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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 2021

HIGHLIGHTS

- Due to the low base effect and gradual recovery of retail sentiment, revenue increased by 67.2% as compared with the same period last year, reaching HK\$5.6 billion
- SSSG¹ for the Hong Kong SAR², Macau SAR³ and overseas markets was +111.1% overall speaking, while that for the Mainland China⁴ market was +88.9%
- Gross profit increased by 35.1% to HK\$1.5 billion, with overall gross margin decreased by 6.4 p.p. to 26.8% as gold gross margin returned to more normal level and gold sales mix increased
- Operating profit increased by 101.5% to HK\$780 million because Hong Kong, Macau and overseas markets turnaround from loss to profit while all businesses in Mainland performed well
- Profit attributable to equity holders increased by 124.6% to HK\$654 million
- Basic earnings per share were HK\$1.11, increased by 122.0%
- Proposed interim dividend of HK\$0.55 per share with dividend payout ratio of 49.4%
- Net addition of 235 shops during the period with a total of 2,601 shops globally at period end

¹ Same store sales growth (“SSSG”) represented a comparison of sales of the same self-operated shop having full day operations in the comparable periods and such data did not include sales of licensed shops and Mainland China’s e-commerce business.

² Hong Kong SAR: Hereafter refers to as “Hong Kong”

³ Macau SAR: Hereafter refers to as “Macau”

⁴ Mainland China: Hereafter refers to as “Mainland”

FINANCIAL PERFORMANCE

	For the six months ended 30 September 2021 HK\$'000	For the six months ended 30 September 2020 HK\$'000	Y-o-Y Changes
Revenue	5,591,239	3,343,776	+67.2%
Gross Profit	1,499,557	1,109,704	+35.1%
Operating Profit	779,925	387,120	+101.5%
Profit for the period	653,886	293,003	+123.2%
Profit Attributable to Equity Holders	653,901	291,191	+124.6%
Basic Earnings per Share	HK\$1.11	HK\$0.500	+122.0%
Interim Dividend per Share	HK\$0.55	HK\$0.225	+144.4%
Special Dividend per Share	–	HK\$0.275	-100.0%
Dividend Payout Ratio	49.4%	100.8%	-51.4 p.p.
Gross Margin	26.8%	33.2%	-6.4 p.p.
Operating Margin	14.0%	11.6%	+2.4 p.p.
Net Margin	11.7%	8.8%	+2.9 p.p.
EBITDA	1,001,769	649,039	+54.3%
EBITDA Margin	17.9%	19.4%	-1.5 p.p.
Total Operating Expenses to Revenue Ratio	15.4%	23.7%	-8.3 p.p.
Effective Tax Rate	19.0%	20.0%	-1.0 p.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 2021 together with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2021

		Unaudited	
		for the six months ended	
		30 September	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		5,591,239	3,343,776
Cost of sales	5	<u>(4,091,682)</u>	<u>(2,234,072)</u>
Gross profit		1,499,557	1,109,704
Other income	6	144,847	139,633
Other losses, net	7	(3,753)	(48,761)
Selling and distribution costs		(776,249)	(719,989)
Administrative expenses		(83,809)	(73,819)
Net impairment loss on financial assets and financial guarantee contract		(668)	(19,648)
Operating profit	5	<u>779,925</u>	<u>387,120</u>
Finance income		46,746	31,405
Finance costs		(10,087)	(18,701)
Finance income, net		<u>36,659</u>	<u>12,704</u>
Share of results of associates		<u>(9,326)</u>	<u>(33,687)</u>
Profit before income tax		807,258	366,137
Income tax expenses	8	(153,372)	(73,134)
Profit for the period		<u>653,886</u>	<u>293,003</u>
Profit attributable to:			
Equity holders of the Company		653,901	291,191
Non-controlling interests		(15)	1,812
		<u>653,886</u>	<u>293,003</u>
Earnings per share for profit attributable to equity holders of the Company during the period			
Basic and diluted	9	<u>HK\$1.11</u>	<u>HK\$0.50</u>

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Unaudited for the six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Profit for the period	653,886	293,003
Other comprehensive income:		
<i>Items that may be or have been subsequently reclassified to profit or loss</i>		
Currency translation differences		
– Group	106,027	270,018
– Associates	961	(2,633)
Release of exchange reserve to profit or loss upon disposal of a subsidiary	–	(1,489)
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Revaluation of financial assets at fair value through other comprehensive income	(414)	(1,543)
Other comprehensive income for the period, net of tax	106,574	264,353
Total comprehensive income for the period	760,460	557,356
Attributable to:		
– Equity holders of the Company	760,475	553,644
– Non-controlling interests	(15)	3,712
Total comprehensive income for the period	760,460	557,356

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2021

	Note	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		901,814	906,816
Investment properties		1,005,210	909,084
Right-of-use assets		583,458	595,194
Interests in an associate	11	34,560	42,925
Financial assets at fair value through other comprehensive income		759	1,173
Trading license		1,080	1,080
Gold loan receivables		44,958	50,855
Deposits, prepayments and other receivables		119,778	149,110
Deferred income tax assets		150,978	123,076
		<u>2,842,595</u>	<u>2,779,313</u>
Current assets			
Inventories		8,093,852	7,321,614
Right of return assets		100,034	75,749
Trade receivables	12	185,219	277,338
Deposits, prepayments and other receivables		513,581	489,828
Amount due from an associate	11	–	769
Gold loan receivables		9,096	1,554
Income tax recoverables		23,828	19,525
Cash and cash equivalents		4,245,148	3,546,349
		<u>13,170,758</u>	<u>11,732,726</u>
Total assets		<u>16,013,353</u>	<u>14,512,039</u>
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		8,945,282	8,771,915
		<u>11,498,032</u>	<u>11,324,665</u>
Non-controlling interests		<u>(456)</u>	<u>(441)</u>
Total equity		<u>11,497,576</u>	<u>11,324,224</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2021

		As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		175,408	157,898
Lease liabilities		126,480	81,854
Employee benefit obligations		1,291	1,291
		<u>303,179</u>	<u>241,043</u>
Current liabilities			
Trade payables, other payables and accruals	13	1,258,481	1,022,238
Financial guarantee contract		20,000	20,000
Contract liabilities		195,372	150,802
Derivative financial instruments		45	–
Lease liabilities		243,214	338,574
Sales refund liabilities		197,581	155,906
Amount due to an associate	11	474	–
Bank borrowings	14	1,639,511	711,508
Gold loans		511,128	377,520
Current income tax liabilities		146,792	170,224
		<u>4,212,598</u>	<u>2,946,772</u>
Total liabilities		<u>4,515,777</u>	<u>3,187,815</u>
Total equity and liabilities		<u>16,013,353</u>	<u>14,512,039</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

Unaudited	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Share premium	Reserves	Subtotal	HK\$'000	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the period ended 30 September 2021						
As at 31 March 2021	58,710	2,494,040	8,771,915	11,324,665	(441)	11,324,224
Comprehensive income						
Profit for the period	-	-	653,901	653,901	(15)	653,886
Other comprehensive income						
Currency translation differences						
– Group	-	-	106,027	106,027	-	106,027
– Associates	-	-	961	961	-	961
Revaluation of financial assets at fair value through other comprehensive income	-	-	(414)	(414)	-	(414)
Total comprehensive income	-	-	760,475	760,475	(15)	760,460
Transaction with owners						
Dividends paid	-	-	(587,108)	(587,108)	-	(587,108)
	-	-	(587,108)	(587,108)	-	(587,108)
As at 30 September 2021	58,710	2,494,040	8,945,282	11,498,032	(456)	11,497,576

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

For the six months ended 30 September 2021

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

NOTES:

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2021 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 2021, 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 2021, as described in those annual financial statements.

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

- (a) New amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2021:

Amendment to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2
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There are no new amendments to standards that are effective for the first time for this interim period that have a material impact on the Group.

- (b) Certain new standard, amendments to existing standards and interpretation have been published that are mandatory for the Group’s accounting periods beginning on or after 1 April 2022, which the Group has not early adopted, are as follows:

Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments ⁽¹⁾
Amendments to Annual Improvement Project	Annual improvements 2018-2020 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41) ⁽¹⁾
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁽¹⁾
Amendments to HKAS 1 HK-Interpretation 5 (2020)	Classification of liabilities as current or non-current ⁽²⁾ Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
HKFRS 17	Insurance contracts ⁽²⁾
HKFRS 17	Amendments to HKFRS 17 ⁽²⁾
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors ⁽²⁾
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽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 2022

⁽²⁾ Effective for annual period beginning on or after 1 January 2023

⁽³⁾ To be announced by HKICPA

The directors of the Group will adopt the new standards, amendments to 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 standard, amendments to standards and interpretation, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

3 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

4 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, share of results of associates, corporate income and expenses are not included in the results of each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

Assets of reportable segments exclude interests in an associate, 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, 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 months ended 30 September 2021

	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	2,396,498	1,103,417	48,195	1,474,100	–	–	5,022,210
Sales of scrap	–	–	147	–	–	–	147
	<u>2,396,498</u>	<u>1,103,417</u>	<u>48,342</u>	<u>1,474,100</u>	<u>–</u>	<u>–</u>	<u>5,022,357</u>
Inter-segment sales	93,386	2,108	620,257	68,030	–	(783,781)	–
	<u>2,489,884</u>	<u>1,105,525</u>	<u>668,599</u>	<u>1,542,130</u>	<u>–</u>	<u>(783,781)</u>	<u>5,022,357</u>
Sales of merchandises	–	–	–	–	513,163	–	513,163
Royalty and service income	–	–	–	–	55,719	–	55,719
Consultancy fee income	–	–	–	–	–	–	–
Total	<u>2,489,884</u>	<u>1,105,525</u>	<u>668,599</u>	<u>1,542,130</u>	<u>568,882</u>	<u>(783,781)</u>	<u>5,591,239</u>
Results of reportable segments	<u>77,921</u>	<u>129,804</u>	<u>18,829</u>	<u>197,780</u>	<u>411,150</u>	<u>–</u>	<u>835,484</u>

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

Results of reportable segments	835,484
Unallocated income	65,715
Unallocated expenses	(121,274)
Operating profit	779,925
Finance income	46,746
Finance costs	(10,087)
Share of results of an associate	(9,326)
Profit before income tax	807,258
Income tax expenses	(153,372)
Profit for the period	653,886
Add: Loss attributable to non-controlling interests	15
Profit attributable to equity holders of the Company	<u>653,901</u>

As at 30 September 2021

	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>4,956,270</u>	<u>2,340,125</u>	<u>826,281</u>	<u>2,953,865</u>	<u>1,995,077</u>		13,071,618
Interests in an associate						34,560	34,560
Leasehold land and buildings						839,716	839,716
Investment properties						1,005,210	1,005,210
Deferred income tax assets						150,978	150,978
Income tax recoverable						23,828	23,828
Other unallocated assets						<u>887,443</u>	<u>887,443</u>
Total assets							<u><u>16,013,353</u></u>
Segment liabilities	<u>(621,117)</u>	<u>(54,697)</u>	<u>(175,561)</u>	<u>(280,995)</u>	<u>(827,249)</u>		(1,959,619)
Deferred income tax liabilities						(175,408)	(175,408)
Current income tax liabilities						(146,792)	(146,792)
Bank borrowings						(1,639,511)	(1,639,511)
Gold loans						(511,128)	(511,128)
Financial guarantee contract						(20,000)	(20,000)
Other unallocated liabilities						<u>(63,319)</u>	<u>(63,319)</u>
Total liabilities							<u><u>(4,515,777)</u></u>

For the six months ended 30 September 2020

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

As at 31 March 2021

	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>4,744,260</u>	<u>2,107,179</u>	<u>641,282</u>	<u>2,730,355</u>	<u>1,497,803</u>		11,720,879
Interests in an associate						42,925	42,925
Leasehold land and buildings						849,937	849,937
Investment properties						909,084	909,084
Deferred income tax assets						123,076	123,076
Income tax recoverable						19,525	19,525
Other unallocated assets						<u>846,613</u>	<u>846,613</u>
Total assets							<u>14,512,039</u>
Segment liabilities	<u>(566,081)</u>	<u>(42,619)</u>	<u>(165,034)</u>	<u>(244,280)</u>	<u>(648,577)</u>		(1,666,591)
Deferred income tax liabilities						(157,898)	(157,898)
Current income tax liabilities						(170,224)	(170,224)
Bank borrowings						(711,508)	(711,508)
Gold loans						(377,520)	(377,520)
Financial guarantee contract						(20,000)	(20,000)
Other unallocated liabilities						<u>(84,074)</u>	<u>(84,074)</u>
Total liabilities							<u>(3,187,815)</u>

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of sales (<i>Note (i)</i>)		
– Cost of inventories sold	3,950,059	2,126,294
– Cost of licensing business	141,623	107,778
Staff costs (including the directors' emoluments) (<i>Note (i)</i>)	351,191	281,440
Expenses relating to short-term leases and variable lease payments	42,904	35,225
Rent concession related to COVID-19 (<i>Note (ii)</i>)	(9,423)	(50,392)
Other taxes expenses	38,006	31,429
Advertising and promotion expenses	35,153	32,984
Commission expenses to payment service providers	27,584	12,956
Depreciation of right-of-use assets	167,121	233,040
Depreciation of investment properties	13,905	12,039
Depreciation of property, plant and equipment	50,144	50,527
Losses on disposal of property, plant and equipment	209	1,072
Impairment losses on property, plant and equipment	1,009	7,146
Impairment losses on right-of-use assets	26,724	33,925

Note:

- (i) Save as disclosed above, staff costs (including the directors' emoluments) of HK\$201,840,000 (2020: HK\$130,914,000) are included in "cost of sales" in the condensed consolidated income statement.
- (ii) For the period ended 30 September 2021, rent concession related to COVID-19 of HK\$9,423,000 (2020: HK\$50,392,000) has been included in "selling and distribution costs".

6 OTHER INCOME

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Government subsidies		
– Valued-added tax refund (<i>Note i</i>)	63,412	17,231
– Other government subsidies (<i>Note ii</i>)	40,590	32,568
– Employment Support Scheme (<i>Note iii</i>)	–	57,759
Rental income	27,900	22,555
Others	12,945	9,520
	144,847	139,633
	144,847	139,633

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 mainly represents subsidies from a municipal government in Mainland.
- (iii) The amount represents salaries and wage subsidies granted under Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to November 2020.

7 OTHER LOSSES, NET

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Net realised losses on derivative financial instruments (<i>Note i</i>)	(6,716)	(24,622)
Net realised (losses)/gains on foreign exchange forward contracts (<i>Note ii</i>)	(1,441)	10,139
Net unrealised losses on foreign exchange forward contracts (<i>Note ii</i>)	(45)	–
Net realised losses on gold loans	(16,180)	(42,806)
Net unrealised gains on gold loan receivables and gold loans	14,799	16,442
Loss on disposal of a subsidiary	–	(199)
Net exchange gains/(losses)	5,830	(7,715)
	(3,753)	(48,761)
	(3,753)	(48,761)

Notes:

- (i) Derivative financial instruments mainly represent gold contracts. These derivative financial instruments are not qualified for hedge accounting within the context of HKFRS 9.
- (ii) Foreign exchange forward contracts are not qualified for hedge accounting within the context of HKFRS 9.

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of the applicable rate of 8.25% and 16.5% (2020: 8.25% and 16.5%) on the estimated assessable profits for the period.

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

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	5,640	4,962
– Mainland and others taxation	158,124	85,336
Deferred income tax	(10,392)	(17,164)
	<u>153,372</u>	<u>73,134</u>

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$653,901,000 (2020: HK\$291,191,000) and the weighted average number of 587,107,850 (2020: 587,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2021 and 2020 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

10 DIVIDENDS

At a meeting held on 24 June 2021, the directors of the Company recommended the payment of a final and special dividends of HK\$0.50 each per ordinary share, amounting to a total dividend of HK\$587,108,000 for the year ended 31 March 2021. Such dividends were approved by the shareholders at the Annual General Meeting of the Company on 19 August 2021. The aggregate amount of the proposed dividend was expected to be paid out of retained earnings at 31 March 2021, but not recognised as a liability at 31 March 2021.

At a meeting held on 29 November 2021, 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 2022.

11 INTERESTS IN AN ASSOCIATE

	As at 30 September 2021 HK\$'000	As at 31 March 2021 HK\$'000
Interests in an associate	34,560	42,925
Amount due from an associate (<i>Note i</i>)	–	769
Amount due to an associate (<i>Note i</i>)	(474)	–
	<u>34,560</u>	<u>42,925</u>
	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
As at 1 April	42,925	60,689
Share of results of associates for the period (<i>Note ii</i>)	(9,326)	(33,687)
Share of reserve movement of associates for the period	961	(2,633)
Derecognition upon step acquisition of a subsidiary	–	(2,634)
	<u>34,560</u>	<u>21,735</u>

Notes:

- (i) Amount due from/(to) an associate is trade in nature, which is denominated in HK\$ and unsecured, interest-free and repayable on demand. As at 30 September 2021 and 31 March 2021, the amount due from/(to) an associate was aged within 30 days.
- (ii) The financial year of one of the associates was not conterminous with that of the Group and the financial statements used for equity accounting are for the 6 months period ended 30 June 2021 and 2020. This associate uses 30 June as its financial year-end to conform with its holding company's reporting date.
- (iii) The Group's associate did not have any significant commitments as at 30 September 2021 and 31 March 2021.

12 TRADE RECEIVABLES

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

The ageing of trade receivables by invoice date is as follows:

	As at 30 September 2021 HK\$'000	As at 31 March 2021 HK\$'000
0–30 days	154,066	242,039
31–60 days	21,245	26,652
61– 90 days	6,462	4,225
91–120 days	2,711	4,075
Over 120 days	1,550	414
	<u>186,034</u>	<u>277,405</u>
Less: Allowance for impairment of trade receivables	(815)	(67)
Trade receivables, net	<u>185,219</u>	<u>277,338</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\$358,066,000 (As at 31 March 2021: HK\$284,767,000) and the ageing is as follows:

	As at 30 September 2021 <i>HK\$'000</i>	As at 31 March 2021 <i>HK\$'000</i>
0–30 days	274,289	184,399
31–60 days	76,168	87,673
61–90 days	2,026	11,188
91–120 days	1,702	1,348
Over 120 days	3,881	159
	<u>358,066</u>	<u>284,767</u>

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

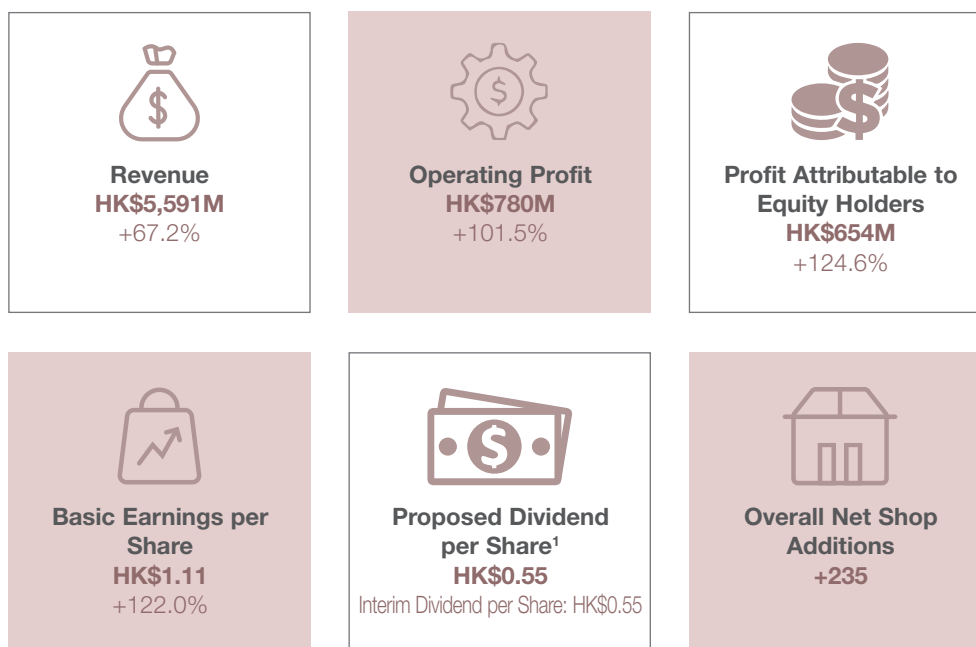
14 BANK BORROWINGS

	As at 30 September 2021 <i>HK\$'000</i>	As at 31 March 2021 <i>HK\$'000</i>
Bank borrowings, secured	775,511	431,508
Bank borrowings, unsecured	864,000	280,000
	<u>1,639,511</u>	<u>711,508</u>

As at 30 September 2021, bank borrowings of HK\$775,511,000 (as at 31 March 2021: HK\$431,508,000) are secured by land and building with carrying amount of HK\$463,672,000 (as at 31 March 2021: HK\$472,675,000) and investment properties with carrying amount of HK\$81,207,000 (as at 31 March 2021: HK\$82,783,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE



¹ Dividend Payout Ratio: 49.4%

Results

Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded an increase in revenue of 67.2% to HK\$5,591,239,000 (2020: HK\$3,343,776,000) for the six months ended 30 September 2021 (the “Period under review”) because the low base effect and the gradual recovery of retail atmosphere in various regions led to significant increase in retail sales amount. However, the overall gross margin decreased by 6.4 p.p. to 26.8% (2020: 33.2%) as gross margin of gold products returned to a relatively more normal level and the revenue mix of gold sales increased. Gross profit therefore increased by 35.1% to HK\$1,499,557,000 (2020: HK\$1,109,704,000). Nevertheless, benefitting from the operating leverage, total operating expenses to revenue ratio reduced by 8.3 p.p. to 15.4%. Together with the significantly narrowed gold hedging loss during the Period under review, the Group’s operating profit increased substantially by 101.5% to HK\$779,925,000 (2020: HK\$387,120,000). Operating margin also increased by 2.4 p.p. to 14.0% (2020: 11.6%). The strong cash position led to an increase in the net interest income. Together with the narrowed share of losses of an associate, the Group’s profit for the period rose by 123.2% to HK\$653,886,000 (2020: HK\$293,003,000), while net margin improved by 2.9 p.p. to 11.7% (2020: 8.8%). Profit attributable to equity holders increased by 124.6% to HK\$653,901,000 (2020: HK\$291,191,000) and the basic earnings per share increased by 122.0% to HK\$1.11 (2020: HK\$0.50).

Overview

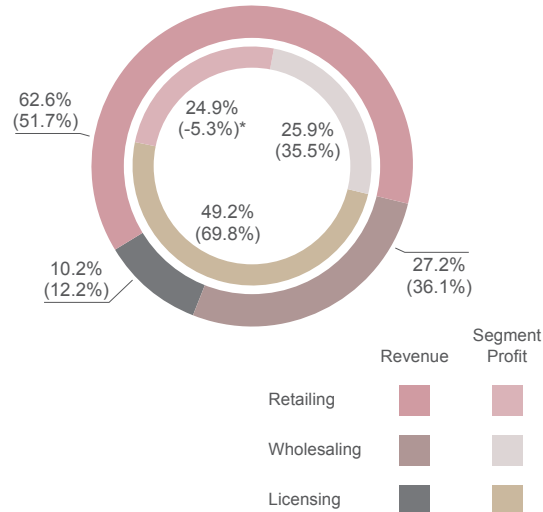
During the Period under review, the Group added a net total of 232 “Lukfook” shops worldwide and net added 3 “Goldstyle” shops in Mainland. Details are as follows:

Global Distribution Network

Countries and Regions	30 September 2021	31 March 2021	Changes
“Lukfook” Shops			
Self-operated			
• Mainland	78	77	+1
• Hong Kong	46	47	-1
• Macau	14	13	+1
• Canada	2	2	0
• The United States	3	3	0
• Australia	1	1	0
• Malaysia	2	2	0
• Singapore	1	1	0
Sub-total	147	146	+1
Licensed			
• Mainland	2,365	2,135	+230
• The Philippines	2	2	0
• Cambodia	2	1	+1
Sub-total	2,369	2,138	+231
Total	2,516	2,284	+232
Other Brands in Mainland			
Self-operated			
• “Goldstyle”	5	8	-3
• “Dear Q”	2	2	0
Licensed			
• “Goldstyle”	78	72	+6
Worldwide Total	2,601	2,366	+235

As at 30 September 2021, the Group had a global network of 2,601 shops (2020: 2,180 shops), including 2,516 “Lukfook” shops (2020: 2,106 shops), with business spanning across Hong Kong, Macau, Mainland, Singapore, Malaysia, Cambodia, the Philippines, the United States, Canada and Australia, and operated a total of 83 “Goldstyle” shops (2020: 72 shops) and 2 “Dear Q” shops (2020: 2 shops) in Mainland.

Revenue and Segment Profit by Business



By Business HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	3,500	208	5.9%
<i>Y-o-Y Changes</i>	+102.6%	N/A*	+7.2 p.p.
Wholesaling	1,522	216	14.2%
<i>Y-o-Y Changes</i>	+26.0%	+46.9%	+2.0 p.p.
Licensing	569	411	72.3%
<i>Y-o-Y Changes</i>	+39.6%	+41.6%	+1.1 p.p.
Adjusted Wholesaling	2,211 ¹	216	9.8%
<i>Y-o-Y Changes</i>	+29.9%	+46.9%	+1.1 p.p.

Remarks: Figures for 1HFY2021 are shown in brackets

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

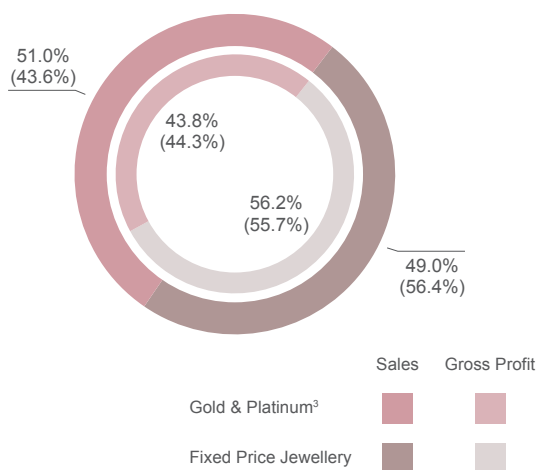
* Turned around from a loss of HK\$22M to profit

During the Period under review, the retail business remained as the Group's primary source of revenue. As a result of the low base effect and the encouraging recovery of retail sentiment in various regions, the Group's total retail revenue increased significantly by 102.6% to HK\$3,499,915,000 (2020: HK\$1,727,458,000), accounting for 62.6% (2020: 51.7%) of the Group's total revenue. Its segment profit amounted to HK\$207,725,000 (2020: loss of HK\$22,200,000), accounting for 24.9% (2020: -5.3%) of the total, and its segment profit margin was 5.9% (2020: -1.3%).

Attributable to the increase in the number of licensed shops, the Group's revenue from wholesaling business rose by 26.0% over the corresponding period last year to HK\$1,522,442,000 (2020: HK\$1,208,734,000), accounting for 27.2% (2020: 36.1%) of the Group's total revenue. Its segment profit increased by 46.9% to HK\$216,609,000 (2020: HK\$147,475,000), accounting for 25.9% (2020: 35.5%) of the total. Its segment profit margin was 14.2% (2020: 12.2%).

During the Period under review, licensing income increased by 39.6% to HK\$568,882,000 (2020: HK\$407,584,000) due to the increase in the number of licensed shops as well, accounting for 10.2% (2020: 12.2%) of the Group's total revenue. Its segment profit margin was 72.3% (2020: 71.2%), while its segment profit increased by 41.6% to HK\$411,150,000 (2020: HK\$290,271,000), accounting for 49.2% (2020: 69.8%) of the total.

Sales¹ and Gross Profit² by Product



By Product HK\$M	Sales	Gross Profit	Gross Margin
Gold & Platinum	2,562	470	18.3%
<i>Y-o-Y Changes</i>	+100.2%	+30.9%	-9.7 p.p.
Fixed Price Jewellery	2,460	603	24.5%
<i>Y-o-Y Changes</i>	+48.5%	+33.6%	-2.7 p.p.

Remarks: Figures for 1HFY2021 are shown in brackets

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

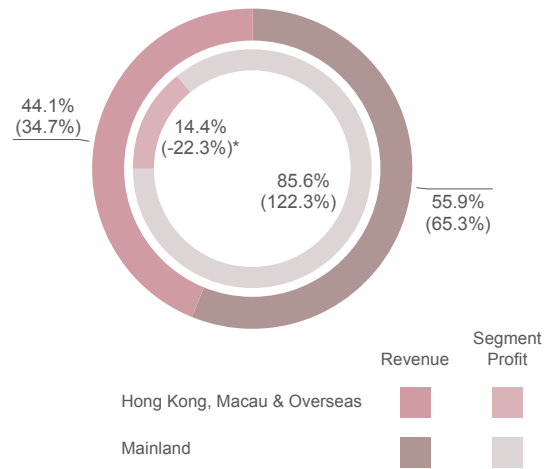
During the Period under review, as the gradual fall from the historical peak in gold prices stimulated consumption, sales amount of gold and platinum products increased substantially by 100.2% to HK\$2,562,576,000 (2020: HK\$1,280,163,000), accounting for 51.0% (2020: 43.6%) of the overall sales amount (Group revenue minus licensing income). Its gross margin returned to a more normal level of 18.3% (2020: 28.0%). Gross profit of gold and platinum products thus increased by 30.9% to HK\$469,696,000 (2020: HK\$358,698,000), accounting for 43.8% (2020: 44.3%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income). On the other hand, sales amount of fixed price jewellery products rose by 48.5% to HK\$2,459,781,000 (2020: HK\$1,656,030,000), accounting for 49.0% (2020: 56.4%) of the overall sales amount. Gross margin of fixed price jewellery products dropped by 2.7 p.p. to 24.5% (2020: 27.2%) because of the promotional activities for reducing slow moving stocks. Its gross profit, as a result, increased by 33.6% to HK\$602,602,000 (2020: HK\$451,201,000), accounting for 56.2% (2020: 55.7%) of the overall gross profit.

During the Period under review, the overall SSSG of the Group was +110.0% (2020: -63.9%). SSSG for gold and platinum products was +120.4% (2020: -57.1%) and that for fixed price jewellery products was +90.8% (2020: -71.8%).

The Group has been striving to diversify its product mix to offer customers with more choices. Since 2010, the Group has been engaging in the mid- to high-end watch business. As at 30 September 2021, the Group was the authorised dealer of 11 watch brands, including COINWATCH, DOXA, ENICAR, HAMILTON, LONGINES, MIDO, OMEGA, RADO, ROMAGO SWISS, TISSOT and BIJOU MONTRE. For the Period under review, the watch business contributed revenue of HK\$36,525,000 (2020: HK\$7,538,000), accounting for 0.7% (2020: 0.2%) of the Group's total revenue with 484.5% increase when compared with the same period last year.

BUSINESS REVIEW

Revenue and Segment Profit by Market

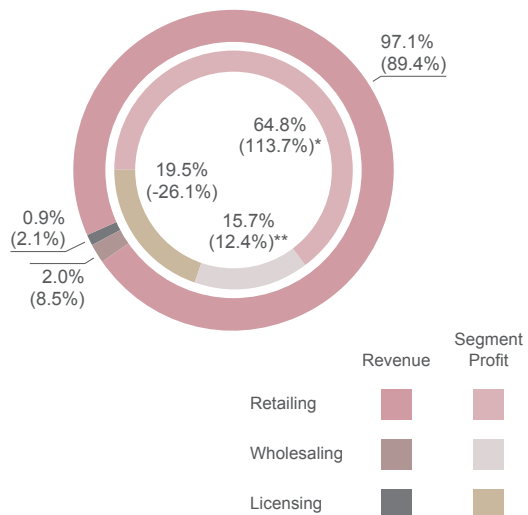


By Market HK\$M	Revenue	Segment Profit	Segment Profit Margin
Hong Kong, Macau & Overseas <i>Y-o-Y Changes</i>	2,468 +112.6%	120 N/A*	4.9% +12.9 p.p.
Mainland <i>Y-o-Y Changes</i>	3,123 +43.1%	715 +40.7%	22.9% -0.4 p.p.

Remarks: Figures for 1HFY2021 are shown in brackets

* Turned around from a loss of HK\$93M to profit

Hong Kong, Macau and Overseas



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	2,397	78	3.3%
<i>Y-o-Y Changes</i>	+130.9%	N/A*	+13.5 p.p.
Wholesaling	48	19	38.9%
<i>Y-o-Y Changes</i>	-50.9%	N/A**	+50.6 p.p.
Licensing	23	23	101.2%
<i>Y-o-Y Changes</i>	-4.0%	-3.2%	+0.9 p.p.
Overall	2,468	120	4.9%
<i>Y-o-Y Changes</i>	+112.6%	N/A***	+12.9 p.p.
Adjusted Wholesaling	669 ¹	19	2.8%
<i>Y-o-Y Changes</i>	+111.2%	N/A**	+6.4 p.p.

Remarks: Figures for 1HFY2021 are shown in brackets

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

* Turned around from a loss of HK\$106M to profit

** Turned around from a loss of HK\$11M to profit

*** Turned around from a loss of HK\$93M to profit

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 2021, Mainland visitors from January to September 2021 fell by 98.3% year-on-year to 47,000. In respect of tourist spending, according to the retail sales figures released by the Census and Statistics Department of Hong Kong in November 2021, the sales value of jewellery, watches and clocks, and valuable gifts from January to September 2021 increased by 30% over the corresponding period last year. The Group's retail revenue in the Hong Kong market also increased by 49.7% to HK\$1,301,059,000 (2020: HK\$869,174,000) during the Period under review due to the gradual improvement in the market sentiment. As at 30 September 2021, the Group operated a total of 46 self-operated shops (2020: 47 shops) in Hong Kong.

Macau

According to the market figures released by the Macao Government Tourism Office, the number of Mainland visitor arrivals to Macau from January to September 2021 rose by 73.6% to 5.2 million year-on-year. The Group's revenue generated from the Macau market increased substantially by 773.2% to HK\$896,084,000 (2020: HK\$102,617,000) during the Period under review as a result of more relaxed border restrictions and low base. As at 30 September 2021, the Group had a total of 14 self-operated shops (2020: 12 shops) in Macau.

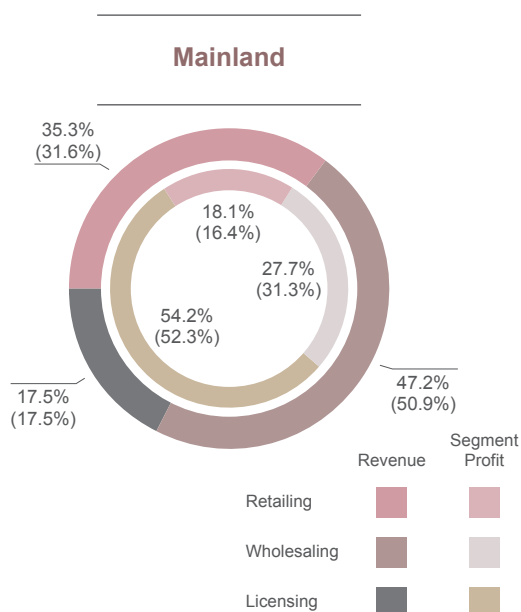
Overseas

As at 30 September 2021, the Group operated a total of 13 overseas shops (2020: 14 shops), including self-operated shops of 1 in Singapore, 2 in Malaysia, 3 in the United States, 2 in Canada and 1 in Australia, as well as 2 licensed shops in each of Cambodia and the Philippines.

During the Period under review, retail revenue from the Hong Kong, Macau and overseas markets increased by 130.9% to HK\$2,396,498,000 (2020: HK\$1,038,022,000), accounting for 42.9% (2020: 31.0%) of the Group's total revenue. The segment turned around from a loss to a profit of HK\$77,921,000 (2020: loss of HK\$105,534,000) during the Period under review, which accounted for 9.3% (2020: -25.4%) of the total. Its segment profit margin was 3.3% (2020: -10.2%). In addition, because of the absence of sales of raw material gold, its wholesale business revenue decreased by 50.9% to HK\$48,342,000 (2020: HK\$98,443,000), accounting for 0.8% (2020: 2.9%) of the Group's total revenue. Its segment profit was HK\$18,829,000 (2020: loss of HK\$11,495,000), accounting for 2.3% (2020: -2.8%) of the total, while its segment profit margin was 38.9% (2020: -11.7%). 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, its segment profit would be 2.8% (2020: -3.6%). On the other hand, Hong Kong licensing income decreased by 4.0% to HK\$23,179,000 (2020: HK\$24,146,000), accounting for 0.4% (2020: 0.7%) of the Group's total revenue. Its segment profit was HK\$23,456,000 (2020: HK\$24,229,000), accounting for 2.8% (2020: 5.8%) of the total, and its segment profit margin was 101.2% (2020: 100.3%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets increased by 112.6% to HK\$2,468,019,000 (2020: HK\$1,160,611,000) during the Period under review, accounting for 44.1% (2020: 34.7%) of the Group's total revenue. The segment also turned around from a loss to a profit of HK\$120,206,000 (2020: loss of HK\$92,800,000), accounting for 14.4% (2020: -22.3%) of the total, while its segment profit margin was 4.9% (2020: -8.0%).

The overall SSSG in the Hong Kong, Macau and overseas markets was +111.1% (2020: -68.7%), while their SSSG for gold and platinum products was +111.0% (2020: -61.3%) and that for fixed price jewellery products was +111.4% (2020: -76.9%).



HK\$M	Revenue	Segment Profit	Segment Profit Margin
Retailing	1,103	130	11.8%
<i>Y-o-Y Changes</i>	+60.0%	+55.8%	-0.3 p.p.
Wholesaling	1,474	197	13.4%
<i>Y-o-Y Changes</i>	+32.8%	+24.4%	-0.9 p.p.
Licensing	546	388	71.0%
<i>Y-o-Y Changes</i>	+42.3%	+45.7%	+1.6 p.p.
Overall	3,123	715	22.9%
<i>Y-o-Y Changes</i>	43.1%	+40.7%	-0.4 p.p.
Adjusted Wholesaling	1,542 ¹	197	12.8%
<i>Y-o-Y Changes</i>	+11.4%	+24.4%	+1.3 p.p.

Remarks: Figures for 1HFY2021 are shown in brackets

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

Mainland

During the Period under review, benefiting from the strong gold sales, retail revenue from the Mainland market increased by 60.0% to HK\$1,103,417,000 (2020: HK\$689,436,000), accounting for 19.7% (2020: 20.6%) of the Group's total revenue. Its segment profit increased by 55.8% to HK\$129,804,000 (2020: HK\$83,334,000), accounting for 15.5% (2020: 20.1%) of the total. Its segment profit margin was 11.8% (2020: 12.1%). The overall SSSG in Mainland was +88.9% (2020: -30.1%). The SSSG for its gold and platinum products was +150.6% (2020: -33.0%) and that for its fixed price jewellery products was +10.3% (2020: -25.0%).

Due to an increase in the number of licensed shops, revenue of the wholesale business in the Mainland market rose by 32.8% to HK\$1,474,100,000 (2020: HK\$1,110,291,000), which accounted for 26.4% (2020: 33.2%) of the Group's total revenue. Its segment profit increased by 24.4% to HK\$197,780,000 (2020: HK\$158,970,000), accounting for 23.7% (2020: 38.3%) of the total. Its segment profit margin was 13.4% (2020: 14.3%). 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, its segment profit margin of wholesale business would be 12.8% (2020: 11.5%).

Licensing income in the Mainland market rose by 42.3% to HK\$545,703,000 (2020: HK\$383,438,000) as a result of the increase in the number of licensed shops as well, accounting for 9.8% (2020: 11.5%) of the Group's total revenue. Its segment profit was HK\$387,694,000 (2020: HK\$266,042,000), representing an increase of 45.7%, accounting for 46.4% (2020: 64.0%) of the total, and its segment profit margin was 71.0% (2020: 69.4%).

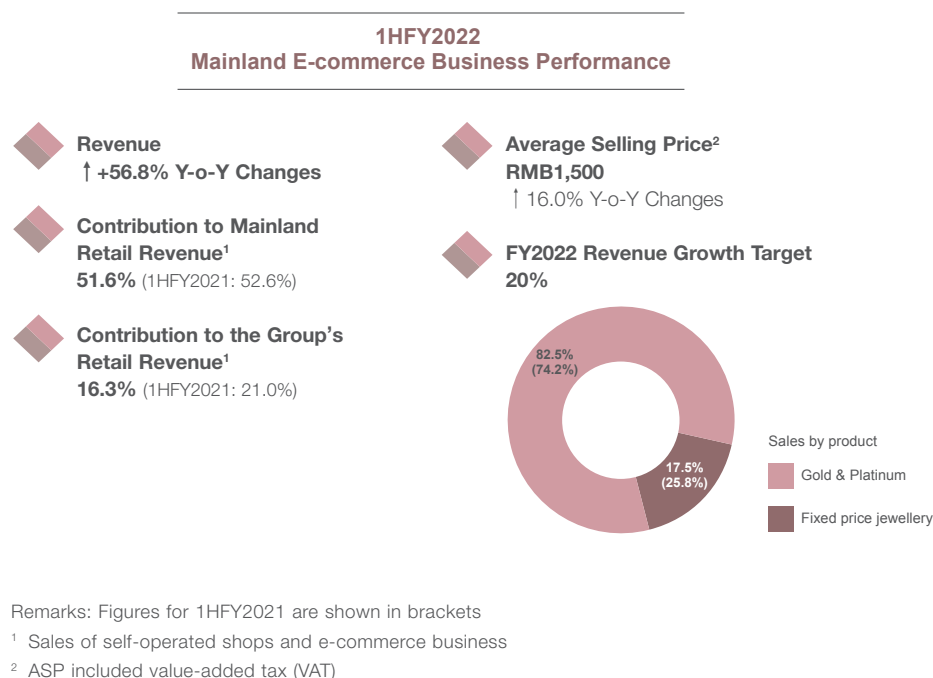
To meet the customer needs of different profiles, the Group actively created different sub-brands and product lines. The Group has developed the popular product collections of "Goldstyle" and "Dear Q" into independent shops since May 2019. During the Period under review, the Group added a net total of 3 "Goldstyle" shops and 231 "Lukfook" shops in Mainland. Details are as follows:

Mainland distribution network

Shop number of different brands		30 September 2021	31 March 2021	Changes
"Lukfook"	Self-operated	78	77	+1
	Licensed	2,365	2,135	+230
	Sub-total	2,443	2,212	+231
"Goldstyle"	Self-operated	5	8	-3
	Licensed	78	72	+6
	Sub-total	83	80	+3
"Dear Q"	Self-operated	2	2	0
Total	Self-operated	85	87	-2
	Licensed	2,443	2,207	+236
	Total	2,528	2,294	+234

As at 30 September 2021, the Group had a total of 2,528 shops (2020: 2,107 shops), including 2,443 “Lukfook” shops (2020: 2,033 shops), 83 “Goldstyle” shops (2020: 72 shops) which comprised 78 licensed shops (2020: 64 shops) and 5 self-operated shops (2020: 8 shops), and 2 “Dear Q” individual self-operated shops (2020: 2 shops) in Mainland.

During the Period under review, the overall same store sales growth of “Lukfook” licensed shops in Mainland was +36.7% (2020: -11.9%), while the same store sales growth for its gold and platinum products and fixed price jewellery products was +65.1% (2020: -14.6%) and -1.5% (2020: -7.9%) respectively.



Revenue of e-commerce business from Mainland increased by 56.8% to HK\$569,167,000 (2020: HK\$362,954,000) during the Period under review, accounting for 51.6% (2020: 52.6%) of the retail revenue in Mainland and 16.3% (2020: 21.0%) of the Group’s retail revenue. Sales of gold and platinum products accounted for 82.5% (2020: 74.2%) of its sales mix while sales of fixed price jewellery products accounted for 17.5% (2020: 25.8%).

Overall speaking, during the Period under review, revenue from the Mainland market increased by 43.1% to HK\$3,123,220,000 (2020: HK\$2,183,165,000), accounting for 55.9% (2020: 65.3%) of the Group’s total revenue. Its segment profit increased by 40.7% to HK\$715,278,000 (2020: HK\$508,346,000), accounting for 85.6% (2020: 122.3%) of the total, and its segment profit margin was 22.9% (2020: 23.3%).

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

Gain/(Loss)			
HK\$M	1HFY2022	1HFY2021	Y-o-Y Changes
50% share of loss of associate	(9)	(32)	23
Wholesale gross profit	1	(1)	2
Loss on a financial guarantee contract	–	(20)	20
Interest income on lending	2	2	–
Overall	(6)	(51)	45

During the Period under review, due to the improved market sentiment, the loss of an associate of the Group narrowed. In addition, with the absence of further provision for its financial guarantees, the total loss in relation to investments and operating activities in HKRH & its subsidiaries narrowed to HK\$6,000,000 (2020: loss of HK\$51,000,000).

“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 and Mainland.

FINANCIAL REVIEW

Non-HKFRS Financial Measure

To supplement the consolidated interim results of the Group prepared in accordance with HKFRS, certain 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 this non-HKFRS financial measure 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 Company’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 2021, the Group's cash and bank balances amounted to HK\$4,245,000,000 (31 March 2021: HK\$3,546,000,000). Net cash was HK\$2,095,000,000 (31 March 2021: HK\$2,457,000,000). The debt-to-equity ratio was 39.3% (31 March 2021: 28.1%), being the ratio of total liabilities of HK\$4,516,000,000 (31 March 2021: HK\$3,188,000,000) against total shareholders' equity of HK\$11,498,000,000 (31 March 2021: HK\$11,325,000,000). As at 30 September 2021, the Group's banking facilities amounted to approximately HK\$4.0 billion (31 March 2021: HK\$3.9 billion), of which HK\$2.2 billion (31 March 2021: HK\$1.1 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	
	1HFY2022	Y-o-Y Changes	1HFY2022	Y-o-Y Changes
Gold	250	-274	262	-235
Fixed price jewellery	469	-234	494	-184
Overall	357	-265	375	-221

As at 30 September 2021, the Group's inventory increased by 10.6% to HK\$8,094,000,000 (31 March 2021: HK\$7,322,000,000). However, as the retail sales grew significantly, the average inventory turnover days declined by 265 days to 357 days (2020: 622 days) with the average inventory turnover days of gold products being 250 days (2020: 524 days) and that of fixed price jewellery products being 469 days (2020: 703 days).

Capital Expenditure

During the Period under review, the Group's capital expenditures amounted to HK\$143,000,000 (31 March 2021: HK\$243,000,000), including the costs of properties, leasehold lands, right-of-use assets, leasehold improvements, furniture, fixtures and equipment.

Capital Commitments

As at 30 September 2021, the Group's total capital commitments amounted to HK\$22,000,000 (31 March 2021: HK\$37,000,000).

Contingent Liabilities

As at 30 September 2021, the Group had corporate financial guarantee amounting to HK\$1,075,000,000 (31 March 2021: approximately HK\$1,075,000,000) to banks in respect of 50% of the aggregated amount of banking facilities granted to an associate. As at 30 September 2021, the banking facilities utilised by the associate was HK\$1,486,000,000 (31 March 2021: HK\$1,486,000,000).

As at 30 September 2021, a loss allowance of HK\$20,000,000 estimated under the expected credit loss model in respect of such corporate financial guarantee of the Group was recognised (31 March 2021: HK\$20,000,000).

As at 30 September 2021 and 2020, save as disclosed above, the Group had no significant contingent liabilities.

Human Capital Policy

As at 30 September 2021, the number of employees of the Group was 6,000 (2020: 5,800). 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 built a welcoming and warm-hearted brand image to strengthen customers' recognition and emotional attachment to the brand, and has strived to become a globally recognised jewellery brand through outstanding marketing campaigns and excellent customer service programmes. Targeting the mid-to high-end markets, the Group has adopted effective marketing strategies to keep abreast of the times, and launched diversified product offerings with exquisite designs, together with sincere services to seize the development opportunities in the middle-class, wedding and kids markets.

The Group capitalised on different promotional channels to further enhance its brand awareness. It also kept pace with the rapid growth of online marketing by placing advertisements on major social media and online platforms. Moreover, to celebrate the Group's 30th anniversary, a series of promotional activities have been rolled out. In Hong Kong, the Group held a lucky draw to give away more than 66 taels of gold and launched an online game to share the joy with the public. In Mainland, the Group also organised gold bar lucky draw on major social media platforms, recorded over 300 million engagements, and teamed up with RED to create a limited edition of "Little Gold Potato" gold ornament in crystal ball music box, which has effectively enhanced brand visibility and created hot topics. In addition, the Group also showed a video of Mr. Li Yi Feng, Lukfook Jewellery's global brand ambassador, on the glasses-free 3D screen in Chengdu. The vivid three-dimensional effect as if Li Yi Feng was giving out a diamond ring in person attracted a large number of the public to the site. The Group embraced a new omni-channel approach which integrated various official messaging platforms in order to strengthen communication with customers and provide more caring services. The Group has continued to be appointed as the official partner for Tencent's famous mobile game "King Pro League" champion rings for nine consecutive seasons, with a view to enhancing its brand's penetration into the market of younger generation. Besides, the Group also actively organised roadshows of various themes and collections to increase brand awareness and market share. The Group also sponsored medals for marathons in various regions to penetrate the middle-class customers. Furthermore, the Group participated in wedding expos and a series of promotional activities to seize the business opportunities in the wedding market.

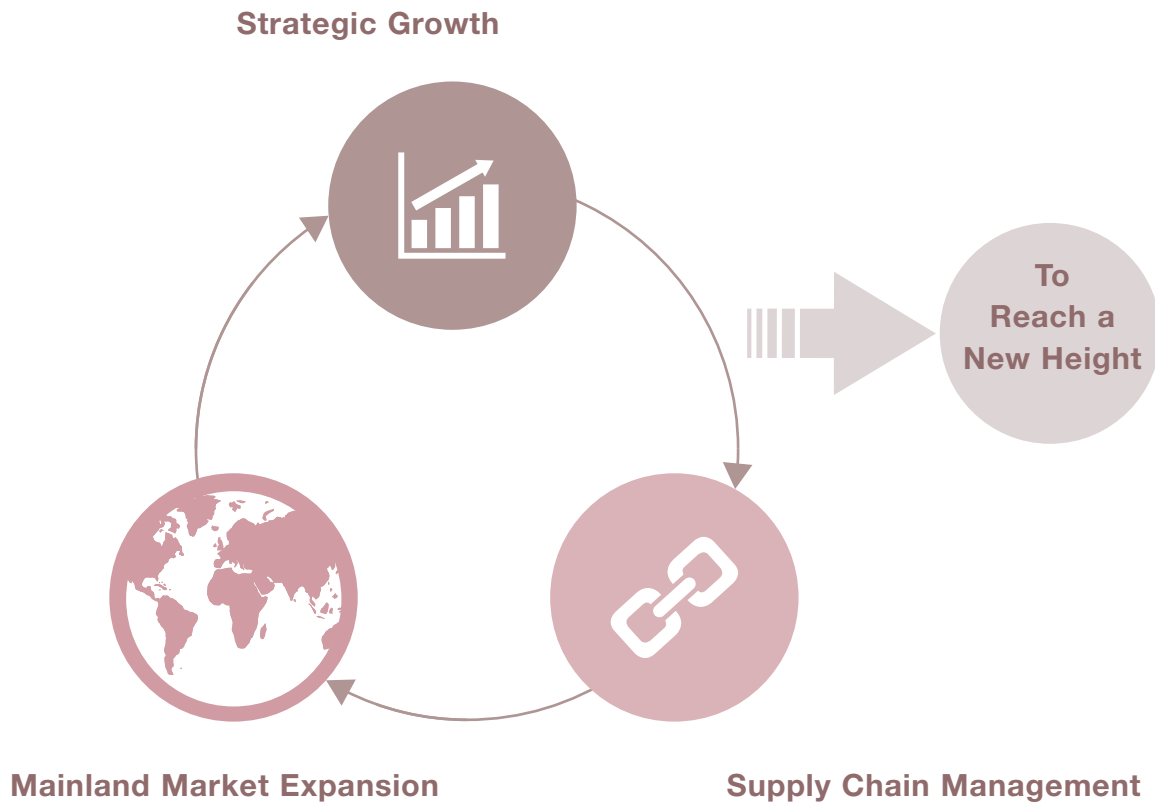
The Group's full efforts in escalating brand value and influence have been recognised with numerous awards from the industry and market for its outstanding achievements in branding, corporate governance, customer service, community welfare and environmental protection.

OUTLOOK

During the Period under review, the same store sales of the Group has a turnaround to a positive growth, indicating that the Group's business has restored growth gradually. The same store sales of Hong Kong and Macau market recorded a growth of approximately 35% from 1 October to 21 November 2021. Besides, the overall same store sales of the Mainland market, including both self-operated and licensed shops recorded a growth of approximately 20% at the same period. Subject to the development of the COVID-19 pandemic, it is believed that there will be a slackened growth in same store sales in the second half of the financial year as compared to the first half of the financial year due to a higher base. Nevertheless, with the gradually relaxed border restrictions, the Hong Kong and Macau businesses are expected to have a continuous improvement.

The middle-class population in the Mainland will expand gradually under the Common Prosperity Policy, and with the Double Circulation Policy, domestic consumption will be further encouraged. The Group therefore remains optimistic about the mid- to long-term business prospects. Accordingly, the Group will still focus its expansion in the Mainland market, particularly the markets in fourth-and fifth-tier cities and looks forward to having further improvement in its business in the future.

More than two years ago, the Group has set up its brand new three-year corporate strategy with Supply Chain Management, Mainland Market Expansion and Strategic Growth as its three main focuses so as to foster its future business growth.



Supply Chain Management

In order to further enhance its competitive edge, the Group will focus on strengthening supply chain management through various means. The Group will revamp its supply chain management, and identify right product, set right price and offer products to market at the right time by implementing full automation, big data management and full integration in supply chain management; improving factory productivity; improving inventory turnover period; establishing strategic partnership with suppliers; streamlining logistics on distribution and intensifying support to licensees, with a hope that all these would help promote business development and strengthen operational efficiency.

Mainland Market Expansion

As Mainland remains to be a market with growth potential in the mid- to long-term, the Group will continue to focus on business expansion in Mainland. The target for net addition of “Lukfook” shops in Mainland for this financial year will be 450 shops, mainly focusing on opening licensed shops in fourth- and fifth-tier cities, while the target for net addition of new brands’ stores in Mainland is 50 shops, which will also be mainly licensed shops. In addition, the Group is also committed to further developing its e-commerce business and strengthening cooperation with various e-commerce platforms in Mainland, and at the same time will also establish its own e-commerce platform, aiming to sustain the growth in e-commerce revenue at a target of 20% sales growth of e-commerce business in this financial year. In light of the enormous spending potential of young consumers on online sales platforms, the Group will step up its efforts to promote the sales of affordable luxury jewellery products to expand its footprint in the young consumer market.

Strategic Growth

Apart from “Lukfook”, the Group strives to develop different sub-brands and product lines, including “Goldstyle” and “Dear Q”, to cater for different customer groups. In FY2021, the Group also developed “Lukfook Joaillerie” in Macau and Mainland to target at the high-end jewellery market, and has opened 3 shop-in-shops, while 4 shop-in-shops were added in Mainland during the Period under review. In addition, the Group will adopt holistic approach to seize the development opportunities in the middle-class, wedding and kids markets by understanding customers’ spending habits. It will also continue to attract customers and encourage local consumption by visual merchandising enhancement, cross-selling boosting and VIP promotional activities, so as to improve sales and profits. Given the importance of social media in product promotion, the Group will continue to allocate more resources on various online media and APPs to reach out target customers and catch up with online marketing trends, including RED, Tiktok, Bilibili and e-sports. Besides, we will also explore the enhancement of offline shopping experience and possibility of cross-over collaboration with other industries or brands to further enhance synergy between online and offline sales channels. Furthermore, we believe that customers are increasingly preferring jewellery with unique design. Following the introduction of the DIY Ordering Service System (the “DIY System”) in Mainland in last financial year, the Group has also launched the DIY System in Hong Kong and Macau. Customers may directly choose polished diamonds and ring mounts via the system to create their personalised diamond products and enjoy customised service experience. This bespoke service not only caters to the needs of customers who are pursuing unique experience, but also increases the sales amount and average selling price of high-end and high-quality diamond products and achieves the cost effectiveness of mass customisation, which helps the Group to gradually penetrate the high-end jewellery market.

INTERIM DIVIDEND

With the strong financial position, the Board has resolved to declare an interim dividend of HK\$0.55 per ordinary share (2020: HK\$0.225 per ordinary share and a special dividend of HK\$0.275 per ordinary share, totaling HK\$0.50 per ordinary share) for the six months ended 30 September 2021, to shareholders whose names appear on the register of members of the Company on 14 December 2021. The interim dividend will be paid on or around 24 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the interim dividend will be closed on 14 December 2021 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 December 2021.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining good corporate governance practices and procedures. The corporate governance principles of the Company place emphasis on a quality Board, sound risk management and internal controls as well as transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2021, except for the following deviation:

Code Provision A.2.1 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, so that there is a clear division of responsibilities for the management of the Board and the day-to-day management of the Group's business to ensure a balance of power and authority.

In view of the Group's business deriving from the Mainland market, it is believed that Mr. WONG Wai Sheung, being the Chairman and Chief Executive Officer of the Company, will further enhance the business development of the Group there due to the norms on "status parity" when future business negotiations are conducted in Mainland. Besides, members of the Board also include qualified professionals and other prominent and experienced individuals from the community. The Board considers that the existing Board composition, with the assistance of the Board Committees and two Deputy Chairmen, can ensure a balance of power and authority. The Board will nevertheless review this structure from time to time and will consider segregation of the two roles if and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Period under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 September 2021. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim results of the Group for the Period under review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information will be included in the interim report for distribution to shareholders.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2021/22

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 2021/22 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to all our staff members, shareholders, customers, business partners and other stakeholders for their strong support and contributions to the Group's success. Moving forward, the Group will continue to implement pragmatic and sound growth measures, strengthen its competitive advantages and further consolidate its leading position in the market with a view to generating sustainable returns for our shareholders.

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

Hong Kong, 29 November 2021

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