u>
Segment liabilities	<u>(893,894)</u>	<u>(256,761)</u>	<u>(18,149)</u>	<u>(261,969)</u>	<u>(634,952)</u>		(2,065,725)
Deferred income tax liabilities						(106,429)	(106,429)
Current income tax liabilities						(197,751)	(197,751)
Bank borrowings						(20,000)	(20,000)
Gold loans						(1,388,060)	(1,388,060)
Other unallocated liabilities						<u>(147,761)</u>	<u>(147,761)</u>
Total liabilities							<u>(3,925,726)</u>

For the six-month period ended 30 September 2023 (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>
Revenue							
Sales to external customers	4,743,587	1,286,361	65,135	845,242	–	–	6,940,325
Sales of scrap	–	–	181	–	–	–	181
	<u>4,743,587</u>	<u>1,286,361</u>	<u>65,316</u>	<u>845,242</u>	<u>–</u>	<u>–</u>	<u>6,940,506</u>
Inter-segment sales	57,614	310	1,343,524	59,613	–	(1,461,061)	–
	<u>57,614</u>	<u>310</u>	<u>1,343,524</u>	<u>59,613</u>	<u>–</u>	<u>(1,461,061)</u>	<u>–</u>
Sales of merchandises							
– at a point of time	4,801,201	1,286,671	1,408,840	904,855	–	(1,461,061)	6,940,506
Royalty and service income							
– over time	–	–	–	–	501,343	–	501,343
Consultancy fee income – over time	–	–	–	–	44,182	–	44,182
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>44,182</u>	<u>–</u>	<u>44,182</u>
Total	<u>4,801,201</u>	<u>1,286,671</u>	<u>1,408,840</u>	<u>904,855</u>	<u>545,525</u>	<u>(1,461,061)</u>	<u>7,486,031</u>
Results of reportable segments	<u>569,523</u>	<u>93,025</u>	<u>75,544</u>	<u>98,327</u>	<u>391,888</u>	<u>–</u>	<u>1,228,307</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
Results of reportable segments							1,228,307
Unallocated income							75,013
Unallocated expenses							(162,989)
Operating profit							1,140,331
Finance income							14,400
Finance costs							(17,273)
Profit before income tax							1,137,458
Income tax expenses							(194,827)
Profit for the period							942,631
Add: Loss attributable to non-controlling interests							20
Profit attributable to equity holders of the Company							<u>942,651</u>

As at 31 March 2024 (audited)

	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>6,532,796</u>	<u>2,512,415</u>	<u>705,380</u>	<u>2,546,408</u>	<u>1,233,123</u>		13,530,122
Leasehold land and buildings						1,490,047	1,490,047
Investment properties						925,726	925,726
Deferred income tax assets						154,648	154,648
Income tax recoverables						29,465	29,465
Other unallocated assets						<u>724,056</u>	<u>724,056</u>
Total assets							<u>16,854,064</u>
Segment liabilities	<u>(864,044)</u>	<u>(144,820)</u>	<u>(29,002)</u>	<u>(209,413)</u>	<u>(788,664)</u>		(2,035,943)
Deferred income tax liabilities						(119,789)	(119,789)
Current income tax liabilities						(171,847)	(171,847)
Bank borrowings						(362,000)	(362,000)
Gold loans						(1,065,805)	(1,065,805)
Other unallocated liabilities						<u>(234,782)</u>	<u>(234,782)</u>
Total liabilities							<u>(3,990,166)</u>

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	For the six-month period ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Cost of sales (<i>Note</i>)		
– Cost of inventories sold	3,525,112	5,267,764
– Cost of licensing	141,869	136,823
Staff costs (including the directors' emoluments) (<i>Note</i>)	476,898	465,473
Expenses relating to short-term leases and variable lease payments	67,780	79,753
Other taxes expenses	47,105	48,936
Advertising and promotion expenses	75,951	46,459
Commission expenses to payment service providers	37,808	45,439
Depreciation of right-of-use assets	200,775	166,571
Depreciation of investment properties	14,480	16,686
Depreciation of property, plant and equipment	62,249	50,448
Amortisation of trademarks	22,427	–
Losses on disposal of property, plant and equipment	1,291	1,624
	<u>1,291</u>	<u>1,624</u>

Note: Save as disclosed above, staff costs of HK\$135,519,000 (2023: HK\$183,482,000) are included in “cost of sales” in the condensed consolidated income statement.

7 OTHER INCOME

	For the six-month period ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Government subsidies		
– Valued-added tax refund (<i>Note i</i>)	149	10,956
– Other government subsidies (<i>Note ii</i>)	2,229	28,992
Rental income	26,665	36,073
Others	25,344	20,092
	54,387	96,113

Notes:

- (i) This represents refund from the tax authority in the 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 mainly represents subsidies from a municipal government in the Mainland.

8 OTHER (LOSSES)/GAINS, NET

	For the six-month period ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Net realised (losses)/gains on derivative financial instruments (<i>Note</i>)	(39,576)	14,746
Net realised (losses)/gains on gold loans	(157,682)	14,174
Unrealised (losses)/gains on gold loans	(32,565)	26,456
Net exchange gains	91,110	9,832
Loss of disposal of a subsidiary	(185)	–
	(138,898)	65,208

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 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the period. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%, while only one entity nominated by a group of “connected entities” will be entitled to select the lower tax rate. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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-month period ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Current taxation:		
– Hong Kong profits tax	38,994	29,742
– Mainland and others taxation	97,699	118,522
– Withholding tax on dividend declared and paid in Mainland	17,889	–
Deferred income tax	(47,903)	46,563
	<u>106,679</u>	<u>194,827</u>

10 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\$434,469,000 (2023: HK\$942,651,000) and the weighted average number of 587,107,850 (2023: 587,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six-month period ended 30 September 2024 and 2023 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

11 DIVIDENDS

At a meeting held on 28 June 2024, the directors proposed the payment of a final dividend of HK\$0.64 per ordinary share. Such dividend was approved by the shareholders at the Annual General Meeting of the Company on 15 August 2024. The aggregate amount of the proposed dividend was expected to be paid out of retained earnings at 31 March 2024, but not recognised as a liability at year ended 31 March 2024.

At a meeting held on 26 November 2024, the directors declared the payment of an interim dividend of HK\$0.55 per ordinary share, amounting to a total dividend of HK\$322,909,000. 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 2025.

12 TRADE RECEIVABLES

The Group's sales comprise mainly cash sales and credit card sales to retail customers and sales to licensees. Concessionaire sales through department stores, sales through e-commerce platforms and sales to wholesale customers are generally on credit terms ranging from 0 to 90 days.

The ageing of trade receivables, based on invoice date, is as follows:

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
0-30 days	192,011	221,341
31-60 days	14,878	24,799
61-90 days	1,938	14,339
91-120 days	7,409	4,412
Over 120 days	4,367	934
	<u>220,603</u>	<u>265,825</u>
Less: Allowance for impairment of trade receivables	(745)	(52)
Trade receivables, net	<u><u>219,858</u></u>	<u><u>265,773</u></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\$316,129,000 (As at 31 March 2024: HK\$177,651,000) and the ageing, based on invoice date, is as follows:

	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
0-30 days	284,930	170,476
31-60 days	30,191	5,634
61-90 days	519	844
91-120 days	125	109
Over 120 days	364	588
	<u>316,129</u>	<u>177,651</u>

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

14 BANK BORROWINGS

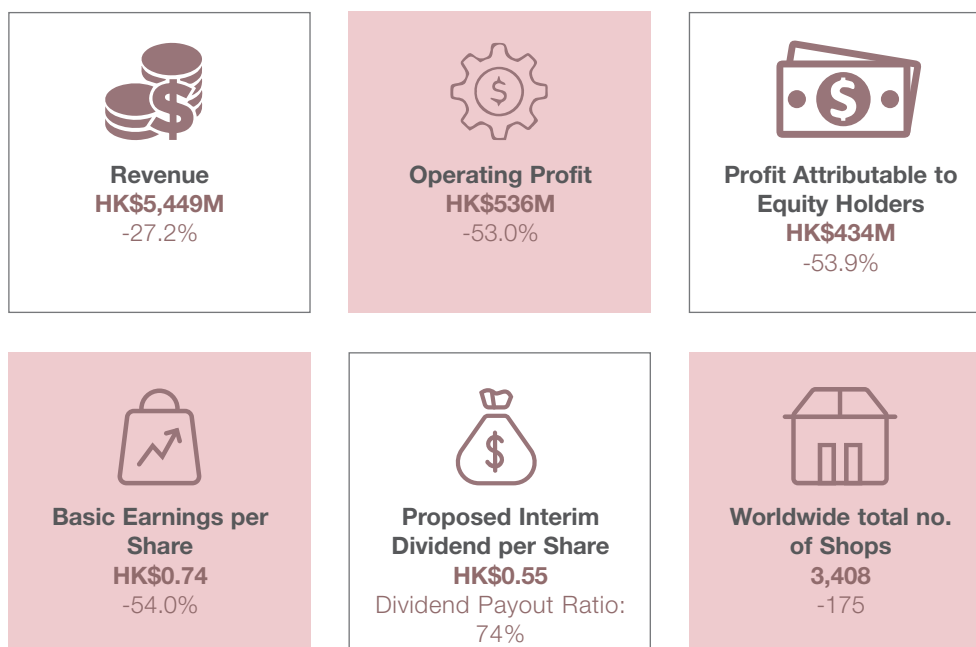
	As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
Bank borrowings, secured	<u>20,000</u>	<u>362,000</u>

As at 30 September 2024, bank borrowings of HK\$20,000,000 (as at 31 March 2024: HK\$362,000,000) were secured by corporate guarantees given by the certain subsidiaries.

The bank borrowings are due for repayment within 1 month (as at 31 March 2024: same) and are denominated in HK\$ (as at 31 March 2024: same). The interest rates of bank borrowings are 4.31% (as at 31 March 2024: 4.96%) per annum. The carrying amounts of the bank borrowings approximate their fair values, as the impact of discounting is not significant due to their short-term maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE



Results

The increase in central banks' gold reserves and ongoing worldwide geopolitical tensions have driven gold prices to surge since March 2024 and repeatedly reach new highs during the Period. In face of various challenges including macroeconomic uncertainties, further rising gold prices and cautious consumer sentiment, coupled with a high base effect, the Group's total revenue decreased by 27.2% to HK\$5,448,634,000 during the Period under review (2023: HK\$7,486,031,000). However, benefiting from the rise in gold prices, the overall gross margin of the Group rose by 4.9 p.p. to 32.7% (2023: 27.8%). Therefore, the Group's gross profit decreased by 14.4% to HK\$1,781,653,000 (2023: HK\$2,081,444,000).

The surge in gold prices caused the gold hedging during the Period to shift from a gain of HK\$55,376,000 in the same period last year to a loss of HK\$229,823,000. Therefore, operating profit decreased by 53.0% to HK\$536,301,000 (2023: HK\$1,140,331,000), and operating profit margin declined to 9.8% (2023: 15.2%). Furthermore, profit for the Period decreased by 55.7% to HK\$417,246,000 (2023: HK\$942,631,000). The net profit margin decreased by 4.9 p.p. to 7.7% (2023: 12.6%). If the impact of gold hedging losses was excluded, the adjusted profit for the Period would be HK\$647,069,000, narrowing the decline to around 27.1%. Moreover, the profit attributable to equity holders of the Group decreased by 53.9% to HK\$434,469,000 (2023: HK\$942,651,000). Accordingly, the basic earnings per share decreased by 54.0% to HK\$0.74 (2023: HK\$1.61).

Overview

During the Period under review, the Group operated a total of 2 brands and 4 sub-brands/product lines under the multi-brand strategy. There was a net decrease of 175 shops globally, including a net decrease of 186 “Lukfook” shops, a net increase of 7 “3DG Jewellery” shops and 4 sub-brands/product lines shops.

As at 30 September 2024, the Group had a global network of 3,408 shops (2023: 3,289 shops), including 2,931 “Lukfook” shops (2023: 3,068 shops), with business spanning across Hong Kong SAR, China¹, Macau SAR, China², Mainland China³, Malaysia, Cambodia, the Philippines, Laos, Thailand, the United States, Canada and Australia; In addition, the Group had 225 “3DG Jewellery” shops (2023: 0 shop) in Hong Kong, Macau and Mainland; 35 “Lukfook Joaillerie” shops (2023: 26 shops) in Mainland and Malaysia, 35 “Goldstyle” shops (2023: 62 shops), 165 “Heirloom Fortune” shops (2023: 121 shops) and 17 “Love LUKFOOK JEWELLERY” shops (2023: 12 shops) in Mainland.

Global Distribution Network

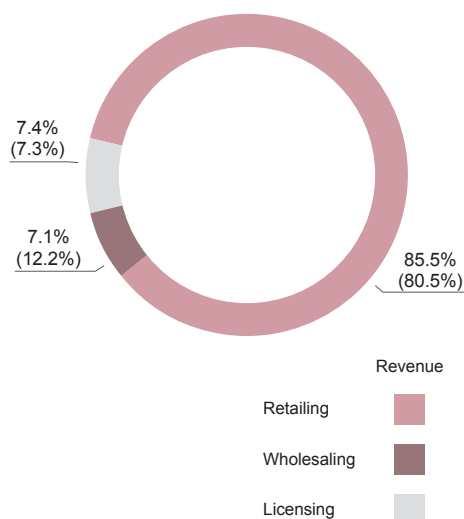
	Countries and Regions	Main-brands/Sub-brands/Product Lines	30 September 2024	31 March 2024	Changes
Self-operated Shops	Mainland	Lukfook	73	68	+5
		3DG Jewellery	79	63	+16
		Goldstyle	1	1	0
		Lukfook Joaillerie	4	3	+1
		Heirloom Fortune	14	15	-1
		Sub-total	171	150	+21
	Hong Kong	Lukfook	50	50	0
		3DG Jewellery	5	4	+1
		Sub-total	55	54	+1
	Macau	Lukfook	17	17	0
		3DG Jewellery	1	1	0
		Lukfook Joaillerie	1	0	+1
		Sub-total	19	18	+1
	Canada	Lukfook	2	2	0
	The United States		4	4	0
	Australia		2	2	0
	Malaysia		3	3	0
Lukfook Joaillerie			1	1	0
	Sub-total		12	12	0
	Total	257	234	+23	
Licensed Shops	Mainland	Lukfook	2,769	2,962	-193
		3DG Jewellery	140	150	-10
		Goldstyle	34	55	-21
		Lukfook Joaillerie	29	24	+5
		Heirloom Fortune	151	131	+20
		Sub-total	3,123	3,322	-199
	Cambodia	Lukfook	3	3	0
	The Philippines		3	3	0
	Laos		1	1	0
	Thailand		3	1	+2
	Australia		1	1	0
	Sub-total	11	9	+2	
	Total	3,134	3,331	-197	
Specialty Shops	Mainland	Love LUKFOOK JEWELLERY	17	18	-1
		Sub-total	17	18	-1
		Total	17	18	-1
	Worldwide Total		3,408	3,583	-175

¹ Hong Kong SAR, China: Hereafter refers to as “Hong Kong”

² Macau SAR, China: Hereafter refers to as “Macau”

³ Mainland China: Hereafter refers to as “Mainland”

Revenue and Segment Profit by Business



Remarks: Comparative figures for 1H FY2024 are shown in brackets

HK\$M	Revenue	Segment Profit		Segment Profit Margin	Adjusted Segment Profit ²	Adjusted Segment Profit Margin
			Mix			
Retailing	4,660	383	69.2%	8.2%	563	12.1%
<i>Y-o-Y Changes</i>	-22.7%	-42.2%	+15.3 p.p.	-2.8 p.p.	-10.2%	+1.7 p.p.
Wholesaling	385	-69	-12.4%	-17.8%	-19	-5.1%
<i>Y-o-Y Changes</i>	-57.8%	-139.4%	-26.6 p.p.	-36.9 p.p.	-112.7%	-21.9 p.p.
<i>Adjusted Wholesaling</i>	1,200 ¹	-69		-5.7%	-19	-1.6%
<i>Y-o-Y Changes</i>	-48.1%	-139.4%	N/A	-13.2 p.p.	-112.7%	-8.2 p.p.
Licensing	404	239	43.2%	59.2%	239	59.2%
<i>Y-o-Y Changes</i>	-26.0%	-39.0%	+11.3 p.p.	-12.6 p.p.	-39.0%	-12.6 p.p.
Overall	5,449	553	100%	10.2%	783	14.4%
<i>Y-o-Y Changes</i>	-27.2%	-55.0%	-	-6.2 p.p.	-33.2%	-1.3 p.p.

Remarks: ¹ Adjusted Wholesaling Revenue = Revenue of Wholesaling Business to External Parties + Inter-Segment Wholesaling Revenue

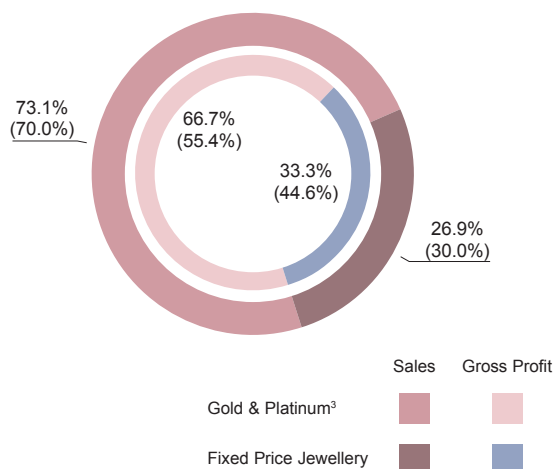
² Adjusted Segment Profit refers to segment profit excluding gold hedging losses or gains

During the Period under review, retailing business was the main source of revenue of the Group. The Group's retailing revenue decreased by 22.7% to HK\$4,660,250,000 (2023: HK\$6,029,948,000), accounting for 85.5% (2023: 80.5%) of the Group's total revenue. Its segment profit decreased by 42.2% to HK\$382,803,000 (2023: HK\$662,548,000), accounting for 69.2% (2023: 53.9%) of the total and its segment profit margin was 8.2% (2023: 11.0%). When excluding the gold hedging losses attributed to the retail segment, its segment profit would be HK\$563,508,000 (2023: HK\$627,805,000) and the adjusted segment margin would be 12.1% (2023: 10.4%)

Due to the continued sluggish demand for diamond products in Mainland and the decrease in the number of licensed shops, the Group's wholesaling revenue significantly declined by 57.8% to HK\$384,576,000 (2023: HK\$910,558,000), accounting for 7.1% (2023: 12.2%) of the Group's total revenue. Its segment loss was HK\$68,552,000 (2023 segment profit: HK\$173,871,000), accounting for -12.4% (2023: 14.2%) of the total, and its segment profit margin was -17.8% (2023: 19.1%). As the segment profit of wholesaling business included profits from inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be -5.7% (2023: 7.5%). When excluding the gold hedging losses attributed to the wholesaling business, this segment loss would amount to HK\$19,434,000, (2023 segment profit: HK\$153,238,000) resulting in an adjusted wholesaling segment profit margin of -1.6% (2023: 6.6%).

During the Period under review, the licensing income decreased by 26.0% to HK\$403,808,000 (2023: HK\$545,525,000), accounting for 7.4% (2023: 7.3%) of the Group's total revenue. Its segment profit margin was 59.2% (2023: 71.8%), while its segment profit decreased by 39.0% to HK\$239,002,000 (2023: HK\$391,888,000), accounting for 43.2% (2023: 31.9%) of the total.

Sales¹ and Gross Profit² by Product



Remarks: Comparative figures for 1H FY2024 are shown in brackets

HK\$M	Sales	Gross Profit	Gross Margin
Gold & Platinum	3,689	1,014	27.5%
<i>Y-o-Y Changes</i>	-24.1%	+9.5%	+8.4 p.p.
Fixed Price Jewellery	1,356	506	37.3%
<i>Y-o-Y Changes</i>	-34.8%	-32.2%	+1.4 p.p.
Overall	5,045	1,520	30.1%
<i>Y-o-Y Changes</i>	-27.3%	-9.1%	+6.0 p.p.

Remarks: ¹ Sales = Revenue – Licensing Income

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

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

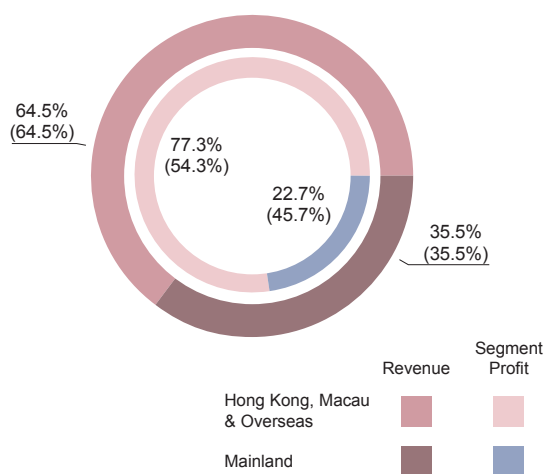
During the Period under review, the average international gold price in USD per ounce increased nearly 23.0% year-on-year. The sharp rise in gold prices affected consumer sentiment. Consequently, sales of gold and platinum products decreased by 24.1% to HK\$3,688,804,000 (2023: HK\$4,860,293,000), accounting for 73.1% (2023: 70.0%) of the overall sales amount (revenue of the Group minus licensing income). Its gross margin increased by 8.4 p.p. to 27.5% (2023: 19.1%) because of the rise in gold prices. Gross profit of gold and platinum products therefore increased by 9.5% to HK\$1,013,756,000 (2023: HK\$926,146,000), accounting for 66.7% (2023: 55.4%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income).

On the other hand, the sales of fixed price jewellery products decreased by 34.8% to HK\$1,356,021,000 (2023: HK\$2,080,213,000), accounting for 26.9% (2023: 30.0%) of the overall sales amount (revenue of the Group minus licensing income). Nevertheless, due to the increased mix of retailing revenue, which has higher gross margin than wholesaling, gross margin of fixed price jewellery products increased by 1.4 p.p. to 37.3% (2023: 35.9%). Its gross profit, however, decreased by 32.2% to HK\$505,957,000 (2023: HK\$746,596,000), accounting for 33.3% (2023: 44.6%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income).

During the Period under review, the overall Same Store Sales⁴ of the Group was -34.3% (2023: +44.2%). SSS for gold and platinum products was -35.6% (2023: +43.9%) and -30.3% (2023: +45.1%) for fixed price jewellery products.

BUSINESS REVIEW

Revenue and Segment Profit by Market



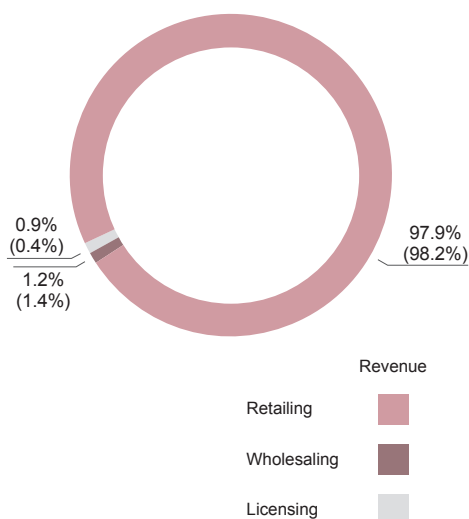
Remarks: Comparative figures for 1H FY2024 are shown in brackets

HK\$M	Revenue	Segment Profit	Segment Profit Margin	Adjusted Segment Profit ¹	Adjusted Segment Profit Margin
Hong Kong, Macau & Overseas <i>Y-o-Y Changes</i>	3,513 -27.3%	428 -35.9%	12.2% -1.6 p.p.	543 -14.0%	15.6% +2.5 p.p.
Mainland <i>Y-o-Y Changes</i>	1,936 -27.1%	125 -77.7%	6.5% -14.7 p.p.	240 -55.7%	15.3% -10.1 p.p.
Overall <i>Y-o-Y Changes</i>	5,449 -27.2%	553 -55.0%	10.2% -6.2 p.p.	783 -33.2%	14.4% -1.3 p.p.

Remarks: ¹ Adjusted Segment Profit refers to segment profit excluding gold hedging losses or gains

⁴ Same Store Sales ("SSS") 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.

Hong Kong, Macau and Overseas



Remarks: Comparative figures for 1H FY2024 are shown in brackets

HK\$M	Revenue	Segment Profit		Segment Profit Margin	Adjusted Segment Profit ²	Adjusted Segment Profit Margin
			Mix			
Retailing	3,438	419	97.8%	12.2%	502	14.6%
<i>Y-o-Y Changes</i>	-27.5%	-26.5%	+12.4 p.p.	+0.2 p.p	-8.5%	+3.0 p.p
Wholesaling	43	-23	-5.3%	-52.6%	9	21.8%
<i>Y-o-Y Changes</i>	-34.0%	-130.0%	-16.6 p.p.	-168.3 p.p.	-84.6%	-71.9 p.p.
<i>Adjusted Wholesaling</i>	813 ¹	-23		-2.8%	9	1.2%
<i>Y-o-Y Changes</i>	-42.3%	-130.0%	N/A	-8.2p.p.	-84.6%	-3.1 p.p.
Licensing	32	32	7.5%	101.1%	32	101.1%
<i>Y-o-Y Changes</i>	+49.2%	+45.8%	-4.2 p.p.	-2.4 p.p.	+45.8%	-2.4 p.p.
Overall	3,513	428	100%	12.2%	543	15.6%
<i>Y-o-Y Changes</i>	-27.3%	-35.9%	-	-1.6 p.p.	-14.0%	+2.5 p.p.

Remarks: ¹ Adjusted Wholesaling Revenue = Revenue of Wholesaling Business to External Parties + Inter-Segment Wholesaling Revenue

² Adjusted Segment Profit refers to segment profit excluding gold hedging losses or gains

Hong Kong, Macau and Overseas

Hong Kong

According to the Statistics on Visitor Arrivals to Hong Kong published by the Hong Kong Tourism Board in October 2024, Mainland visitors from January to September 2024 rose 35.1% year-on-year to approximately 25.2 million. In respect of tourist spending, according to the retail sales value released by the Census and Statistics Department of Hong Kong in November 2024, the sales value of jewellery, watches and clocks, and valuable gifts from January to September 2024 decreased by 16.0% over the corresponding period last year. The Group's retailing revenue in the Hong Kong market decreased 28.7% to HK\$2,214,143,000 (2023: HK\$3,103,413,000) during the Period under review. As at 30 September 2024, the Group operated 50 self-operated shops (2023: 50 shops) in Hong Kong.

Macau

According to the market figures released by the Macau Government Tourism Office, the number of Mainland visitor arrivals to Macau from January to September 2024 increased by 36.3% to approximately 18.2 million year-on-year, and the per capita consumption of Mainland tourists decreased by 21.7% year-on-year in the first three quarters. The Group's revenue generated from the Macau market decreased 31.9% to HK\$919,397,000 (2023: HK\$1,349,753,000) during the Period under review. As at 30 September 2024, the Group had a total of 18 self-operated shops (2023: 16 shops) in Macau.

Overseas

During the Period under review, the Group actively expanded into overseas markets. As at 30 September 2024, the Group operated a total of 23 overseas shops (2023: 19 shops), including self-operated shops of 4 in each of the United States and Malaysia, and 2 in each of Canada and Australia, and licensed shops of 3 in each of Cambodia, Thailand and the Philippines, and 1 in each of Laos and Australia.

During the Period under review, retailing revenue from the Hong Kong, Macau and overseas markets decreased by 27.5% to HK\$3,437,907,000 (2023: HK\$4,743,587,000), accounting for 97.9% (2023: 98.2%) of these markets' total revenue and 63.1% (2023: 63.4%) of the Group's total. Its segment profit decreased by 26.5% to HK\$418,411,000 (2023: HK\$569,523,000), which accounted for 97.8% (2023: 85.4%) of these markets' total and 75.6% (2023: 46.3%) of the Group's total. Its segment profit margin was 12.2% (2023: 12.0%). When excluding the gold hedging losses attributed to the Hong Kong, Macau and overseas markets, its segment profit would be HK\$501,519,000 (2023: HK\$548,263,000), narrowing the decline to 8.5% and the adjusted segment margin would be 14.6% (2023: 11.6%).

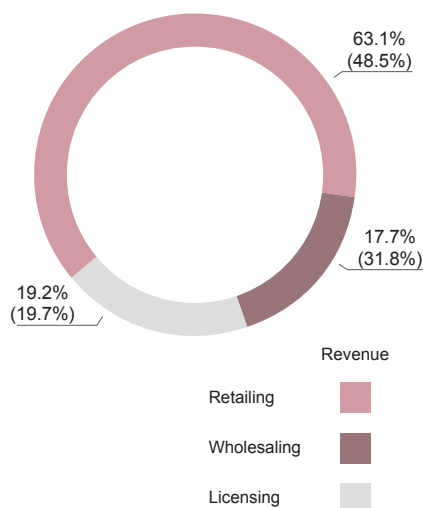
In addition, wholesaling revenue decreased by 34.0% to HK\$43,084,000 (2023: HK\$65,316,000), accounting for 1.2% (2023: 1.4%) of the Hong Kong, Macau and overseas markets' total revenue and 0.8% (2023: 0.9%) of the Group's total. Its segment loss was HK\$22,664,000 (2023 segment profit: HK\$75,544,000), accounting for -5.3% (2023: 11.3%) of these markets' total and -4.1% (2023: 6.2%) of the Group's total, while its segment profit margin was -52.6 % (2023: 115.7%). As the segment profit of wholesaling business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be -2.8% (2023: 5.4%). When excluding the gold hedging losses borne by the wholesaling business, this segment profit would amount to HK\$9,410,000 (2023: HK\$61,193,000), resulting in an adjusted wholesaling business profit margin of 1.2% (2023: 4.3%).

On the other hand, due to the addition of 2 overseas licensed shops during the Period, Hong Kong licensing income increased by 49.2% to HK\$31,792,000 (2023: HK\$21,303,000), accounting for 0.9% (2023: 0.4%) of these markets' total revenue and 0.6% (2023: 0.3%) of the Group's total revenue. Its segment profit increased by 45.8% to HK\$32,137,000 (2023: HK\$22,046,000), accounting for 7.5% (2023: 3.3%) of these markets' total and 5.8% (2023: 1.8%) of the Group's total, and its segment profit margin was 101.1% (2023: 103.5%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets decreased by 27.3% to HK\$3,512,783,000 (2023: HK\$4,830,206,000) during the Period under review, accounting for 64.5% (2023: 64.5%) of the Group's total revenue. Its segment profit decreased by 35.9% to HK\$427,884,000 (2023: HK\$667,113,000), accounting for 77.3% (2023: 54.3%) of the Group's total, while its segment profit margin was 12.2% (2023: 13.8%). When excluding the gold hedging losses incurred, its segment profit would be HK\$543,066,000 (2023: HK\$631,502,000), narrowing the decline to 14.0% and the adjusted segment margin would be 15.6% (2023: 13.1%).

The overall SSS in the Hong Kong, Macau and overseas markets was -34.9% (2023: +49.3%), while their SSS for gold and platinum products was -36.5% (2023: +49.1%) and -29.9% (2023: +50.0%) for fixed price jewellery products.

Mainland



Remarks: Comparative figures for 1H FY2024 are shown in brackets

HK\$M	Revenue	Segment Profit		Segment Profit Margin	Adjusted Segment Profit ²	Adjusted Segment Profit Margin
			Mix			
Retailing	1,222	-36	-28.4%	-2.9%	62	5.1%
<i>Y-o-Y Changes</i>	-5.0%	-138.3%	-45.0 p.p.	-10.1 p.p.	-22.1%	-1.1 p.p.
Wholesaling	342	-46	-36.6%	-13.4%	-29	-8.4%
<i>Y-o-Y Changes</i>	-59.6%	-146.7%	-54.1 p.p.	-25.0 p.p.	-131.3%	-19.3 p.p.
<i>Adjusted Wholesaling</i>	387 ¹	-46		-11.9%	-29	-7.4%
<i>Y-o-Y Changes</i>	-57.2%	-146.7%	N/A	-22.8 p.p.	-131.3%	-17.6 p.p.
Licensing	372	207	165.0%	55.6%	207	55.6%
<i>Y-o-Y Changes</i>	-29.0%	-44.1%	+99.1 p.p.	-15.0 p.p.	-44.1%	-15.0 p.p.
Overall	1,936	125	100%	6.5%	240	15.3%
<i>Y-o-Y Changes</i>	-27.1%	-77.7%	-	-14.6 p.p.	-55.7%	-10.1 p.p.

Remarks: ¹ Adjusted Wholesaling Revenue = Revenue of Wholesaling Business to External Parties + Inter-Segment Wholesaling Revenue

² Adjusted Segment Profit refers to segment profit excluding gold hedging losses or gains

Mainland

Due to the lackluster macroeconomic conditions in Mainland and continuously peaking gold prices, the retailing revenue of the Mainland market decreased by 5.0% to HK\$1,222,343,000 (2023: HK\$1,286,361,000), accounting for 63.1% (2023: 48.5%) of Mainland market's revenue and 22.4% (2023: 17.2%) of the Group's total. Its segment loss was HK\$35,608,000 (2023 segment profit: HK\$93,025,000), accounting for -28.4% (2023: 16.6%) of Mainland markets' total and -6.4% (2023: 7.6%) of the Group's total. Its segment profit margin was -2.9% (2023: 7.2%). The overall SSS in Mainland was -26.5% (2023: -3.9%). The SSS for its gold and platinum products was -23.8% (2023: -1.8%) and -39.1% (2023: -12.8%) for its fixed price jewellery products. When excluding the gold hedging losses attributed, its segment profit would be HK\$61,989,000 (2023: HK\$79,542,000) and the adjusted segment margin would be 5.1% (2023: 6.2%).

Due to the continued sluggish demand for diamond products in the Mainland market, its revenue of the wholesaling business, which primarily focuses on diamond product sales, decreased by 59.6% to HK\$341,492,000 (2023: HK\$845,242,000), which accounted for 17.7% (2023: 31.8%) of Mainland market's revenue and 6.3% (2023: 11.3%) of the Group's total. Its segment loss was HK\$45,888,000 (2023 segment profit: HK\$98,327,000), accounting for -36.6% (2023: 17.5%) of Mainland market's total and -8.3% (2023: 8.0%) of the Group's total. Its segment profit margin was -13.4% (2023: 11.6%). As the segment profit of wholesaling business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be -11.9% (2023: 10.9%). When excluding gold hedging losses attributed to the wholesaling business, this segment loss would reduce to HK\$28,844,000 (2023 segment profit: HK\$92,045,000), resulting in an adjusted wholesaling segment profit margin of -7.4% (2023: 10.2%).

Licensing income in the Mainland market decreased by 29.0% to HK\$372,016,000 (2023: HK\$524,222,000), which accounted for 19.2% (2023: 19.7%) of Mainland market's revenue and 6.8% (2023: 7.0%) of the Group's total. Its segment profit decreased by 44.1% to HK\$206,865,000 (2023: HK\$369,842,000), accounting for 165.0% (2023: 65.9%) of Mainland market's total and 37.4% (2023: 30.1%) of the Group's total, and its segment profit margin was 55.6% (2023: 70.6%).

To cater to the customer needs of different profiles, the Group adopted a multi-brand strategy. The Group developed popular product lines into independent shops, including "Goldstyle", a popular product collection well-known for pioneering exquisite techniques, and "Heirloom Fortune", which features traditional craftsmanship of gold jewellery. In addition, the Group introduced a brand and various sub-brands, including "3DG Jewellery", "Love LUKFOOK JEWELLERY" for the affordable luxury market and younger generation, and "Lukfook Joaillerie" for the high-end market.

As at 30 September 2024, the Group had a total of 3,311 shops (2023: 3,204 shops) in Mainland, including 2,842 "Lukfook" shops (2023: 2,983 shops), 219 "3DG Jewellery" shops (2023: 0 shop), 35 "Goldstyle" shops (2023: 62 shops), 33 "Lukfook Joaillerie" shops (2023: 26 shops), 165 "Heirloom Fortune" shops (2023: 121 shops) and 17 "Love LUKFOOK JEWELLERY" shops (2023: 12 shops).

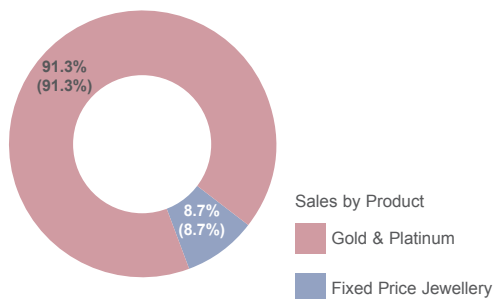
During the Period under review, the Group had a net reduction of 193 “Lukfook” licensed shops (2023: +123 shops) in Mainland, while the number of “Lukfook” self-operated shops increased by 5 shops (2023: -2 shops). Details are as follows:

Mainland Distribution Network

Shop number of different brands/sub-brands/product lines		30 September 2024	31 March 2024	Changes
Lukfook	Self-operated	73	68	+5
	Licensed	2,769	2,962	-193
	Sub-total	2,842	3,030	-188
3DG Jewellery	Self-operated	79	63	+16
	Licensed	140	150	-10
	Sub-total	219	213	+6
Goldstyle	Self-operated	1	1	0
	Licensed	34	55	-21
	Sub-total	35	56	-21
Lukfook Joaillerie	Self-operated	4	3	+1
	Licensed	29	24	+5
	Sub-total	33	27	+6
Heirloom Fortune	Self-operated	14	15	-1
	Licensed	151	131	+20
	Sub-total	165	146	+19
Love LUKFOOK JEWELLERY	Speciality	17	18	-1
	Sub-total	17	18	-1
Total	Self-operated	171	150	+21
	Licensed	3,123	3,322	-199
	Speciality	17	18	-1
Total		3,311	3,490	-179

During the Period under review, the overall same store sales growth of “Lukfook” licensed shops in Mainland was -19.4% (2023: -1.6%). The same store sales growth for their gold and platinum products and fixed price jewellery products were -16.8% (2023: +2.3%) and -27.0% (2023: -12.2%) respectively.

1H FY2025
Mainland E-commerce Business Performance



Remarks: Figures for 1H FY2024 are shown in brackets

Revenue	
HK\$752 Million	-13.9% Y-o-Y Changes
Average Selling Price¹	
RMB2,100	+23.5% Y-o-Y Changes
Contribution to Mainland Retailing Revenue²	
61.5%	(1H FY2024: 67.9%)
Contribution to Group's Retailing Revenue²	
16.1%	(1H FY2024: 14.5%)

Remarks: ¹ ASP included value-added tax (VAT)

² Sales of self-operated shops and e-commerce business

During the Period under review, revenue of e-commerce business from Mainland decreased 13.9% to HK\$752,028,000 (2023: HK\$872,945,000), accounting for 61.5% (2023: 67.9%) of the retailing revenue in Mainland and 16.1% (2023: 14.5%) of the Group's retailing revenue. Sales of gold and platinum products accounted for 91.3% (2023: 91.3%) of its sales mix and 8.7% (2023: 8.7%) for its fixed price jewellery products.

Overall speaking, revenue from the Mainland market decreased 27.1% to HK\$1,935,851,000 (2023: HK\$2,655,825,000), accounting for 35.5% (2023: 35.5%) of the Group's total revenue. Its segment profit decreased by 77.7% to HK\$125,369,000 (2023: HK\$561,194,000), accounting for 22.7% (2023: 45.7%) of the total, and its segment profit margin was 6.5% (2023: 21.1%). When excluding the gold hedging losses attributed to the Mainland market, its segment profit would be HK\$240,010,000 (2023: HK\$541,429,000) and the adjusted segment margin would be 15.3% (2023: 25.4%)

FINANCIAL REVIEW

Non-HKFRS Financial Measure

To supplement the consolidated interim results of the Group prepared in accordance with HKFRS, non-HKFRS financial measures, EBITDA, EBITDA margin and total operating expenses to revenue ratio have been presented in this announcement. The Company's management believes that such non-HKFRS financial measures provide investors with clearer view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding the impact of certain non-cash items. Nevertheless, the use of these non-HKFRS financial measures has limitations as an analytical tool. These unaudited non-HKFRS financial measures should be considered in addition to, not as a substitute for, analysis of the Group's financial performance prepared in accordance with HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

Liquidity and Financial Resources

As at 30 September 2024, the Group's cash and bank balances amounted to HK\$1,934,000,000 (31 March 2024: HK\$1,998,000,000). Net cash was HK\$526,000,000 (31 March 2024: HK\$570,000,000). The debt-to-equity ratio was 29.7% (31 March 2024: 31.0%), being the ratio of total liabilities of HK\$3,926,000,000 (31 March 2024: HK\$3,990,000,000) against total shareholders' equity of HK\$13,219,000,000 (31 March 2024: HK\$12,891,000,000). As at 30 September 2024, the Group's banking facilities amounted to approximately HK\$5.01 billion (31 March 2024: HK\$4.42 billion), of which HK\$1.41 billion (31 March 2024: HK\$1.43 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	
	1H FY2025	Y-o-Y Changes	1H FY2025	Y-o-Y Changes
Gold	310	+120	319	+119
Fixed Price Jewellery	1,110	+425	1,117	+422
Overall	504	+186	512	+184

As at 30 September 2024, the Group's inventory increased by 3.1% to HK\$9,863,000,000 (31 March 2024: HK\$9,567,000,000). The average inventory turnover days were 504 days (2023: 318 days), among which the average inventory turnover days of gold products were 310 days (2023: 190 days). The average inventory turnover days of fixed price jewellery products were 1,110 days (2023: 685 days).

Capital Expenditure

During the Period under review, the Group's capital expenditures amounted to HK\$65,000,000 (31 March 2024: HK\$680,000,000), including the costs of properties, leasehold lands, right-of-use assets, leasehold improvements, furniture, fixtures and equipment.

Capital Commitments

As at 30 September 2024, the Group's total capital commitments amounted to HK\$17,000,000 (31 March 2024: HK\$20,000,000).

Contingent Liabilities and Guarantee

As at 30 September 2023, the Group had corporate financial guarantee amounting to HK\$1,075,000,000 to several banks in respect of 50% of the aggregated amount of banking facilities granted to an associate. As at 30 September 2023, the banking facilities utilised by the associate were HK\$1,725,000,000.

As at 30 September 2023, a loss allowance amounting to HK\$69,000,000 estimated under the expected credit loss model in respect of such corporate financial guarantee of the Group was recognised.

As at 30 September 2024 and 2023, save as disclosed above, the Group had no significant contingent liabilities.

Human Capital Policy

As at 30 September 2024, the number of employees of the Group was approximately 6,600 (2023: 6,200). 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.

OUTLOOK

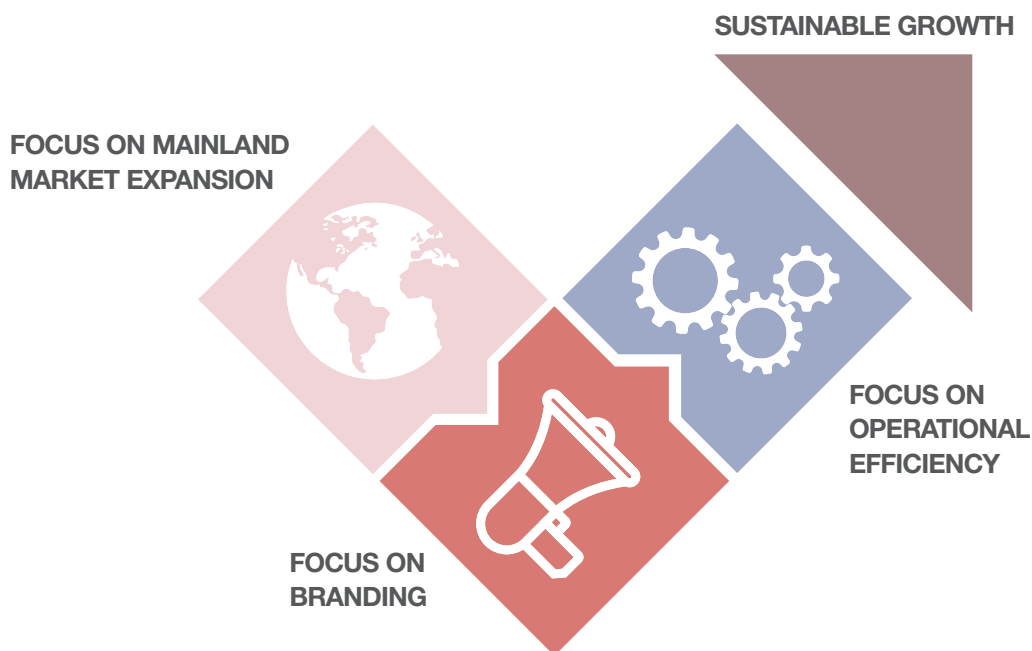
The consistently record-breaking gold prices impacted sales during the Period under review, and when combined with the high base effect, put pressure on same store sales in Hong Kong, Macau and Mainland markets. Fortunately, the decline in same store sales in the Mainland market (including self-operated shops and licensed shops) and the Hong Kong market has narrowed since September. Therefore, from 1 October to mid-November 2024, the Group's overall same store sales performance showed improvements as compared to the second quarter.

Although the spike in gold prices may affect sales performance, an increase in profit margin will help mitigate the impact of the decline in sales. Sales of the gold products are expected to resume to the normal levels after consumers adapt to the high gold prices. Moreover, since the demand for diamond products remains subdued, the Group will continue to actively promote non-diamond fixed price jewellery products.

The Mainland government is actively working on boosting domestic demand and has introduced various policies to support the property and capital markets. In hopes of improved macroeconomic conditions as well as retail sentiment recovery, the retailing business is expected to regain its growth momentum. As such, the Group remains cautiously optimistic about its mid-to long-term business prospects and will continue to expand in the Mainland market in the future.

Furthermore, the Group is optimistic about the immense growth potential in the overseas markets. The Group will allocate more resources to expand its footprint across the world and plans to have a net addition of approximately 15 shops in the overseas markets in this financial year. Due to the lower base in the second half of the financial year as compared to the first half, a better business performance is expected in the second half of the financial year.

At the beginning of FY2023, the Group has already set up its brand new three-year corporate strategy with Mainland Market Expansion, Branding and Operational Efficiency as its three main focuses so as to foster its future business growth.



Mainland Market Expansion

The expansion of “Lukfook” shops in Mainland remains focused on opening licensed shops in fourth and fifth-tier cities. As for the development of other brands, including “3DG Jewellery,” the Group’s main goal in Mainland is to add licensed shops. In addition, the Group will continue to develop its e-commerce business in the Mainland by strengthening cooperation with various e-commerce platforms and at the same time will also optimise its own e-commerce platform, aiming to sustain the growth in e-commerce revenue. In light of the enormous spending potential of young consumers on online sales platforms, the Group will continue its endeavours to promote the sales of affordable luxury jewellery products to expand its footprint in the young consumer market.

Branding Strategy

The Group continuously strengthens its brand image and positioning. Additionally, it enhances product quality assurance, improves service quality, optimises support for licensees and adopts a multi-brand strategy to meet market needs. Following the launch of various sub-brands/product lines “Goldstyle”, “Lukfook Joaillerie” and “Heirloom Fortune”, to target the affordable luxury market, the Group launched a sub-brand “Love LUKFOOK JEWELLERY” in May 2023 and acquired the brand “3DG Jewellery” in January 2024, in order to appeal to the younger generation. The Group will persist in penetrating and targeting the middle-class, wedding, and Generation Z markets while seizing development opportunities. It also focuses on enhancing visual merchandising, boosting cross-selling efforts, conducting VIP promotional activities, and collaborating with other industries or brands to improve sales and profits. We will continue allocating resources to various online media and mobile APPs, including REDnote and Tiktok, etc., to reach target customers and further enhance synergy between online and offline sales channels.

Operational Efficiency

In order to enhance its competitive edge, the Group will improve its operational efficiency by revamping its supply chain management, implementing full automation, big data management, and data analytics system. The Group will also strive to maximise employees’ productivity by cultivating and nurturing cultures of continuous improvement and innovation.

SUSTAINABILITY

Effective sustainability governance is one of the key factors in driving the long-term success of the Group. Therefore, we continuously optimise our Environmental, Social and Governance (ESG) management systems, commit to integrating ESG principles into our corporate planning and operational decision-making process.

During the Period under review, the Group signed the “Business Sector Integrity Charter” organised by the Hong Kong Independent Commission Against Corruption and became a signatory organisation of the “Good Employer Charter” for three consecutive years, establishing action commitments. Meanwhile, we are honoured to have received multiple sustainability-related awards during the Period under review, recognising our contributions to society. In terms of product and service quality, the Group was awarded the “Hong Kong Service Awards” for the 17th consecutive year; recognised as a “Consumer Caring Company” for the 12th consecutive year; won the “Best of Show Award (Open Group)”, “Craftsmanship & Technology Award” and “Merit Award” at the 25th “Hong Kong Jewellery Design Competition”; and ranked among the top in the “2023 Gold Jewellery Retail Industry Brand Value and Brand Strength” jointly announced by the Gems & Jewelry Trade Association of China and the National Gems & Jewelry Testing Center Co., Ltd. In environmental protection, the Group once again won both the Service Sector and Manufacturing Sector awards in the “BOCHK Corporate Low-Carbon Environmental Leadership Awards” and received the “Wastewi\$e Certificate” under the “Hong Kong Green Organisation Certification”. In corporate governance and civic responsibility, the Group was honored as a “Happy Company” for the 11th consecutive year; recognised as a “Caring Company” for 15th consecutive years; received the “Greater Bay Area Enterprise Award” at the “Greater Bay Area Star Brand Enterprise Award 2024” ceremony; and won the “Highest Fundraising Award for Oxfam Rice Orders” at the “Oxfam Rice Event 2024”.

In addition, the Group also recognises the importance of environmental protection and climate change and the awareness of environmental protection among stakeholders, including consumers, and thus the Group will set up a long-term goal of carbon reduction to enhance the Group's contribution to environmental protection.

INTERIM DIVIDEND

With the strong financial position, the Board has resolved to declare an interim dividend of HK\$0.55 per ordinary share (2023: HK\$0.72 per ordinary share) for the six months ended 30 September 2024, to shareholders whose names appear on the register of members of the Company on 12 December 2024. The interim dividend will be paid on or around 24 December 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the interim dividend will be closed on 12 December 2024 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 11 December 2024.

CORPORATE GOVERNANCE

The Board and the 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 (the "Corporate Governance Code") as set out in Appendix C1 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 2024, except for the following deviation:

Code Provision C.2.1 of the Corporate Governance Code as contained in Appendix C1 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 in the Mainland market 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 the Deputy Chairman, 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 (the "Model Code") set out in Appendix C3 to the Listing Rules 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-month period ended 30 September 2024. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2024/25

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 2024/25 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 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 2024

As at the date of this announcement, the Company's Executive Directors are Mr. WONG Wai Sheung (Chairman and Chief Executive Officer), Mr. WONG Ho Lung, Danny (Deputy Chairman), Ms. WONG Lan Sze, Nancy, Ms. WONG Hau Yeung, and Dr. CHAN So Kuen; the Non-executive Directors are Mr. TSE Moon Chuen, 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.