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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 2017

### HIGHLIGHTS

- Revenue reached HK\$6.3 billion, representing an increase of 14.9% as compared with the same period last year
- SSSG\* for the Hong Kong and Macau market and the Mainland China market both recorded double-digit growth at +10.5% and +16.7% respectively
- Gross profit increased by 7.5% to HK\$1.6 billion
- Operating profit increased by 15.6% to HK\$645 million
- Profit attributable to equity holders amounted to HK\$520 million, an increase of 21.3%
- Basic earnings per share were HK\$0.89, increased by 21.9%
- Proposed interim and special dividends of HK\$0.35 and HK\$0.20 per share, a total of 62.1% dividend payout ratio
- Net additions of 46 Lukfook shops during the period with a total of 1,542 Lukfook shops globally at period end

\* 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.

## FINANCIAL PERFORMANCE

	<b>For the six months ended 30 September 2017 HK\$'000</b>	For the six months ended 30 September 2016 HK\$'000	Y-o-Y Change
Revenue	<b>6,283,454</b>	5,469,124	+14.9%
Gross Profit	<b>1,647,260</b>	1,531,696	+7.5%
Operating Profit	<b>645,359</b>	558,372	+15.6%
Profit for the period	<b>521,396</b>	433,668	+20.2%
Profit Attributable to Equity Holders	<b>520,364</b>	429,030	+21.3%
Basic Earnings per Share	<b>HK\$0.89</b>	HK\$0.73	+21.9%
Interim Dividend per Share	<b>HK\$0.35</b>	HK\$0.29	+20.7%
Special Dividend per Share	<b>HK\$0.20</b>	HK\$0.26	-23.1%
Dividend Payout Ratio	<b>62.1%</b>	75.3%	-13.2 p.p.
Gross Margin	<b>26.2%</b>	28.0%	-1.8 p.p.
Operating Margin	<b>10.3%</b>	10.2%	+0.1 p.p.
Net Margin	<b>8.3%</b>	7.9%	+0.4 p.p.
EBITDA	<b>683,147</b>	589,985	+15.8%
EBITDA Margin	<b>10.9%</b>	10.8%	+0.1 p.p.
Total Operating Expenses to Revenue Ratio	<b>17.1%</b>	18.5%	-1.4 p.p.
Effective Tax Rate	<b>17.4%</b>	19.0%	-1.6 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 2017 together with comparative figures for the corresponding period in 2016 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

		<b>Unaudited</b>	
		<b>for the six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	5	<b>6,283,454</b>	5,469,124
Cost of sales		<u>(4,636,194)</u>	<u>(3,937,428)</u>
<b>Gross profit</b>		<b>1,647,260</b>	1,531,696
Other income	7	<b>76,523</b>	83,334
Selling and distribution costs		<b>(996,955)</b>	(941,225)
Administrative expenses		<b>(75,145)</b>	(72,312)
Other losses, net	8	<u><b>(6,324)</b></u>	<u>(43,121)</u>
<b>Operating profit</b>	6	<u><b>645,359</b></u>	<u>558,372</u>
Finance income		<b>12,821</b>	12,876
Finance costs		<u><b>(2,615)</b></u>	<u>(4,411)</u>
Finance income, net		<u><b>10,206</b></u>	<u>8,465</u>
Share of results of associates	12	<u><b>(24,540)</b></u>	<u>(31,352)</u>
<b>Profit before income tax</b>		<b>631,025</b>	535,485
Income tax expenses	9	<u><b>(109,629)</b></u>	<u>(101,817)</u>
<b>Profit for the period</b>		<u><b>521,396</b></u>	<u>433,668</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>520,364</b>	429,030
Non-controlling interests		<u><b>1,032</b></u>	<u>4,638</u>
		<u><b>521,396</b></u>	<u>433,668</u>
Earnings per share for profit attributable to equity holders of the Company during the period			
– Basic and diluted	10	<u><b>HK\$0.89</b></u>	<u>HK\$0.73</u>

Details of dividends to equity holders of the Company are set out in Note 11.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Unaudited for the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
<b>Profit for the period</b>	<b>521,396</b>	433,668
<b>Other comprehensive income:</b> <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences		
– Group	145,392	(77,352)
– Associates	6,581	(5,213)
Revaluation of available-for-sale financial assets	(1,077)	(1,769)
<b>Other comprehensive income for the period, net of tax</b>	<b>150,896</b>	(84,334)
<b>Total comprehensive income for the period</b>	<b>672,292</b>	349,334
<b>Attributable to:</b>		
– Equity holders of the Company	667,382	344,710
– Non-controlling interests	4,910	4,624
<b>Total comprehensive income for the period</b>	<b>672,292</b>	349,334

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2017

		Unaudited As at 30 September 2017 <i>HK\$'000</i>	Audited As at 31 March 2017 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		553,438	564,270
Land use rights		261,153	247,781
Investment properties		35,147	35,020
Interests in associates	12	67,053	85,012
Loan to an associate		92,868	90,830
Derivative financial instruments		49,307	48,979
Available-for-sale financial assets		6,613	7,690
Trading licence		1,080	1,080
Rental deposits and prepayments		132,413	121,204
Deferred income tax assets		52,710	45,954
		<u>1,251,782</u>	<u>1,247,820</u>
		-----	-----
<b>Current assets</b>			
Inventories		7,283,925	6,972,770
Trade receivables	13	259,627	217,258
Deposits, prepayments and other receivables		300,471	323,323
Derivative financial instruments		-	9
Amount due from an associate		9,827	33,340
Loan to an associate		43,190	20,000
Income tax recoverable		1,968	2,956
Cash and bank balances		1,403,609	1,861,774
		<u>9,302,617</u>	<u>9,431,430</u>
		-----	-----
Total assets		<u>10,554,399</u>	<u>10,679,250</u>
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<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		58,710	58,710
Share premium		2,494,040	2,494,040
Reserves		6,665,073	6,320,600
		<u>9,217,823</u>	<u>8,873,350</u>
		-----	-----
Non-controlling interests		111,500	106,590
		<u>111,500</u>	<u>106,590</u>
		-----	-----
Total equity		<u>9,329,323</u>	<u>8,979,940</u>
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**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)***As at 30 September 2017*

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 September</b>	31 March
		<b>2017</b>	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>90,329</b>	81,670
Employee benefit obligations		<b>23,754</b>	23,754
		<u><b>114,083</b></u>	<u>105,424</u>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	<i>14</i>	<b>937,993</b>	1,004,664
Amount due to an associate	<i>12</i>	<b>2,125</b>	1,995
Gold loans		–	437,151
Current income tax liabilities		<b>170,875</b>	150,076
		<u><b>1,110,993</b></u>	<u>1,593,886</u>
Total liabilities		<u><b>1,225,076</b></u>	<u>1,699,310</u>
Total equity and liabilities		<u><b>10,554,399</b></u>	<u>10,679,250</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2017*

	Unaudited					Total equity <i>HK\$'000</i>
	Attributable to equity holders of the Company				Non- controlling interests <i>HK\$'000</i>	
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>		
<b>For the period ended 30 September 2017</b>						
As at 1 April 2017	58,710	2,494,040	6,320,600	8,873,350	106,590	8,979,940
<b>Comprehensive income</b>						
Profit for the period	-	-	520,364	520,364	1,032	521,396
<b>Other comprehensive income</b>						
Currency translation differences						
– Group	-	-	141,514	141,514	3,878	145,392
– Associates	-	-	6,581	6,581	-	6,581
Revaluation of available-for-sale financial assets	-	-	(1,077)	(1,077)	-	(1,077)
<b>Total comprehensive income</b>	-	-	667,382	667,382	4,910	672,292
<b>Transaction with owners</b>						
Dividends paid	-	-	(322,909)	(322,909)	-	(322,909)
As at 30 September 2017	<u>58,710</u>	<u>2,494,040</u>	<u>6,665,073</u>	<u>9,217,823</u>	<u>111,500</u>	<u>9,329,323</u>

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

*For the six months ended 30 September 2016*

	Unaudited					
	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>		
<b>For the period ended 30 September 2016</b>						
As at 1 April 2016	58,710	2,494,040	6,121,046	8,673,796	95,123	8,768,919
<b>Comprehensive income</b>						
Profit for the period	–	–	429,030	429,030	4,638	433,668
<b>Other comprehensive income</b>						
Currency translation differences						
– Group	–	–	(77,338)	(77,338)	(14)	(77,352)
– Associates	–	–	(5,213)	(5,213)	–	(5,213)
Revaluation of available-for-sale financial assets	–	–	(1,769)	(1,769)	–	(1,769)
<b>Total comprehensive income</b>	–	–	344,710	344,710	4,624	349,334
<b>Transaction with owners</b>						
Dividends paid	–	–	(322,909)	(322,909)	–	(322,909)
As at 30 September 2016	<u>58,710</u>	<u>2,494,040</u>	<u>6,142,847</u>	<u>8,695,597</u>	<u>99,747</u>	<u>8,795,344</u>



## NOTES:

### 1 GENERAL INFORMATION

Luk Fook Holdings (International) Limited (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 and gem-set jewellery products.

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 Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited 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 months ended 30 September 2017 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 2017, 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 of the annual financial statements for the year ended 31 March 2017, 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.

New amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2017 and are relevant to the Group’s operations:

Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendments to HKFRS 12	Disclosure of interest in other entities

The application of the above amendments to existing standards in the current interim period has had no material impact to the reported results and financial position of the Group.

Certain new standards and amendments to existing standards relevant to the Group have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2018 or later periods, which the Group has not early adopted, are as follows.

Amendment to HKFRS 1	First time adoption of HKFRS <sup>(1)</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>(1)</sup>
Amendment to HKAS 28	Investments in associates and joint ventures <sup>(1)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>(3)</sup>
HKFRS 9	Financial instruments <sup>(1)</sup>
HKFRS 15	Revenue from contracts with customers <sup>(1)</sup>
HK (IFRIC)-Interpretation 22	Foreign currency transactions and advance consideration <sup>(1)</sup>
HKFRS 16	Leases <sup>(2)</sup>

<sup>(1)</sup> Effective for annual period beginning on or after 1 January 2018

<sup>(2)</sup> Effective for annual period beginning on or after 1 January 2019

<sup>(3)</sup> To be announced by HKICPA

None of the above new standards and amendments to existing standards is expected to have a significant impact on the condensed consolidated interim financial information of the Group, except those set out below:

**(i) HKFRS 9, 'Financial instruments'**

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- Equity instruments currently classified as AFS for which a FVOCI election is available.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

**(ii) HKFRS 15, 'Revenue from contracts with customers'**

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 April 2018. The Group will adopt the new standard from 1 April 2018.

The Group is currently assessing the impact of adopting HKFRS 15 on the Group's condensed consolidated interim financial information, by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, if applicable, which could affect the timing of the revenue recognition. In light of the multi-location of operations of the Group, the directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group's condensed consolidated interim financial information. Management will make more detailed assessments of the impact over the next six months.

**(iii) HKFRS 16, 'Leases'**

HKFRS 16 will result in almost all leases being recognised on the condensed consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$1,011,480,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

#### **4 ESTIMATES**

The preparation of 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 2017.

#### **5 SEGMENT INFORMATION**

The chief operating decision-maker ("CODM") has been identified as the executive directors and senior management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are reported in accordance with the internal reporting reviewed by the CODM.

The CODM considers the business by nature of business activities and assesses the performance of the following operating segments:

- i. Retailing – Hong Kong, Macau and overseas
- ii. Retailing – Mainland China
- iii. Wholesaling – Hong Kong
- iv. Wholesaling – Mainland China
- v. Licensing

CODM assesses the performance of the operating segments based on measure of segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

Assets of reportable segments exclude interests in associates, certain leasehold land and buildings, investment properties, deferred income tax assets, income tax recoverable and corporate assets, all of which are managed centrally. These form part of the reconciliation to total assets 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 2017						Reportable segments
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>							
Sales to external customers	3,795,063	924,547	35,842	965,053	–	–	5,720,505
Sales of scrap gold and platinum	–	–	291,023	–	–	–	291,023
	<u>3,795,063</u>	<u>924,547</u>	<u>326,865</u>	<u>965,053</u>	<u>–</u>	<u>–</u>	<u>6,011,528</u>
Inter-segment sales	101,113	130	1,075,987	212,171	–	(1,389,401)	–
	<u>3,896,176</u>	<u>924,677</u>	<u>1,402,852</u>	<u>1,177,224</u>	<u>–</u>	<u>(1,389,401)</u>	<u>6,011,528</u>
Sales of merchandises	–	–	–	–	259,323	–	259,323
Royalty and service income	–	–	–	–	12,603	–	12,603
Consultancy fee income	–	–	–	–	–	–	–
	<u>3,896,176</u>	<u>924,677</u>	<u>1,402,852</u>	<u>1,177,224</u>	<u>271,926</u>	<u>(1,389,401)</u>	<u>6,283,454</u>
<b>Total</b>	<u>3,896,176</u>	<u>924,677</u>	<u>1,402,852</u>	<u>1,177,224</u>	<u>271,926</u>	<u>(1,389,401)</u>	<u>6,283,454</u>
<b>Results of reportable segments</b>	<u>259,019</u>	<u>73,416</u>	<u>81,412</u>	<u>119,887</u>	<u>175,480</u>	<u>–</u>	<u>709,214</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
<b>Results of reportable segments</b>							709,214
Unallocated income							25,429
Unallocated expenses							(89,284)
<b>Operating profit</b>							645,359
Finance income							12,821
Finance costs							(2,615)
Share of results of associates							(24,540)
<b>Profit before income tax</b>							631,025
Income tax expenses							(109,629)
<b>Profit for the period</b>							521,396
Less: Profit attributable to non-controlling interests							(1,032)
<b>Profit attributable to equity holders of the Company</b>							<u>520,364</u>

	As at 30 September 2017							
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>4,810,760</u>	<u>1,700,300</u>	<u>731,200</u>	<u>2,081,482</u>	<u>473,382</u>	<u>9,797,124</u>		9,797,124
Interests in associates							67,053	67,053
Land and buildings							271,339	271,339
Investment properties							35,147	35,147
Deferred income tax assets							52,710	52,710
Income tax recoverable							1,968	1,968
Other unallocated assets							<u>329,058</u>	<u>329,058</u>
<b>Total assets</b>								<u><b>10,554,399</b></u>
Segment liabilities	<u>(282,388)</u>	<u>(53,716)</u>	<u>(101,371)</u>	<u>(100,797)</u>	<u>(315,858)</u>	<u>(854,130)</u>		(854,130)
Deferred income tax liabilities							(90,329)	(90,329)
Current income tax liabilities							(170,875)	(170,875)
Other unallocated liabilities							<u>(109,742)</u>	<u>(109,742)</u>
<b>Total liabilities</b>								<u><b>(1,225,076)</b></u>

For the six months ended 30 September 2016

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
<b>Revenue</b>							
Sales to external customers	3,384,714	644,007	45,653	856,334	–	–	4,930,708
Sales of scrap gold and platinum	–	–	315,970	–	–	–	315,970
	<u>3,384,714</u>	<u>644,007</u>	<u>361,623</u>	<u>856,334</u>	<u>–</u>	<u>–</u>	<u>5,246,678</u>
Inter-segment sales	67,917	10,298	690,194	156,734	–	(925,143)	–
	<u>3,452,631</u>	<u>654,305</u>	<u>1,051,817</u>	<u>1,013,068</u>	<u>–</u>	<u>(925,143)</u>	<u>5,246,678</u>
Sales of merchandises	3,452,631	654,305	1,051,817	1,013,068	–	(925,143)	5,246,678
Royalty and service income	–	–	–	–	216,804	–	216,804
Consultancy fee income	–	–	–	–	5,642	–	5,642
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,642</u>	<u>–</u>	<u>5,642</u>
<b>Total</b>	<u>3,452,631</u>	<u>654,305</u>	<u>1,051,817</u>	<u>1,013,068</u>	<u>222,446</u>	<u>(925,143)</u>	<u>5,469,124</u>
<b>Results of reportable segments</b>	<u>252,189</u>	<u>86,732</u>	<u>23,775</u>	<u>121,056</u>	<u>123,872</u>	<u>–</u>	<u>607,624</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
<b>Results of reportable segments</b>							607,624
Unallocated income							24,586
Unallocated expenses							(73,838)
<b>Operating profit</b>							558,372
Finance income							12,876
Finance costs							(4,411)
Share of results of associates							(31,352)
<b>Profit before income tax</b>							535,485
Income tax expenses							(101,817)
<b>Profit for the period</b>							433,668
Less: Profit attributable to non-controlling interests							(4,638)
<b>Profit attributable to equity holders of the Company</b>							<u>429,030</u>

As at 31 March 2017								
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>4,621,864</u>	<u>1,587,734</u>	<u>682,328</u>	<u>2,151,384</u>	<u>430,868</u>	<u>9,474,178</u>		9,474,178
Interests in associates							85,012	85,012
Land and buildings							325,306	325,306
Investment properties							35,020	35,020
Deferred income tax assets							45,954	45,954
Income tax recoverable							2,956	2,956
Other unallocated assets							<u>710,824</u>	<u>710,824</u>
<b>Total assets</b>								<u>10,679,250</u>
Segment liabilities	<u>(247,615)</u>	<u>(37,506)</u>	<u>(159,874)</u>	<u>(179,064)</u>	<u>(295,745)</u>	<u>(919,804)</u>		(919,804)
Deferred income tax liabilities							(81,670)	(81,670)
Current income tax liabilities							(150,076)	(150,076)
Gold loans							(437,151)	(437,151)
Other unallocated liabilities							<u>(110,609)</u>	<u>(110,609)</u>
<b>Total liabilities</b>								<u>(1,699,310)</u>

## 6 OPERATING PROFIT

Operating profit is stated after charging the following:

	For the six months ended	
	30 September 2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of sales		
– Cost of inventories sold ( <i>Note</i> )	<b>4,544,752</b>	3,846,263
– Cost of licensing business ( <i>Note</i> )	<b>91,442</b>	91,165
Staff costs (including directors' emoluments)	<b>379,578</b>	350,490
Operating lease		
– Minimum lease payments	<b>320,593</b>	322,912
– Contingent rents	<b>78,464</b>	57,483
Commission expenses to credit card companies	<b>44,026</b>	40,563
Depreciation of investment properties	<b>610</b>	367
Depreciation of property, plant and equipment	<b>57,035</b>	58,839
Amortisation of land use rights	<b>4,683</b>	3,759
Loss on disposal of property, plant and equipment	<b>1,657</b>	408

*Note:* Staff costs (including directors' emoluments) of HK\$149,455,000 (2016: HK\$141,296,000) are included in cost of sales.



## 7 OTHER INCOME

	For the six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government subsidies		
– Valued-added tax refund ( <i>Note i</i> )	45,032	52,777
– Other subsidies ( <i>Note ii</i> )	17,619	13,806
Rental income	4,085	2,040
Others	9,787	14,711
	<u>76,523</u>	<u>83,334</u>

### Notes:

- (i) This represents refunds from the tax authority in Mainland China. The amount of refund is based on 13% of the cost of imported diamonds. The Group is entitled to the refund as it is a member of the Shanghai Diamond Exchange and the diamonds are imported through the Shanghai Diamond Exchange.
- (ii) This represents subsidies from a municipal government in Mainland China.

## 8 OTHER LOSSES, NET

	For the six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net realised losses on derivative financial instruments	(7,008)	(12,410)
Fair value gains/(losses) on the convertible bond	328	(2,428)
Net realised gains/(losses) on gold loans	2,099	(30,409)
Net unrealised gains on gold loans	–	376
Net exchange gains	7,498	1,750
Net realised losses on gold forward contracts ( <i>Note</i> )	(9,232)	–
Realised fair value losses on CGS Share Option	(9)	–
	<u>(6,324)</u>	<u>(43,121)</u>

*Note:* During the six months ended 30 September 2017, the Group has entered into several gold future contracts to hedge against the change in gold price. All the gold future contracts have been settled before the period end date and resulted in net realised losses of HK\$9,232,000 (2016: Nil). The gold future contracts are not qualified for hedge accounting.

## 9 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

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

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	31,662	48,661
– Overseas taxation	76,064	65,979
Deferred taxation	1,903	(12,823)
	<u>109,629</u>	<u>101,817</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\$520,364,000 (2016: HK\$429,030,000) and the weighted average number of 587,107,850 (2016: 587,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2017 and 2016 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 29 June 2017, the directors recommended the payment of a final dividend of HK\$0.40 per ordinary share and a special dividend of HK\$0.15 per ordinary share, totalling HK\$0.55 per ordinary share, amounting to a total dividend of HK\$322,909,000 for the year ended 31 March 2017. Such dividend was approved by the shareholders at the adjourned Annual General Meeting of the Company on 28 August 2017 and has been reflected as an appropriation of retained earnings for the period.

At a meeting held on 29 November 2017, the directors declared the payment of an interim dividend of HK\$0.35 per ordinary share and a special dividend of HK\$0.20 per ordinary share, totalling HK\$0.55 per ordinary share, amounting to a total dividend of HK\$322,909,000 for the year ending 31 March 2018. This dividend has not been reflected as a dividend payable in these condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2018.

## 12 INTERESTS IN ASSOCIATES

	As at 30 September 2017 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Interests in associates	67,053	85,012
Amount due from an associate ( <i>Note i</i> )	9,827	33,340
Amount due to an associate ( <i>Note i</i> )	(2,125)	(1,995)
	<u>67,053</u>	<u>85,012</u>
	<b>For the six months ended</b>	
	<b>30 September</b>	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the period as at 1 April	85,012	154,531
Share of results of associates for the period ( <i>Note ii</i> )	(24,540)	(31,352)
Share of reserve movement of associates for the period	6,581	(5,213)
	<u>67,053</u>	<u>117,966</u>

### Notes:

- (i) Amount due from/(to) an associate mainly represent trade receivables/(payables) due from/(to) the Group. The balances are denominated in HK\$ and are unsecured, interest-free and repayable on demand.
- (ii) The financial year of one of the associates is not conterminous with that of the Group and the financial statements used for equity accounting are for the 6 months ended 30 June 2017. This associate uses 30 June as its financial year to conform with its holding company's reporting date.
- (iii) The Group's associates did not have any significant commitments as at 30 September 2017 and 31 March 2017.

## 13 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 2017 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
0–30 days	177,878	143,542
31–60 days	61,505	44,481
61–90 days	7,851	20,371
91–120 days	2,456	2,944
Over 120 days	9,937	5,920
	<u>259,627</u>	<u>217,258</u>

The carrying amounts of trade receivables approximate their fair values.

#### 14 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$283,892,000 (As at 31 March 2017: HK\$381,575,000) and the ageing is as follows:

	As at 30 September 2017 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
0–30 days	248,500	247,907
31–60 days	30,203	120,730
61–90 days	4,379	11,224
91–120 days	361	1,417
Over 120 days	449	297
	<u>283,892</u>	<u>381,575</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE

#### Revenue

**HK\$6.3B**

+14.9%

#### Operating Profit

**HK\$645M**

+15.6%

#### Profit Attributable to Equity Holders

**HK\$520M**

+21.3%

#### E-commerce Business Performance

Revenue: +104.7% YoY Change

Contribution to Mainland China

Retail Revenue: 14.8% (1HFY2017: 10.4%)

#### Basic Earnings per Share

**HK\$0.89**

+21.9%

#### Proposed Dividend per Share

**HK55 Cents**

Interim Dividend per Share: HK35 Cents

Special Dividend per Share: HK20 Cents

Dividend payout ratio: 62.1%

#### Overall Net Lukfook Shop Additions

**+46**

Mainland China: +47

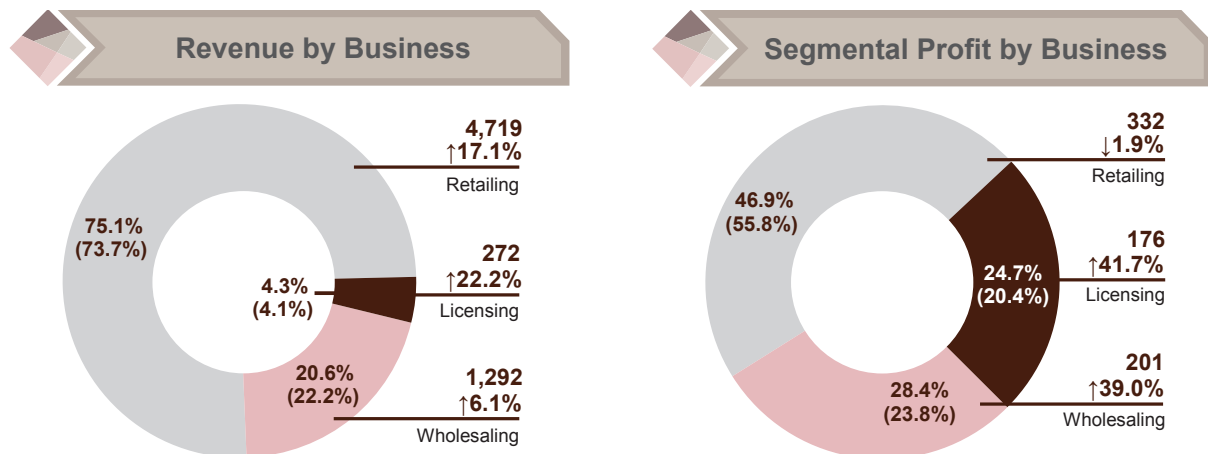
Hong Kong, Macau & Overseas: -1

### Results

Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded revenue increase of 14.9% to HK\$6,283,454,000 (2016: HK\$5,469,124,000) for the six months ended 30 September 2017 (the “Period under review”), attributable to a relatively low base, successful new product strategy and the gradually improving retail sentiment. Due to the relatively stable gold price during the Period under review, the Group’s overall gross margin dropped to 26.2% (2016: 28.0%), while gross profit rose by 7.5% to HK\$1,647,260,000 (2016: HK\$1,531,696,000). The increase in sales resulted in higher variable costs, leading to an increase of total operating expenses by 5.8%. However, with a faster increase in revenue, its ratio to revenue decreased to 17.1% (2016: 18.5%). Together with much reduced gold hedging loss under more stable gold price, operating profit therefore improved by 15.6% to HK\$645,359,000 (2016: HK\$558,372,000). Operating margin was 10.3% (2016: 10.2%) and net margin was 8.3% (2016: 7.9%). Profit attributable to equity holders increased by 21.3% to HK\$520,364,000 (2016: HK\$429,030,000), and basic earnings per share were HK\$0.89 (2016: HK\$0.73), increased by 21.9%.

## Overview

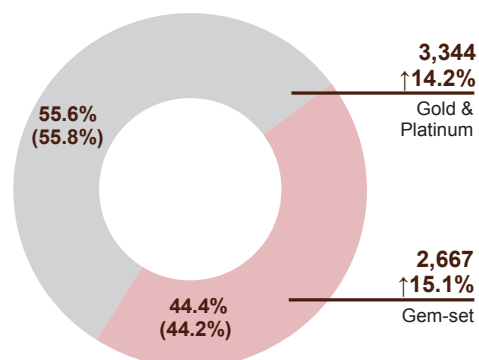
During the Period under review, the Group added a net total of 46 Lukfook shops worldwide, including a net reduction of 2 self-operated shops in Hong Kong, a net addition of 47 shops (of which 29 were licensed shops and 18 were self-operated shops) in Mainland China, and 1 self-operated shop in San Francisco, the United States. As at 30 September 2017, the Group had a global network of 1,542 Lukfook shops (2016: 1,455 shops), spanning over Hong Kong, Macau, Mainland China, Singapore, Korea, Malaysia, the United States, Canada and Australia, and operated 10 3D-GOLD shops (2016: 9 shops) in Mainland China.



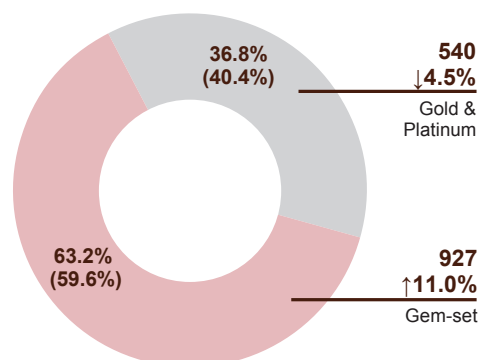
Remarks: Comparative figures for 1HFY2017 are shown in brackets

The retail business was the Group's primary source of revenue with its revenue increased by 17.1% year-on-year to HK\$4,719,610,000 (2016: HK\$4,028,721,000), accounting for 75.1% (2016: 73.7%) of the Group's total revenue. As gross margin of gold products returned to a more normal level, its gross profit dropped despite its sales increase. Segmental profit of the retail business therefore decreased by 1.9% to HK\$332,435,000 (2016: HK\$338,921,000), accounting for 46.9% (2016: 55.8%) of the total; and its segmental profit margin was 7.0% (2016: 8.4%). The wholesale business revenue rose by 6.1% over the same period last year to HK\$1,291,918,000 (2016: HK\$1,217,957,000) due to an increase in the number of licensed shops, accounting for 20.6% (2016: 22.2%) of the Group's total revenue. Its segmental profit increased substantially by 39.0% to HK\$201,299,000 (2016: HK\$144,831,000) because of increase in centralised purchases, accounting for 28.4% (2016: 23.8%) of the total profit, and its segmental profit margin was 15.6% (2016: 11.9%). Licensing income also increased by 22.2% to HK\$271,926,000 (2016: HK\$222,446,000) as a result of an increase in the number of licensed shops, accounting for 4.3% (2016: 4.1%) of the Group's total revenue. Its segmental profit increased by 41.7% to HK\$175,480,000 (2016: HK\$123,872,000), accounting for 24.7% (2016: 20.4%) of the total. Segmental profit margin improved to 64.5% (2016: 55.7%) due to higher fixed cost content in its cost structure.

### Sales<sup>1</sup> by Product



### Gross Profit<sup>2</sup> by Product



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

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

Remarks: Comparative figures for 1HFY2017 are shown in brackets

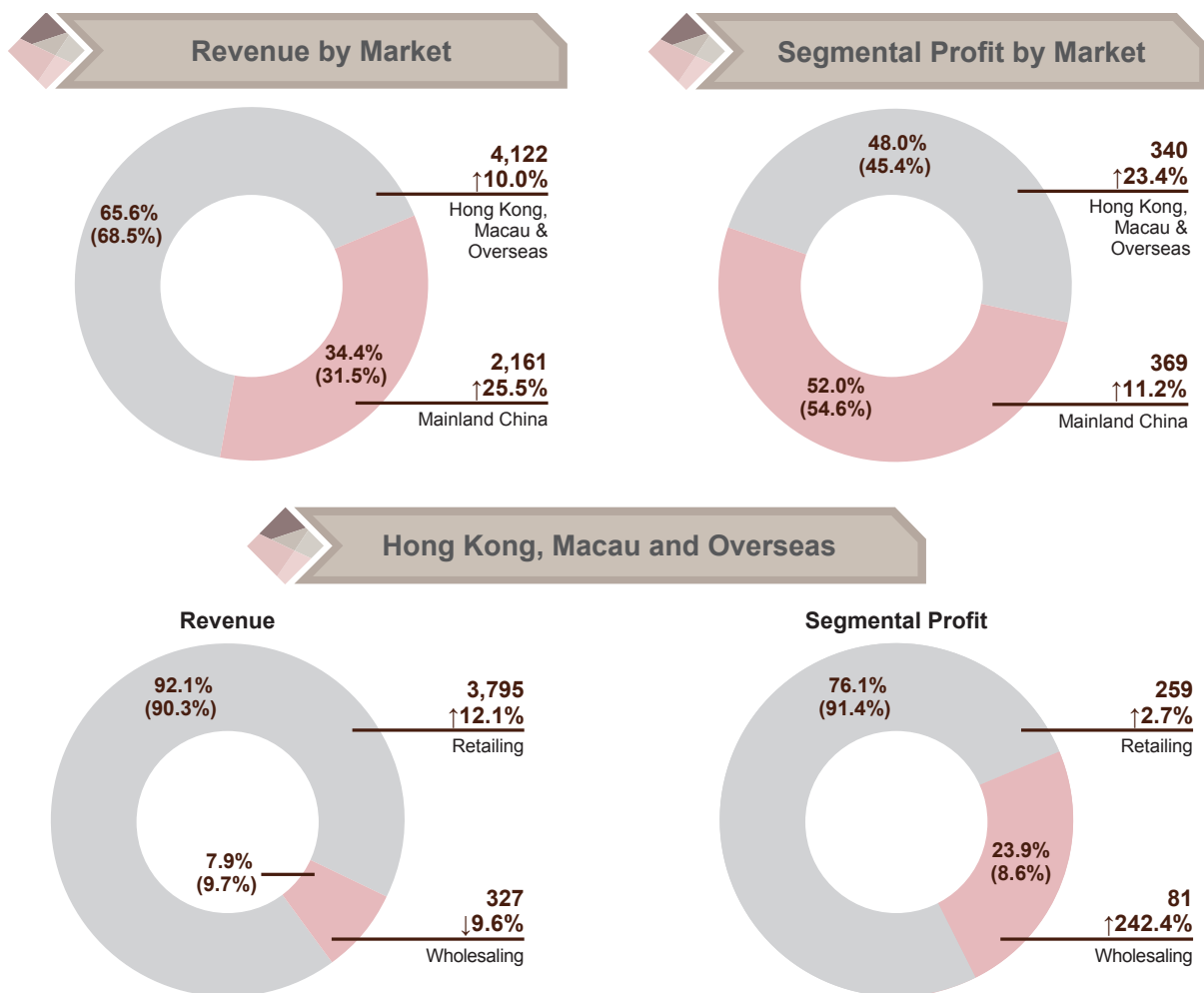
Gold products was the most favourite item among customers, and 2017 is a year with “double spring” and a “leap month” in lunar calendar, which benefits the sales of wedding-related products. Therefore, sales of gold and platinum products increased by 14.2% to HK\$3,344,300,000 (2016: HK\$2,928,962,000), accounting for 55.6% (2016: 55.8%) of the overall sales (Group revenue excluding licensing income). Gross margin dropped to 16.1% because of relatively stable gold price in current year (2016: 19.3%). Gross profit of gold and platinum products therefore decreased by 4.5% to HK\$539,724,000 (2016: HK\$565,318,000), accounting for 36.8% (2016: 40.4%) of the overall gross profit (consolidated gross profit of the Group excluding gross profit of licensing income). On the other hand, sales of gem-set jewellery products also rose by 15.1% to HK\$2,667,229,000 (2016: HK\$2,317,716,000), accounting for 44.4% (2016: 44.2%) of the overall sales. Gross margin of gem-set jewellery products was 34.8% (2016: 36.0%), while its gross profit increased 11.0% to HK\$927,053,000 (2016: HK\$835,098,000), accounting for 63.2% (2016: 59.6%) of the overall gross profit.

During the Period under review, the overall same store sales growth\* (“SSSG”) of the Group was +11.2% (2016: -31.5%), regaining a growth track after three consecutive years of decline. SSSG for the Hong Kong and Macau market and the Mainland China market both recorded double-digit growth at +10.5% (2016: -32.3%) and +16.7% (2016: -23.7%) respectively. SSSG for gold and platinum products was +10.3% (2016: -39.1%) and that for gem-set jewellery products was +12.6% (2016: -16.2%).

\* 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.

The Group has been striving to diversify its product mix to offer customers with more choices. Since 2010, the Group has been developing the mid- to high-end watch business. As at 30 September 2017, the Group was the authorised dealer of 33 watch brands, including ARNOLD & SON, BALL and its BALL for BMW series, BALMAIN, BULOVA, BURBERRY, BVLGARI, CERTINA, COINWATCH, CORUM, DOXA, EMILE CHOURIET, EMPORIO ARMANI, ENICAR, ERNEST BOREL, ETERNA, FREDERIQUE CONSTANT, HAMILTON, H. MOSER & CIE, LONGINES, LOUIS ERARD, LUDOVIC BALLOUARD, MAURICE LACROIX, MIDO, OMEGA, ORIS, RADO, ROMAGO SWISS, TAG HEUER, TISSOT, URWERK, VICTORINOX SWISS ARMY, ZENITH and WENGER. For the Period under review, the watch business contributed revenue of HK\$85,589,000 (2016: HK\$104,485,000), accounting for 1.4% (2016: 1.9%) of the Group's total revenue with 18.1% decrease when compared with same period last year.

## BUSINESS REVIEW



Remarks: Comparative figures for 1HFY2017 are shown in brackets

Segmental Profit Margin		
	Hong Kong, Macau and Overseas	Y-o-Y Change
Retailing	6.8%	-0.6p.p
Wholesaling	24.9%	+18.3p.p



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

### *Hong Kong*

The Hong Kong market was the key source of revenue for the Group. Visitors from Mainland China had been the major driver for the retail business growth in Hong Kong in the past. Given the recent recovery of the retail sentiment and visitor arrivals, consumption expenditure per capita rose amid favourable macro-economic conditions together with improved spending power. According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in October 2017, visitor arrivals from Mainland China from January to September 2017 rose by 2.5% year-on-year to approximately 32.5 million. In respect of tourist spending, the value of sales of jewellery, watches and clocks, and valuable gifts from January to September 2017 totalled approximately HK\$53.6 billion, representing an increase of around 4.3% year-on-year, according to the figures released by the Census and Statistics Department of Hong Kong. As a result, the Group's retail revenue in the Hong Kong market increased by 8.4% to HK\$2,863,629,000 (2016: HK\$2,641,820,000). As at 30 September 2017, the Group operated 45 self-operated shops (2016: 47 shops) in Hong Kong, 2 shops less than the previous year.

### *Macau*

According to the tourism statistics published by the Statistics and Census Service of the Macau Special Administrative Region, visitor arrivals to Macau from January to September 2017 increased by 4.2% over last year, and GDP of Macau for the first half of 2017 increased by 10.9% over last year. Total spending of visitors to Macau in the second quarter of 2017 amounted to MOP13.75 billion, a 17.5% increase year-on-year. Therefore, the Group's revenue generated from the Macau market increased by 18.8% to HK\$790,794,000 (2016: HK\$665,528,000) during the Period under review. As at 30 September 2017, the Group had a total of 10 self-operated shops (2016: 11 shops) in Macau.

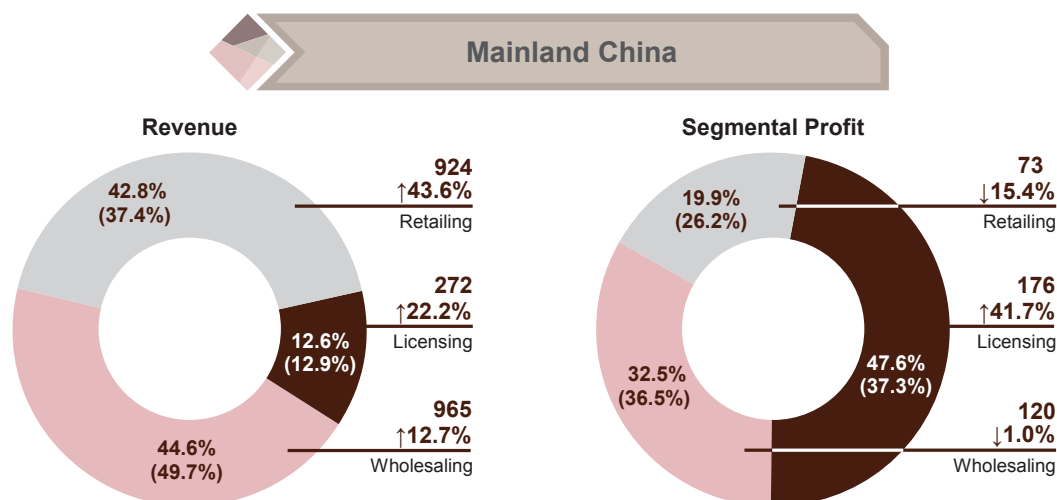
### *Overseas*

Adhering to its motto "Brand of Hong Kong, Sparkling the World", the Group has been seeking new opportunities around the world in recent years. During the Period under review, the Group added 1 Lukfook self-operated shop in San Francisco, the United States. As at 30 September 2017, the Group operated a total of 11 overseas shops (2016: 8 shops), including self-operated shops of 1 in Singapore, 2 in Malaysia, 4 in the United States, 2 in Canada and 1 in Australia, and 1 licensed shop in Korea.

During the Period under review, Hong Kong, Macau and overseas markets' retail revenue increased by 12.1% to HK\$3,795,063,000 (2016: HK\$3,384,714,000), accounting for 60.4% (2016: 61.9%) of the Group's total revenue. Its segmental profit was HK\$259,019,000 (2016: HK\$252,189,000), which was an increase of 2.7%. It accounted for 36.5% (2016: 41.5%) of the total. Its segmental profit margin was 6.8% (2016: 7.4%). Their wholesale business revenue decreased by 9.6% to HK\$326,865,000 (2016: HK\$361,623,000) due to the decline of scrap gold sales in the absence of gold price rise environment as seen last year. It accounted for 5.2% (2016: 6.6%) of the Group's total revenue. However, its segmental profit increased substantially by 2.4 times to HK\$81,412,000 (2016: HK\$23,775,000) because of increase in centralised purchases. It accounted for 11.5% (2016: 3.9%) of the total. Its segmental profit margin therefore increased to 24.9% (2016: 6.6%).

Overall speaking, the revenue from the Hong Kong, Macau and overseas markets increased by 10.0% to HK\$4,121,928,000 (2016: HK\$3,746,337,000) during the Period under review, accounting for 65.6% (2016: 68.5%) of the Group's total revenue. Its segmental profit increased by 23.4% to HK\$340,431,000 (2016: HK\$275,964,000). It accounted for 48.0% (2016: 45.4%) of the total. Segmental profit margin was 8.3% (2016: 7.4%).

The SSSG for gold and platinum products of Hong Kong, Macau and overseas markets was +8.4% (2016: -40.2%), while that for gem-set jewellery products was +13.8% (2016: -16.9%).



Remarks: Comparative figures for 1HFY2017 are shown in brackets

Segmental Profit Margin		
	Mainland China	Y-o-Y Change
Retailing	7.9%	-5.6p.p
Licensing	64.5%	+8.8p.p
Wholesaling	12.4%	-1.7p.p

## Mainland China

During the Period under review, retail revenue from the Mainland China market grew substantially by 43.6% to HK\$924,547,000 (2016: HK\$644,007,000), attributable to the improvement in the retail environment and the increase in the number of self-operated shops. It accounted for 14.7% (2016: 11.8%) of the Group's total revenue, but its segmental profit decreased by 15.4% to HK\$73,416,000 (2016: HK\$86,732,000), because gross margin of gold products returned to a more normal level. It was 10.4% (2016: 14.3%) of the total. Its segmental profit margin was 7.9% (2016: 13.5%). The SSSG for gold and platinum products in Mainland China was +22.7% (2016: -29.8%) and that for gem-set jewellery products was +3.6% (2016: -5.4%).

As a result of an increase in the number of new licensed shops, revenue of the wholesale business in the Mainland China market rose by 12.7% to HK\$965,053,000 (2016: HK\$856,334,000). It accounted for 15.4% (2016: 15.7%) of the Group's total revenue with segmental profit decreased by 1.0% to HK\$119,887,000 (2016: HK\$121,056,000) because of gross margin drop in view of more stable gold price. It was 16.9% (2016: 19.9%) of the total. Its segmental profit margin was 12.4% (2016: 14.1%). Licensing income also increased by 22.2% with increase in the number of licensed shops to HK\$271,926,000 (2016: HK\$222,446,000). It accounted for 4.3% (2016: 4.1%) of the Group's total revenue with segmental profit of HK\$175,480,000 (2016: HK\$123,872,000), representing an increase of 41.7%. It was 24.7% (2016: 20.4%) of the total. Its segmental profit margin increased to 64.5% (2016: 55.7%) due to higher fixed cost content in its cost structure.

As at 30 September 2017, the Group had a total of 1,476 shops (2016: 1,389 shops) under the "Lukfook" brandname in Mainland China, including 151 self-operated shops (2016: 120 shops) and 1,325 licensed shops (2016: 1,269 shops). During the Period under review, the Group reported a net increase of 29 Lukfook licensed shops (2016: 9 shops) and 18 Lukfook self-operated shops (2016: 15 shops) in Mainland China. 15 of the new self-operated shops were opened by a joint venture (in which the Group held a 51% equity interest) established with a licensee. Moreover, the Group operated 10 3D-GOLD self-operated shops (2016: 9 shops) in Mainland China with the same joint venture, in order to meet the development of the Group's dual-brand strategy.

### 1HFY2018 Mainland China E-Commerce Business Performance

#### Revenue

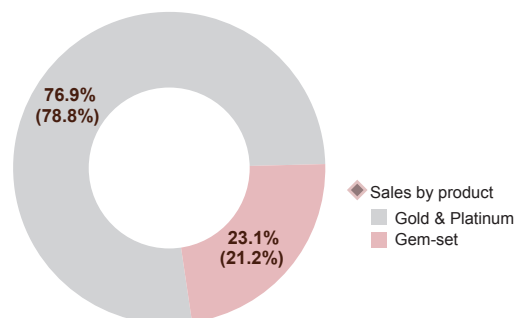
**+104.7% YoY Change**

#### Contribution to Mainland China Retail Revenue

**14.8%** (1HFY2017: 10.4%)

#### Contribution to Group's Retail Revenue

**2.9%** (1HFY2017: 1.7%)



Remarks: Comparative figures for 1HFY2017 are shown in brackets

#### Average Selling Price

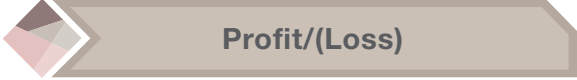
(value-added tax (VAT) included)

**RMB1,050** (+16.7% YoY Change)

In light of the rapid development of e-commerce, revenue of e-commerce business from Mainland China increased by 104.7% to HK\$136,699,000 (2016: HK\$66,796,000) during the Period under review, accounting for 14.8% (2016: 10.4%) of the Group's retail revenue in Mainland China. Sales of gold and platinum products accounted for 76.9% (2016: 78.8%) of its sales mix while gem-set jewellery accounted for 23.1% (2016: 21.2%).

Overall speaking, during the Period under review, revenue from the Mainland China market increased significantly by 25.5% to HK\$2,161,526,000 (2016: HK\$1,722,787,000), accounting for 34.4% (2016: 31.5%) of the Group's total revenue. Segmental profit increased by 11.2% to HK\$368,783,000 (2016: HK\$331,660,000), accounting for 52.0% (2016: 54.6%) of the total; and segmental profit margin was 17.1% (2016: 19.3%).

### Financial Impact in relation to Investments and Operating Activities in HKRH<sup>#</sup> & Its Subsidiaries

 <b>Profit/(Loss)</b>			
HK\$M	1HFY2018	1HFY2017	Y-o-Y Change
50% Share of Profit/(Loss) of Associate	(24)	(32)	8
Valuation Gain/(Loss) on Convertible Bond	-	(2)	2
Wholesale Gross Profit	4	6	(2)
Interest Income on Working Capital Loan	2	2	-
Interest Income on Convertible Bond	1	1	-
<b>Total</b>	<b>(17)</b>	<b>(25)</b>	<b>8</b>

The loss arising from the investments and operating activities in HKRH and its subsidiaries reduced by 32.0% to approximately HK\$17,000,000 (2016: loss of approximately HK\$25,000,000) during the Period under review.


<sup>#</sup> HKRH represents Hong Kong Resources Holdings Company Limited (Stock Code: 2882) which conducts jewellery retail and franchise business under the brandname of "3D-GOLD" in Hong Kong, Macau and Mainland China.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 September 2017, the Group's cash and bank balances were approximately HK\$1,404,000,000 (31 March 2017: approximately HK\$1,862,000,000). The Group's net gearing ratio at the period-end was 0% (31 March 2017: 0%), which was concluded by using the ratio of total bank borrowings and gold loans of HK\$0 (31 March 2017: approximately HK\$437,000,000) less cash and bank balances against total shareholders' equity of approximately HK\$9,218,000,000 (31 March 2017: approximately HK\$8,873,000,000). Net cash was approximately HK\$1,404,000,000 (31 March 2017: approximately HK\$1,425,000,000). The debt-to-equity ratio was 13.3% (31 March 2017: 19.1%), being the ratio of total liabilities of approximately HK\$1,225,000,000 (31 March 2017: approximately HK\$1,699,000,000) against total shareholders' equity of approximately HK\$9,218,000,000 (31 March 2017: approximately HK\$8,873,000,000). The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

### Inventory



The chart is a horizontal bar chart titled "Inventory Turnover Days by Product". It compares the inventory turnover days for Gold, Gem-set, and Overall across three periods: 1HFY2018, 1HFY2017, and FY2017. The bars are colored in shades of brown and grey.

	1HFY2018	1HFY2017	FY2017
Gold	177	190	152
Gem-set	454	488	436
Overall	287	311	261

As at 30 September 2017, the Group's inventory increased by 4.5% to approximately HK\$7,284,000,000 (31 March 2017: approximately HK\$6,973,000,000) due to an increase in the number of self-operated shops. The average inventory turnover days were 287 days (2016: 311 days) with the average inventory turnover days of gold products being 177 days (2016: 190 days) and that of gem-set jewellery products being 454 days (2016: 488 days).

### Capital Expenditure

During the Period under review, the Group incurred capital expenditures of approximately HK\$38,000,000 (2016: approximately HK\$55,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipment.

### Capital Commitments

As at 30 September 2017, the Group's total capital commitments amounted to approximately HK\$16,000,000 (31 March 2017: approximately HK\$13,000,000).

### Contingent Liabilities

As at 30 September 2017, the Group had outstanding financial guarantees amounting to approximately HK\$942,000,000 (31 March 2017: approximately HK\$764,000,000) which were issued to several banks in respect of banking facilities granted to an associate.

## **Human Capital Policy**

As at 30 September 2017, the number of employees of the Group was approximately 7,300 (31 March 2017: approximately 7,400). 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 structured by reference to comparable market rates while bonuses and other rewards are linked to the performances of the Group and the employees. This policy aims to motivate employees with monetary incentives to work together to enhance the Group's business performance.

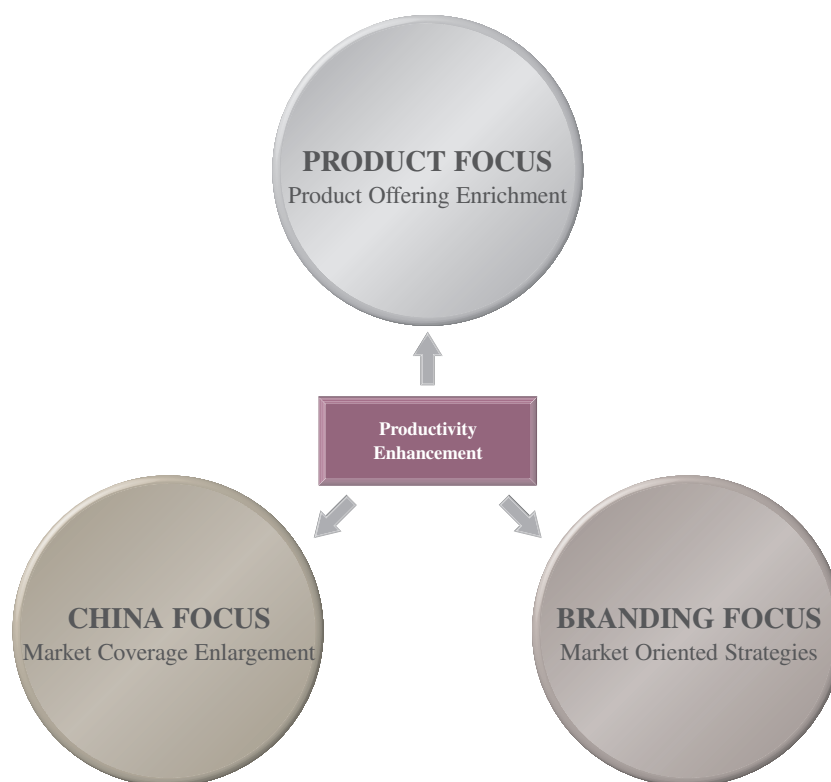
## **BRANDING**

In order to align with the branding theme of "Love is Beauty", the Group has been building a welcoming and warm-hearted brand image, and strengthening customers' emotional attachment to the brand through outstanding marketing campaigns and excellent customer service programmes. Targeting the mid- to high-end markets in Mainland China, Hong Kong, Macau and overseas, the Group has implemented comprehensive marketing strategies, and launched diversified product offerings with exquisite designs to seize the business opportunities in the middle-class, wedding and kids markets.

The Group capitalized on different promotional channels, such as public relations activities, advertising and various kinds of sponsorships, to further enhance its brand awareness. The Group also captured the rapid growth of online marketing by placing advertisements on major social media platforms, portals, video platforms and search engines, and promoted its products via live broadcast platforms, influential we-media accounts, Internet celebrities and other popular new media platforms. In addition to sponsoring medals for marathons and launching joint promotions with travel, movie and beauty related brands to reach out to the middle-class customers, the Group participated in wedding expos and a series of promotional activities to seize the business opportunities in the wedding market. Furthermore, in view of the growing impact of e-sports, the Group sponsored the champion ring for Tencent's famous online game "Honour of Kings" in order to attract young customers and increase brand exposure.

The Group's tireless efforts in brand building have been well received by the industry and the market. The Group has received numerous awards in recognition of its outstanding achievements in branding, corporate management, customer service, community welfare and environmental protection.

## OUTLOOK



Under the improved overall economic environment and increased visitor arrivals in Hong Kong and Macau, though coupled with a higher base in the second half of the financial year than the first half, the Group is still cautiously optimistic about the business development for the second half of the financial year. Moreover, with the anticipated considerable growth of the middle-class population in Mainland China, the Group also remains optimistic about the mid- to long-term business prospects. In the coming few years, the Group will focus on product offering enrichment, network coverage enlargement in Mainland China and market oriented strategies to penetrate into the mass market, covering middle-class as well as kids.

The Group will continue to accelerate the expansion into sub second-tier cities by leveraging on the joint venture business model in collaboration with selected licensees and the advantages of the dual-brand strategy. The target for net addition of shops in Mainland China for this financial year has been revised upward from 50 to at least 100 shops because of improved operating environment. The Group is also committed to further developing its e-commerce business and strengthening cooperation with e-commerce platforms in Mainland China. 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 to expand its footprint in the young consumer market.



The Group will also aim to attract customers and boost local consumption by adjusting sales strategies including product display enhancement, cross-promotional campaigns and VIP promotional activities, so as to improve sales and profit. Recognizing the importance of social media in product promotion, the Group will continue to showcase and promote its products on mobile applications and social media platforms such as Facebook and WeChat, etc.

Notwithstanding the increase in sales revenue, the Group will also strive to enhance its operational efficiency and control costs in different operational aspects, including the improvement of service quality control, ongoing negotiations with landlords for rent reduction, enhancement of support to licensees, promotion of a continuous improvement culture and full automation of operational processes in the hope of delivering better results to our shareholders.

Looking ahead, the Group is optimistic about its business prospect. Driven by the unique geographic and tax advantages of Hong Kong and Macau, the Group's cumulative brand awareness and extensive retail network, the management's diversified sales strategies and cost-effectiveness enhancement measures, the strict quality control, the increasing per capita income in Mainland China, as well as the solid customer demand for jewellery products, the outlook for jewellery industry remains positive, which will be conducive to the sustainable development of the Group.

#### **INTERIM DIVIDEND AND SPECIAL DIVIDEND**

The Board has resolved to declare an interim dividend of HK\$0.35 (2016: HK\$0.29 per share) per ordinary share and a special dividend of HK\$0.20 per ordinary share (2016: HK\$0.26 per share), totalling HK\$0.55 per ordinary share (2016: HK\$0.55 per share) for the six months ended 30 September 2017, to shareholders whose names appear on the register of members of the Company as at 14 December 2017. The interim and special dividends will be paid on or around 27 December 2017.

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company for the interim and special dividends will be closed on 14 December 2017 and no transfer of shares will be registered on that day. In order to qualify for the interim and special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 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 13 December 2017.



## **CORPORATE GOVERNANCE**

The Board and management of the Company are committed to maintaining good corporate governance practices and procedures. The corporate governance principles of the Company place emphasis on a quality Board, sound internal controls as well as transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the “Corporate Governance Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2017, except for the following deviation:

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

In view of the Group’s business growth being driven by the Mainland China market, it is believed that Mr. WONG Wai Sheung, being the Chairman and Chief Executive of the Company, will further enhance the business development of the Group there due to the norms on “status parity” when conducting future business negotiations. Moreover, members of the Board also consist of qualified professionals and other prominent and experienced individuals from the community. The Board is of the view that the existing Board’s composition, with the assistance of the Board Committees and two Deputy Chairmen, can ensure a balance of power and authority. The Board will nevertheless review this structure from time to time and will consider segregation of the two roles if and when appropriate.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

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

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

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee of the Company has reviewed the financial statements of the Company for the six months ended 30 September 2017. PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim results of the Group for the Period under review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2017/18**

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 2017/18 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

### **APPRECIATION**

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

By Order of the Board

**Luk Fook Holdings (International) Limited**

**WONG Wai Sheung**

*Chairman and Chief Executive*

Hong Kong, 29 November 2017

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