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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 2022

### HIGHLIGHTS

- Revenue reached HK\$5.6 billion, flattish with same period last year
- SSSG<sup>1</sup> for the Hong Kong SAR<sup>2</sup>, Macau SAR<sup>3</sup> and overseas markets was +26.1% overall speaking and -15.7% for Mainland China<sup>4</sup> market
- Gross profit decreased by 2.9% to HK\$1.5 billion, as overall gross margin decreased by 0.7 p.p. to 26.1% because of increase in gold sales mix
- Operating profit increased by 4.9% to HK\$818 million given the substantial turnaround from a loss to a gain in gold hedging
- Profit attributable to equity holders increased by 0.6% to HK\$658 million
- Basic earnings per share were HK\$1.12 increased by 0.9%
- Proposed interim dividend of HK\$0.55 per share with dividend payout ratio of 49.1%
- Net addition of 157 shops during the period with a total of 2,966 shops globally at period end

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

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

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

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

## FINANCIAL PERFORMANCE

|                                              | <b>For the six<br/>months ended<br/>30 September<br/>2022<br/><i>HK\$'000</i></b> | For the six<br>months ended<br>30 September<br>2021<br><i>HK\$'000</i> | Y-o-Y<br>Changes |
|----------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------|
| Revenue                                      | <b>5,573,184</b>                                                                  | 5,591,239                                                              | -0.3%            |
| Gross Profit                                 | <b>1,456,237</b>                                                                  | 1,499,557                                                              | -2.9%            |
| Operating Profit                             | <b>818,463</b>                                                                    | 779,925                                                                | +4.9%            |
| Profit for the period                        | <b>657,598</b>                                                                    | 653,886                                                                | +0.6%            |
| Profit Attributable to Equity Holders        | <b>657,618</b>                                                                    | 653,901                                                                | +0.6%            |
| Basic Earnings per Share                     | <b>HK\$1.12</b>                                                                   | HK\$1.11                                                               | +0.9%            |
| Interim Dividend per Share                   | <b>HK\$0.55</b>                                                                   | HK\$0.55                                                               | –                |
| Dividend Payout Ratio                        | <b>49.1%</b>                                                                      | 49.4%                                                                  | -0.3 p.p.        |
| Gross Margin                                 | <b>26.1%</b>                                                                      | 26.8%                                                                  | -0.7 p.p.        |
| Operating Margin                             | <b>14.7%</b>                                                                      | 14.0%                                                                  | +0.7 p.p.        |
| Net Margin                                   | <b>11.8%</b>                                                                      | 11.7%                                                                  | +0.1 p.p.        |
| EBITDA                                       | <b>999,434</b>                                                                    | 1,001,769                                                              | -0.2%            |
| EBITDA Margin                                | <b>17.9%</b>                                                                      | 17.9%                                                                  | –                |
| Total Operating Expenses to<br>Revenue Ratio | <b>15.1%</b>                                                                      | 15.4%                                                                  | -0.3 p.p.        |
| Effective Tax Rate                           | <b>18.2%</b>                                                                      | 19.0%                                                                  | -0.8 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 2022 together with comparative figures for the corresponding period in 2021 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

|                                                                                                      |             | <b>For the six months ended</b> |                    |
|------------------------------------------------------------------------------------------------------|-------------|---------------------------------|--------------------|
|                                                                                                      |             | <b>30 September</b>             |                    |
|                                                                                                      | <i>Note</i> | <b>2022</b>                     | <b>2021</b>        |
|                                                                                                      |             | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                                                                                                      |             | <b>(unaudited)</b>              | <b>(unaudited)</b> |
| <b>Revenue</b>                                                                                       | 5           | <b>5,573,184</b>                | 5,591,239          |
| Cost of sales                                                                                        | 6           | <b>(4,116,947)</b>              | (4,091,682)        |
| <b>Gross profit</b>                                                                                  |             | <b>1,456,237</b>                | 1,499,557          |
| Other income                                                                                         | 7           | <b>137,606</b>                  | 144,847            |
| Other gains/(losses), net                                                                            | 8           | <b>64,359</b>                   | (3,753)            |
| Selling and distribution costs                                                                       |             | <b>(749,406)</b>                | (776,249)          |
| Administrative expenses                                                                              |             | <b>(91,323)</b>                 | (83,809)           |
| Net reversal/(provision) of impairment loss on financial assets                                      |             | <b>990</b>                      | (668)              |
| Operating profit                                                                                     | 6           | <b>818,463</b>                  | 779,925            |
| Finance income                                                                                       |             | <b>18,180</b>                   | 46,746             |
| Finance costs                                                                                        |             | <b>(9,303)</b>                  | (10,087)           |
| Finance income, net                                                                                  |             | <b>8,877</b>                    | 36,659             |
| Share of results of an associate                                                                     |             | <b>(23,146)</b>                 | (9,326)            |
| <b>Profit before income tax</b>                                                                      |             | <b>804,194</b>                  | 807,258            |
| Income tax expenses                                                                                  | 9           | <b>(146,596)</b>                | (153,372)          |
| <b>Profit for the period</b>                                                                         |             | <b>657,598</b>                  | 653,886            |
| <b>Profit attributable to:</b>                                                                       |             |                                 |                    |
| Equity holders of the Company                                                                        |             | <b>657,618</b>                  | 653,901            |
| Non-controlling interests                                                                            |             | <b>(20)</b>                     | (15)               |
|                                                                                                      |             | <b>657,598</b>                  | 653,886            |
| <b>Earnings per share for profit attributable to equity holders of the Company during the period</b> |             |                                 |                    |
| Basic and diluted                                                                                    | 10          | <b>HK\$1.12</b>                 | HK\$1.11           |

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 2022*

|                                                                                   | For the six months ended |                 |
|-----------------------------------------------------------------------------------|--------------------------|-----------------|
|                                                                                   | 30 September             |                 |
|                                                                                   | 2022                     | 2021            |
|                                                                                   | <i>HK\$'000</i>          | <i>HK\$'000</i> |
|                                                                                   | (unaudited)              | (unaudited)     |
| <b>Profit for the period</b>                                                      | <b>657,598</b>           | 653,886         |
| <b>Other comprehensive (loss)/income:</b>                                         |                          |                 |
| <i>Items that may be or have been subsequently reclassified to profit or loss</i> |                          |                 |
| Currency translation differences                                                  |                          |                 |
| – Group                                                                           | (703,370)                | 106,027         |
| – Associate                                                                       | –                        | 961             |
| <i>Items that will not be subsequently reclassified to profit or loss</i>         |                          |                 |
| Revaluation of financial assets at fair value through other comprehensive income  | 77                       | (414)           |
| <b>Other comprehensive (loss)/income for the period, net of tax</b>               | <b>(703,293)</b>         | 106,574         |
| <b>Total comprehensive (loss)/income for the period</b>                           | <b>(45,695)</b>          | 760,460         |
| <b>Attributable to:</b>                                                           |                          |                 |
| – Equity holders of the Company                                                   | (45,675)                 | 760,475         |
| – Non-controlling interests                                                       | (20)                     | (15)            |
| <b>Total comprehensive (loss)/income for the period</b>                           | <b>(45,695)</b>          | 760,460         |

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2022

|                                                                                   | As at<br>30 September<br>2022  | As at<br>31 March<br>2022    |
|-----------------------------------------------------------------------------------|--------------------------------|------------------------------|
| Note                                                                              | <i>HK\$'000</i><br>(unaudited) | <i>HK\$'000</i><br>(audited) |
| <b>ASSETS</b>                                                                     |                                |                              |
| <b>Non-current assets</b>                                                         |                                |                              |
| Property, plant and equipment                                                     | 893,319                        | 892,590                      |
| Investment properties                                                             | 1,115,248                      | 1,007,606                    |
| Right-of-use assets                                                               | 680,855                        | 601,635                      |
| Interests in an associate                                                         | 12                             | 23,146                       |
| Financial assets at fair value through other<br>comprehensive income              | 442                            | 365                          |
| Trading license                                                                   | 1,080                          | 1,080                        |
| Gold loan receivables                                                             | –                              | 41,798                       |
| Deposits, prepayments and other receivables                                       | 109,194                        | 492,020                      |
| Deferred income tax assets                                                        | 150,817                        | 158,023                      |
|                                                                                   | <u>2,950,955</u>               | <u>3,218,263</u>             |
| <b>Current assets</b>                                                             |                                |                              |
| Inventories                                                                       | 8,214,333                      | 8,769,304                    |
| Right of return assets                                                            | 105,125                        | 109,627                      |
| Trade receivables                                                                 | 13                             | 187,711                      |
| Deposits, prepayments and other receivables                                       | 402,256                        | 403,551                      |
| Gold loan receivables                                                             | –                              | 16,719                       |
| Income tax recoverables                                                           | 21,417                         | 23,057                       |
| Cash and cash equivalents                                                         | 2,420,036                      | 3,492,037                    |
|                                                                                   | <u>11,346,043</u>              | <u>13,002,006</u>            |
| <b>Total assets</b>                                                               | <u><b>14,296,998</b></u>       | <u><b>16,220,269</b></u>     |
| <b>EQUITY</b>                                                                     |                                |                              |
| <b>Capital and reserves attributable to the<br/>equity holders of the Company</b> |                                |                              |
| Share capital                                                                     | 58,710                         | 58,710                       |
| Share premium                                                                     | 2,494,040                      | 2,494,040                    |
| Reserves                                                                          | 9,157,662                      | 9,526,246                    |
|                                                                                   | <u>11,710,412</u>              | <u>12,078,996</u>            |
| Non-controlling interests                                                         | (488)                          | (468)                        |
| <b>Total equity</b>                                                               | <u><b>11,709,924</b></u>       | <u><b>12,078,528</b></u>     |

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2022

|                                             |    | As at<br>30 September<br>2022<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 March<br>2022<br><i>HK\$'000</i><br>(audited) |
|---------------------------------------------|----|-----------------------------------------------------------------|-----------------------------------------------------------|
| <b>LIABILITIES</b>                          |    |                                                                 |                                                           |
| <b>Non-current liabilities</b>              |    |                                                                 |                                                           |
| Deferred income tax liabilities             |    | 58,457                                                          | 74,692                                                    |
| Lease liabilities                           |    | 147,779                                                         | 153,013                                                   |
| Employee benefit obligations                |    | 5,450                                                           | 5,450                                                     |
|                                             |    | <u>211,686</u>                                                  | <u>233,155</u>                                            |
| <b>Current liabilities</b>                  |    |                                                                 |                                                           |
| Trade payables, other payables and accruals | 14 | 1,147,819                                                       | 1,156,446                                                 |
| Financial guarantee contract                |    | 36,831                                                          | 36,831                                                    |
| Contract liabilities                        |    | 168,585                                                         | 165,173                                                   |
| Derivative financial instruments            |    | 30                                                              | 280                                                       |
| Lease liabilities                           |    | 188,837                                                         | 204,598                                                   |
| Sales refund liabilities                    |    | 201,900                                                         | 201,727                                                   |
| Amount due to an associate                  | 12 | 341                                                             | 411                                                       |
| Bank borrowings                             | 15 | 190,271                                                         | 1,383,391                                                 |
| Gold loans                                  |    | 332,863                                                         | 571,445                                                   |
| Current income tax liabilities              |    | 107,911                                                         | 188,284                                                   |
|                                             |    | <u>2,375,388</u>                                                | <u>3,908,586</u>                                          |
| <b>Total liabilities</b>                    |    | <u>2,587,074</u>                                                | <u>4,141,741</u>                                          |
| <b>Total equity and liabilities</b>         |    | <u>14,296,998</u>                                               | <u>16,220,269</u>                                         |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2022*

|                                                                                        | Attributable to equity holders of the Company |                  |                  |                   | Non-                     | Total equity      |
|----------------------------------------------------------------------------------------|-----------------------------------------------|------------------|------------------|-------------------|--------------------------|-------------------|
|                                                                                        | Share<br>capital                              | Share<br>premium | Reserves         | Subtotal          | controlling<br>interests | 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>   |
| <b>For the period ended<br/>30 September 2022</b>                                      |                                               |                  |                  |                   |                          |                   |
| As at 1 April 2022 (audited)                                                           | 58,710                                        | 2,494,040        | 9,526,246        | 12,078,996        | (468)                    | 12,078,528        |
| <b>Comprehensive income</b>                                                            |                                               |                  |                  |                   |                          |                   |
| Profit for the period                                                                  | –                                             | –                | 657,618          | 657,618           | (20)                     | 657,598           |
| <b>Other comprehensive<br/>(loss)/income</b>                                           |                                               |                  |                  |                   |                          |                   |
| Currency translation differences                                                       |                                               |                  |                  |                   |                          |                   |
| – Group                                                                                | –                                             | –                | (703,370)        | (703,370)         | –                        | (703,370)         |
| Revaluation of financial assets<br>at fair value through other<br>comprehensive income | –                                             | –                | 77               | 77                | –                        | 77                |
| <b>Total comprehensive loss</b>                                                        | –                                             | –                | (45,675)         | (45,675)          | (20)                     | (45,695)          |
| <b>Transaction with owners</b>                                                         |                                               |                  |                  |                   |                          |                   |
| Dividends paid                                                                         | –                                             | –                | (322,909)        | (322,909)         | –                        | (322,909)         |
| As at 30 September 2022<br>(unaudited)                                                 | <u>58,710</u>                                 | <u>2,494,040</u> | <u>9,157,662</u> | <u>11,710,412</u> | <u>(488)</u>             | <u>11,709,924</u> |

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

*For the six months ended 30 September 2022*

|                                                                                        | Attributable to equity holders of the Company |                  |                  |                   | Non-                  | Total equity      |
|----------------------------------------------------------------------------------------|-----------------------------------------------|------------------|------------------|-------------------|-----------------------|-------------------|
|                                                                                        | Share capital                                 | Share premium    | Reserves         | Subtotal          | controlling interests |                   |
|                                                                                        | <i>HK\$'000</i>                               | <i>HK\$'000</i>  | <i>HK\$'000</i>  | <i>HK\$'000</i>   | <i>HK\$'000</i>       | <i>HK\$'000</i>   |
| <b>For the period ended<br/>30 September 2021</b>                                      |                                               |                  |                  |                   |                       |                   |
| As at 1 April 2021 (audited)                                                           | <u>58,710</u>                                 | <u>2,494,040</u> | <u>8,771,915</u> | <u>11,324,665</u> | <u>(441)</u>          | <u>11,324,224</u> |
| <b>Comprehensive income</b>                                                            |                                               |                  |                  |                   |                       |                   |
| Profit for the period                                                                  | –                                             | –                | 653,901          | 653,901           | (15)                  | 653,886           |
| <b>Other comprehensive income/<br/>(loss)</b>                                          |                                               |                  |                  |                   |                       |                   |
| Currency translation differences                                                       |                                               |                  |                  |                   |                       |                   |
| – Group                                                                                | –                                             | –                | 106,027          | 106,027           | –                     | 106,027           |
| – Associate                                                                            | –                                             | –                | 961              | 961               | –                     | 961               |
| Revaluation of financial assets<br>at fair value through other<br>comprehensive income | –                                             | –                | (414)            | (414)             | –                     | (414)             |
| <b>Total comprehensive income</b>                                                      | –                                             | –                | 760,475          | 760,475           | (15)                  | 760,460           |
| <b>Transaction with owners</b>                                                         |                                               |                  |                  |                   |                       |                   |
| Dividends paid                                                                         | –                                             | –                | (587,108)        | (587,108)         | –                     | (587,108)         |
| As at 30 September 2021<br>(unaudited)                                                 | <u>58,710</u>                                 | <u>2,494,040</u> | <u>8,945,282</u> | <u>11,498,032</u> | <u>(456)</u>          | <u>11,497,576</u> |



## NOTES:

### 1 General information

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

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

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

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

### 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountant (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those set out in the Group’s annual financial statements for the year ended 31 March 2022.

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 and an accounting guideline that are effective for the first time for the financial year beginning 1 April 2022:

|                                                     |                                                                                                        |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Annual Improvements Project<br>HKAS 16 (Amendments) | Annual Improvements 2018-2020 Cycle<br>Property, Plant and Equipment – Proceeds before<br>Intended Use |
| HKAS 37 (Amendments)<br>HKFRS 3 (Amendments)        | Onerous Contracts – Cost of Fulfilling a Contract<br>Reference to the Conceptual Framework             |
| Accounting Guideline 5 (Amendments)                 | Merger Accounting for Common Control<br>Combinations                                                   |

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

- (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 2023, which the Group has not early adopted, are as follows:

|                                                     |                                                                                                                                                |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| HKFRS 17                                            | Insurance contracts <sup>(1)</sup>                                                                                                             |
| Amendments to HKAS 8                                | Accounting Policies, Change in Accounting Estimates and Errors <sup>(1)</sup>                                                                  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>(1)</sup>                                                |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclose of Accounting Policies <sup>(1)</sup>                                                                                                 |
| Amendments to HKAS 1                                | Classification of liabilities as current or non-current <sup>(2)</sup>                                                                         |
| HK-Interpretation 5 (2020)                          | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>(2)</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>                                           |

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

<sup>(2)</sup> Effective for annual period beginning on or after 1 January 2024

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

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

#### 4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2022.

#### 5 SEGMENT INFORMATION

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

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

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

CODM assesses the performance of the operating segments based on segment results. Finance income and costs, share of results of an associate, 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 recoverables and corporate assets, all of which are managed centrally. Liabilities of reportable segments exclude deferred income tax liabilities, current income tax liabilities, bank borrowings, gold loans, financial guarantee contract and corporate liabilities, all of which are managed centrally. These form part of the reconciliation to total assets and liabilities on the condensed consolidated balance sheet.

Sales to external customers are stated after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the condensed consolidated income statement and condensed consolidated balance sheet.

For the six months ended 30 September 2022 (unaudited)

|                                                                                            | Retailing –<br>Hong Kong,<br>Macau and<br>overseas<br>HK\$'000 | Retailing –<br>Mainland<br>HK\$'000 | Wholesaling –<br>Hong Kong<br>HK\$'000 | Wholesaling –<br>Mainland<br>HK\$'000 | Licensing<br>HK\$'000 | Inter-segment<br>elimination<br>HK\$'000 | Reportable<br>segments<br>Total<br>HK\$'000 |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------|----------------------------------------|---------------------------------------|-----------------------|------------------------------------------|---------------------------------------------|
| <b>Revenue</b>                                                                             |                                                                |                                     |                                        |                                       |                       |                                          |                                             |
| Sales to external customers                                                                | 2,833,228                                                      | 1,038,528                           | 59,123                                 | 1,099,428                             | –                     | –                                        | 5,030,307                                   |
| Sales of scrap                                                                             | –                                                              | –                                   | 75                                     | –                                     | –                     | –                                        | 75                                          |
|                                                                                            | <u>2,833,228</u>                                               | <u>1,038,528</u>                    | <u>59,198</u>                          | <u>1,099,428</u>                      | <u>–</u>              | <u>–</u>                                 | <u>5,030,382</u>                            |
| Inter-segment sales                                                                        | 27,959                                                         | 208                                 | 807,753                                | 48,152                                | –                     | (884,072)                                | –                                           |
|                                                                                            | <u>2,861,187</u>                                               | <u>1,038,736</u>                    | <u>866,951</u>                         | <u>1,147,580</u>                      | <u>–</u>              | <u>(884,072)</u>                         | <u>5,030,382</u>                            |
| Sales of merchandises                                                                      | –                                                              | –                                   | –                                      | –                                     | 506,938               | –                                        | 506,938                                     |
| Royalty and service income                                                                 | –                                                              | –                                   | –                                      | –                                     | 35,864                | –                                        | 35,864                                      |
| Consultancy fee income                                                                     | –                                                              | –                                   | –                                      | –                                     | –                     | –                                        | –                                           |
|                                                                                            | <u>–</u>                                                       | <u>–</u>                            | <u>–</u>                               | <u>–</u>                              | <u>542,802</u>        | <u>–</u>                                 | <u>542,802</u>                              |
| Total                                                                                      | <u>2,861,187</u>                                               | <u>1,038,736</u>                    | <u>866,951</u>                         | <u>1,147,580</u>                      | <u>542,802</u>        | <u>(884,072)</u>                         | <u>5,573,184</u>                            |
| <b>Results of reportable segments</b>                                                      | <u>211,184</u>                                                 | <u>68,422</u>                       | <u>41,854</u>                          | <u>143,565</u>                        | <u>391,322</u>        | <u>–</u>                                 | <u>856,347</u>                              |
| A reconciliation of results of reportable segments to profit for the period is as follows: |                                                                |                                     |                                        |                                       |                       |                                          |                                             |
| <b>Results of reportable segments</b>                                                      |                                                                |                                     |                                        |                                       |                       |                                          | 856,347                                     |
| Unallocated income                                                                         |                                                                |                                     |                                        |                                       |                       |                                          | 81,082                                      |
| Unallocated expenses                                                                       |                                                                |                                     |                                        |                                       |                       |                                          | (118,966)                                   |
|                                                                                            |                                                                |                                     |                                        |                                       |                       |                                          | <u>818,463</u>                              |
| <b>Operating profit</b>                                                                    |                                                                |                                     |                                        |                                       |                       |                                          | 818,463                                     |
| Finance income                                                                             |                                                                |                                     |                                        |                                       |                       |                                          | 18,180                                      |
| Finance costs                                                                              |                                                                |                                     |                                        |                                       |                       |                                          | (9,303)                                     |
| Share of results of an associate                                                           |                                                                |                                     |                                        |                                       |                       |                                          | (23,146)                                    |
|                                                                                            |                                                                |                                     |                                        |                                       |                       |                                          | <u>804,194</u>                              |
| <b>Profit before income tax</b>                                                            |                                                                |                                     |                                        |                                       |                       |                                          | 804,194                                     |
| Income tax expenses                                                                        |                                                                |                                     |                                        |                                       |                       |                                          | (146,596)                                   |
|                                                                                            |                                                                |                                     |                                        |                                       |                       |                                          | <u>657,598</u>                              |
| <b>Profit for the period</b>                                                               |                                                                |                                     |                                        |                                       |                       |                                          | 657,598                                     |
| Add: Loss attributable to non-controlling interests                                        |                                                                |                                     |                                        |                                       |                       |                                          | 20                                          |
|                                                                                            |                                                                |                                     |                                        |                                       |                       |                                          | <u>657,618</u>                              |
| <b>Profit attributable to equity holders of the Company</b>                                |                                                                |                                     |                                        |                                       |                       |                                          | <u>657,618</u>                              |

As at 30 September 2022 (unaudited)

|                                 | Retailing –<br>Hong Kong,<br>Macau and<br>overseas<br><i>HK\$'000</i> | Retailing –<br>Mainland<br><i>HK\$'000</i> | Wholesaling –<br>Hong Kong<br><i>HK\$'000</i> | Wholesaling –<br>Mainland<br><i>HK\$'000</i> | Licensing<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|-----------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------|----------------------------------------------|------------------------------|--------------------------------|--------------------------|
| Segment assets                  | <u>5,270,692</u>                                                      | <u>1,679,690</u>                           | <u>868,395</u>                                | <u>2,836,072</u>                             | <u>792,198</u>               |                                | 11,447,047               |
| Leasehold land and buildings    |                                                                       |                                            |                                               |                                              |                              | 927,711                        | 927,711                  |
| Investment properties           |                                                                       |                                            |                                               |                                              |                              | 1,115,248                      | 1,115,248                |
| Deferred income tax assets      |                                                                       |                                            |                                               |                                              |                              | 150,817                        | 150,817                  |
| Income tax recoverables         |                                                                       |                                            |                                               |                                              |                              | 21,417                         | 21,417                   |
| Other unallocated assets        |                                                                       |                                            |                                               |                                              |                              | 634,758                        | 634,758                  |
| <b>Total assets</b>             |                                                                       |                                            |                                               |                                              |                              |                                | <u>14,296,998</u>        |
| Segment liabilities             | <u>(546,466)</u>                                                      | <u>(48,946)</u>                            | <u>(72,964)</u>                               | <u>(216,217)</u>                             | <u>(832,737)</u>             |                                | (1,717,330)              |
| Deferred income tax liabilities |                                                                       |                                            |                                               |                                              |                              | (58,457)                       | (58,457)                 |
| Current income tax liabilities  |                                                                       |                                            |                                               |                                              |                              | (107,911)                      | (107,911)                |
| Bank borrowings                 |                                                                       |                                            |                                               |                                              |                              | (190,271)                      | (190,271)                |
| Gold loans                      |                                                                       |                                            |                                               |                                              |                              | (332,863)                      | (332,863)                |
| Financial guarantee contract    |                                                                       |                                            |                                               |                                              |                              | (36,831)                       | (36,831)                 |
| Other unallocated liabilities   |                                                                       |                                            |                                               |                                              |                              | (143,411)                      | (143,411)                |
| <b>Total liabilities</b>        |                                                                       |                                            |                                               |                                              |                              |                                | <u>(2,587,074)</u>       |

For the six months ended 30 September 2021 (unaudited)

|                                                                                            | Retailing –<br>Hong Kong,<br>Macau and<br>overseas<br><i>HK\$'000</i> | Retailing –<br>Mainland<br><i>HK\$'000</i> | Wholesaling –<br>Hong Kong<br><i>HK\$'000</i> | Wholesaling –<br>Mainland<br><i>HK\$'000</i> | Licensing<br><i>HK\$'000</i> | Inter-segment<br>elimination<br><i>HK\$'000</i> | Reportable<br>segments<br>Total<br><i>HK\$'000</i> |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------|----------------------------------------------|------------------------------|-------------------------------------------------|----------------------------------------------------|
| <b>Revenue</b>                                                                             |                                                                       |                                            |                                               |                                              |                              |                                                 |                                                    |
| 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                                                                     | –                                                                     | –                                          | –                                             | –                                            | –                            | –                                               | –                                                  |
|                                                                                            | <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>                                   |
| <b>Total</b>                                                                               | <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>                                   |
| <b>Results of reportable segments</b>                                                      | <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: |                                                                       |                                            |                                               |                                              |                              |                                                 |                                                    |
| <b>Results of reportable segments</b>                                                      |                                                                       |                                            |                                               |                                              |                              |                                                 | 835,484                                            |
| Unallocated income                                                                         |                                                                       |                                            |                                               |                                              |                              |                                                 | 65,715                                             |
| Unallocated expenses                                                                       |                                                                       |                                            |                                               |                                              |                              |                                                 | (121,274)                                          |
|                                                                                            |                                                                       |                                            |                                               |                                              |                              |                                                 | <u>779,925</u>                                     |
| <b>Operating profit</b>                                                                    |                                                                       |                                            |                                               |                                              |                              |                                                 | 779,925                                            |
| Finance income                                                                             |                                                                       |                                            |                                               |                                              |                              |                                                 | 46,746                                             |
| Finance costs                                                                              |                                                                       |                                            |                                               |                                              |                              |                                                 | (10,087)                                           |
| Share of results of an associate                                                           |                                                                       |                                            |                                               |                                              |                              |                                                 | (9,326)                                            |
|                                                                                            |                                                                       |                                            |                                               |                                              |                              |                                                 | <u>807,258</u>                                     |
| <b>Profit before income tax</b>                                                            |                                                                       |                                            |                                               |                                              |                              |                                                 | 807,258                                            |
| Income tax expenses                                                                        |                                                                       |                                            |                                               |                                              |                              |                                                 | (153,372)                                          |
|                                                                                            |                                                                       |                                            |                                               |                                              |                              |                                                 | <u>653,886</u>                                     |
| <b>Profit for the period</b>                                                               |                                                                       |                                            |                                               |                                              |                              |                                                 | 653,886                                            |
| Add: Loss attributable to non-controlling interests                                        |                                                                       |                                            |                                               |                                              |                              |                                                 | 15                                                 |
|                                                                                            |                                                                       |                                            |                                               |                                              |                              |                                                 | <u>653,901</u>                                     |
| <b>Profit attributable to equity holders of the Company</b>                                |                                                                       |                                            |                                               |                                              |                              |                                                 | <u>653,901</u>                                     |

As at 31 March 2022 (audited)

|                                 | Retailing<br>– Hong Kong,<br>Macau and<br>overseas<br>HK\$'000 | Retailing<br>– Mainland<br>HK\$'000 | Wholesaling<br>– Hong Kong<br>HK\$'000 | Wholesaling<br>– Mainland<br>HK\$'000 | Licensing<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000  |
|---------------------------------|----------------------------------------------------------------|-------------------------------------|----------------------------------------|---------------------------------------|-----------------------|-------------------------|--------------------|
| Segment assets                  | <u>5,252,068</u>                                               | <u>2,249,027</u>                    | <u>884,276</u>                         | <u>3,057,666</u>                      | <u>1,506,796</u>      |                         | 12,949,833         |
| Interests in an associate       |                                                                |                                     |                                        |                                       |                       | 23,146                  | 23,146             |
| Leasehold land and buildings    |                                                                |                                     |                                        |                                       |                       | 931,627                 | 931,627            |
| Investment properties           |                                                                |                                     |                                        |                                       |                       | 1,007,606               | 1,007,606          |
| Deferred income tax assets      |                                                                |                                     |                                        |                                       |                       | 158,023                 | 158,023            |
| Income tax recoverables         |                                                                |                                     |                                        |                                       |                       | 23,057                  | 23,057             |
| Other unallocated assets        |                                                                |                                     |                                        |                                       |                       | <u>1,126,977</u>        | <u>1,126,977</u>   |
| <b>Total assets</b>             |                                                                |                                     |                                        |                                       |                       |                         | <u>16,220,269</u>  |
| Segment liabilities             | <u>(557,331)</u>                                               | <u>(36,964)</u>                     | <u>(105,020)</u>                       | <u>(210,257)</u>                      | <u>(818,410)</u>      |                         | (1,727,982)        |
| Deferred income tax liabilities |                                                                |                                     |                                        |                                       |                       | (74,692)                | (74,692)           |
| Current income tax liabilities  |                                                                |                                     |                                        |                                       |                       | (188,284)               | (188,284)          |
| Bank borrowings                 |                                                                |                                     |                                        |                                       |                       | (1,383,391)             | (1,383,391)        |
| Gold loans                      |                                                                |                                     |                                        |                                       |                       | (571,445)               | (571,445)          |
| Financial guarantee contract    |                                                                |                                     |                                        |                                       |                       | (36,831)                | (36,831)           |
| Other unallocated liabilities   |                                                                |                                     |                                        |                                       |                       | <u>(159,116)</u>        | <u>(159,116)</u>   |
| <b>Total liabilities</b>        |                                                                |                                     |                                        |                                       |                       |                         | <u>(4,141,741)</u> |

## 6 OPERATING PROFIT

Operating profit is stated after charging the following:

|                                                                    | For the six months ended<br>30 September |                                 |
|--------------------------------------------------------------------|------------------------------------------|---------------------------------|
|                                                                    | 2022<br>HK\$'000<br>(unaudited)          | 2021<br>HK\$'000<br>(unaudited) |
| Cost of sales ( <i>Note</i> )                                      |                                          |                                 |
| – Cost of inventories sold                                         | <b>3,981,102</b>                         | 3,950,059                       |
| – Cost of licensing business                                       | <b>135,845</b>                           | 141,623                         |
| Staff costs (including the directors' emoluments)                  | <b>348,132</b>                           | 351,191                         |
| Expenses relating to short-term leases and variable lease payments | <b>49,193</b>                            | 42,904                          |
| Rent concession related to COVID-19                                | <b>(9,058)</b>                           | (9,423)                         |
| Other taxes expenses                                               | <b>49,464</b>                            | 38,006                          |
| Advertising and promotion expenses                                 | <b>43,695</b>                            | 35,153                          |
| Commission expenses to payment service providers                   | <b>30,900</b>                            | 27,584                          |
| Depreciation of right-of-use assets                                | <b>139,824</b>                           | 167,121                         |
| Depreciation of investment properties                              | <b>17,415</b>                            | 13,905                          |
| Depreciation of property, plant and equipment                      | <b>46,878</b>                            | 50,144                          |
| Losses on disposal of property, plant and equipment                | <b>3,739</b>                             | 209                             |
| Impairment losses on property, plant and equipment                 | –                                        | 1,009                           |
| Impairment losses on right-of-use assets                           | –                                        | 26,724                          |
|                                                                    | <u>                    </u>              | <u>                    </u>     |

*Note:* Save as disclosed above, staff costs (including the directors' emoluments) of HK\$169,422,000 (2021: HK\$201,840,000) are included in "cost of sales" in the condensed consolidated income statement.

## 7 OTHER INCOME

|                                                     | For the six months ended |             |
|-----------------------------------------------------|--------------------------|-------------|
|                                                     | 30 September             |             |
|                                                     | 2022                     | 2021        |
|                                                     | HK\$'000                 | HK\$'000    |
|                                                     | (unaudited)              | (unaudited) |
| Government subsidies                                |                          |             |
| – Valued-added tax (“VAT”) refund ( <i>Note i</i> ) | 22,478                   | 63,412      |
| – Other government subsidies ( <i>Note ii</i> )     | 49,654                   | 40,590      |
| – Employment Support Scheme ( <i>Note iii</i> )     | 24,000                   | –           |
| Rental income                                       | 31,510                   | 27,900      |
| Others                                              | 9,964                    | 12,945      |
|                                                     | 137,606                  | 144,847     |
|                                                     | 137,606                  | 144,847     |

### Notes:

- (i) This represents refund from the tax authority in Mainland. The amount of refund is based on the VAT in excess the original input VAT of 4%. 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 May to July 2022.

## 8 OTHER GAINS/(LOSSES), NET

|                                                                                         | For the six months ended |             |
|-----------------------------------------------------------------------------------------|--------------------------|-------------|
|                                                                                         | 30 September             |             |
|                                                                                         | 2022                     | 2021        |
|                                                                                         | HK\$'000                 | HK\$'000    |
|                                                                                         | (unaudited)              | (unaudited) |
| Net realised gains/(losses) on derivative financial instruments<br>( <i>Note i</i> )    | 33,273                   | (6,716)     |
| Net realised gains/(losses) on foreign exchange forward contracts<br>( <i>Note ii</i> ) | 6,891                    | (1,441)     |
| Net unrealised losses on foreign exchange forward contracts<br>( <i>Note ii</i> )       | (30)                     | (45)        |
| Realised losses on gold loans receivables                                               | (33,138)                 | –           |
| Unrealised gains on gold loans receivables                                              | –                        | 798         |
| Net realised gains/(losses) on gold loans                                               | 56,211                   | (16,180)    |
| Unrealised gains on gold loans                                                          | 9,031                    | 14,001      |
| Net exchange (losses)/gains                                                             | (7,879)                  | 5,830       |
|                                                                                         | 64,359                   | (3,753)     |
|                                                                                         | 64,359                   | (3,753)     |

### 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.

## 9 INCOME TAX EXPENSES

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

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

|                                                 | For the six months ended |                |
|-------------------------------------------------|--------------------------|----------------|
|                                                 | 30 September             |                |
|                                                 | 2022                     | 2021           |
|                                                 | HK\$'000                 | HK\$'000       |
|                                                 | (unaudited)              | (unaudited)    |
| Current taxation:                               |                          |                |
| – Hong Kong profits tax                         | 2,867                    | 5,640          |
| – Mainland and others taxation                  | 121,922                  | 158,124        |
| – Withholding tax on dividend declared and paid | 30,835                   | –              |
| Deferred income tax                             | (9,028)                  | (10,392)       |
|                                                 | <u>146,596</u>           | <u>153,372</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\$657,618,000 (2021: HK\$653,901,000) and the weighted average number of 587,107,850 (2021: 587,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2022 and 2021 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

## 11 DIVIDENDS

At a meeting held on 28 June 2022, the directors of the Company recommended the payment of a final dividend of HK\$0.55 per ordinary share, amounting to a total dividend of HK\$322,909,000 for the year ended 31 March 2022. Such dividend was approved by the shareholders at the Annual General Meeting of the Company on 18 August 2022. The aggregate amount of the proposed dividend was expected to be paid out of retained earnings at 31 March 2022, but not recognised as a liability at 31 March 2022.

At a meeting held on 28 November 2022, 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 2023.



## 12 INTERESTS IN AN ASSOCIATE

|                                                                             | As at<br>30 September<br>2022<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 March<br>2022<br><i>HK\$'000</i><br>(audited) |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------|
| Interests in an associate                                                   | –                                                               | 23,146                                                    |
| Amount due to an associate ( <i>Note i</i> )                                | <u>341</u>                                                      | <u>411</u>                                                |
|                                                                             | <b>For the six months ended</b>                                 |                                                           |
|                                                                             | <b>30 September</b>                                             | 2021                                                      |
|                                                                             | <b>2022</b>                                                     | <b>2021</b>                                               |
|                                                                             | <b><i>HK\$'000</i></b>                                          | <b><i>HK\$'000</i></b>                                    |
| As at 1 April (audited)                                                     | <b>23,146</b>                                                   | 42,925                                                    |
| Share of results of an associate for the period ( <i>Note ii and iv</i> )   | <b>(23,146)</b>                                                 | (9,326)                                                   |
| Share of reserve movement of an associate for the period ( <i>Note iv</i> ) | <u>–</u>                                                        | <u>961</u>                                                |
| As at 30 September (unaudited)                                              | <u>–</u>                                                        | <u>(34,560)</u>                                           |

### Notes:

- (i) Amount due to an associate is trade in nature, which is denominated in HK\$ and unsecured and interest-free. As at 30 September 2022 and 31 March 2022, the amount due to an associate was aged within 30 days.
- (ii) The financial year of the associate 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 2022 and 2021. 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 2022 and 31 March 2022.
- (iv) As at 30 September 2022, share of loss and other comprehensive loss of an associate of HK\$1,254,000 (2021: Nil) and HK\$8,496,000 (2021: Nil) respectively was not recognised by the Group as such loss exceeds its interests in an associate.

## 13 TRADE RECEIVABLES

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

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

|                                                     | As at<br>30 September<br>2022<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 March<br>2022<br><i>HK\$'000</i><br>(audited) |
|-----------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------|
| 0–30 days                                           | 165,614                                                         | 137,566                                                   |
| 31–60 days                                          | 9,264                                                           | 25,325                                                    |
| 61–90 days                                          | 3,614                                                           | 14,370                                                    |
| 91–120 days                                         | 2,121                                                           | 2,648                                                     |
| Over 120 days                                       | <u>3,304</u>                                                    | <u>9,833</u>                                              |
|                                                     | <b>183,917</b>                                                  | 189,742                                                   |
| Less: Allowance for impairment of trade receivables | <u>(1,041)</u>                                                  | <u>(2,031)</u>                                            |
| Trade receivables, net                              | <u><b>182,876</b></u>                                           | <u>187,711</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\$223,302,000 (As at 31 March 2022: HK\$242,879,000) and the ageing is as follows:

|               | As at<br>30 September<br>2022<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 March<br>2022<br><i>HK\$'000</i><br>(audited) |
|---------------|-----------------------------------------------------------------|-----------------------------------------------------------|
| 0–30 days     | 185,817                                                         | 204,743                                                   |
| 31–60 days    | 33,946                                                          | 28,734                                                    |
| 61–90 days    | 3,134                                                           | 5,652                                                     |
| 91–120 days   | 183                                                             | 1,917                                                     |
| Over 120 days | 222                                                             | 1,833                                                     |
|               | <u>223,302</u>                                                  | <u>242,879</u>                                            |

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

#### 15 BANK BORROWINGS

|                            | As at<br>30 September<br>2022<br><i>HK\$'000</i><br>(unaudited) | As at<br>31 March<br>2022<br><i>HK\$'000</i><br>(audited) |
|----------------------------|-----------------------------------------------------------------|-----------------------------------------------------------|
| Bank borrowings, secured   | 190,271                                                         | 769,391                                                   |
| Bank borrowings, unsecured | –                                                               | 614,000                                                   |
|                            | <u>190,271</u>                                                  | <u>1,383,391</u>                                          |

As at 30 September 2022, bank borrowings of HK\$190,271,000 (as at 31 March 2022: HK\$769,391,000) are secured by land and building with carrying amount of HK\$445,664,000 (as at 31 March 2022: HK\$454,669,000) and investment properties with carrying amount of HK\$78,053,000 (as at 31 March 2022: HK\$79,630,000).

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FINANCIAL PERFORMANCE**



<sup>1</sup> Dividend Payout Ratio: 49.1%

## Results

During the six months ended 30 September 2022 (the “Period under review”), the global market remained uncertain as affected by the geopolitical risks and pandemic resurgence, yet Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) managed to maintain flattish top line with a mild growth in bottom line. Its revenue was HK\$5,573,184,000 (2021: HK\$5,591,239,000). Though the recovery of retail atmosphere in certain regions, in particular Hong Kong, complemented by the favourable gold sales sentiment due to the fall in gold prices, led to a notable increment in retailing revenue, it was mostly netted-off by the drop in wholesaling revenue owing to the sluggish demand of fixed price jewellery products especially in Mainland.

The overall gross margin of the Group decreased marginally by 0.7 p.p. to 26.1% (2021: 26.8%) because of increase in gold sales mix. As a result, the Group’s gross profit decreased by 2.9% to HK\$1,456,237,000 (2021: HK\$1,499,557,000). On the other hand, the operating expenses to revenue ratio marginally decreased by 0.3 p.p. to 15.1% (2021: 15.4%), together with the substantial turnaround from a loss to a gain in gold hedging, the operating profit increased by 4.9% to HK\$818,463,000 (2021: HK\$779,925,000) with operating margin increased to 14.7% (2021: 14.0%). However, because of the decrease in net interest income and increase in share of losses from an associate, the Group’s profit for the period increased slightly by 0.6% to HK\$657,598,000 (2021: HK\$653,886,000). The net margin increased by 0.1 p.p. to 11.8% (2021: 11.7%) and the profit attributable to equity holders increased by 0.6% to HK\$657,618,000 (2021: HK\$653,901,000). Accordingly, the basic earnings per share increased by 0.9% to HK\$1.12 (2021: HK\$1.11).

## Overview

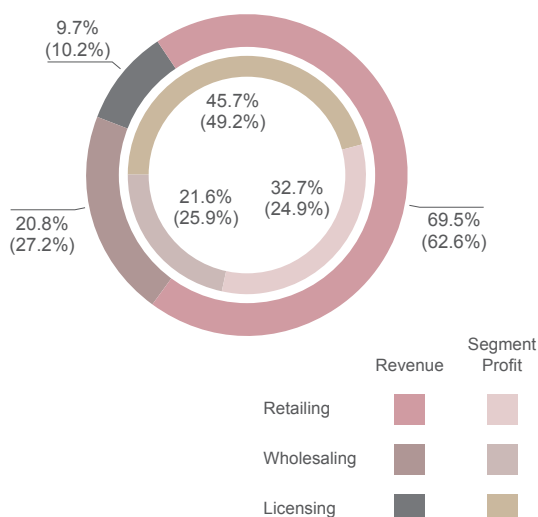
During the Period under review, the Group operated a total of 1 brand and 4 sub-brands/product lines under the multi-brand strategy. There was a net addition of 157 shops globally including a net total of 119 “Lukfook” shops worldwide and 38 shops of sub-brands/product lines in Mainland. Details are as follows:

### Global Distribution Network

| Countries and Regions                       | 30 September 2022 | 31 March 2022 | Changes     |
|---------------------------------------------|-------------------|---------------|-------------|
| <b>“Lukfook” Shops</b>                      |                   |               |             |
| <b>Self-operated Shops</b>                  |                   |               |             |
| • Mainland                                  | 75                | 77            | -2          |
| • Hong Kong                                 | 44                | 44            | 0           |
| • Macau                                     | 16                | 15            | +1          |
| • Canada                                    | 2                 | 2             | 0           |
| • The United States                         | 3                 | 3             | 0           |
| • Australia                                 | 1                 | 1             | 0           |
| • Malaysia                                  | 2                 | 2             | 0           |
| • Singapore                                 | 0                 | 1             | -1          |
| Sub-total                                   | 143               | 145           | -2          |
| <b>Licensed Shops</b>                       |                   |               |             |
| • Mainland                                  | 2,690             | 2,569         | +121        |
| • The Philippines                           | 2                 | 2             | 0           |
| • Cambodia                                  | 2                 | 2             | 0           |
| • Laos                                      | 1                 | 1             | 0           |
| Sub-total                                   | 2,695             | 2,574         | +121        |
| <b>Total</b>                                | <b>2,838</b>      | <b>2,719</b>  | <b>+119</b> |
| <b>Sub-brands/Product Lines in Mainland</b> |                   |               |             |
| <b>Self-operated Shops</b>                  |                   |               |             |
| • “Goldstyle”                               | 3                 | 5             | -2          |
| • “Dear Q”                                  | 0                 | 1             | -1          |
| • “Heirloom Fortune”                        | 8                 | 0             | +8          |
| <b>Licensed Shops</b>                       |                   |               |             |
| • “Goldstyle”                               | 77                | 79            | -2          |
| • “Lukfook Joaillerie”                      | 7                 | 2             | +5          |
| • “Heirloom Fortune”                        | 33                | 3             | +30         |
| <b>Worldwide Total</b>                      | <b>2,966</b>      | <b>2,809</b>  | <b>+157</b> |

As at 30 September 2022, the Group had a global network of 2,966 shops (2021: 2,601 shops), including 2,838 “Lukfook” shops (2021: 2,516 shops), with business spanning across Hong Kong, Macau, Mainland, Malaysia, Cambodia, the Philippines, Laos, the United States, Canada and Australia, and operated a total of 80 “Goldstyle” shops (2021: 83 shops), 7 “Lukfook Joaillerie” shops (2021: Nil) and 41 “Heirloom Fortune” shops (2021: Nil) in Mainland.

## Revenue and Segment Profit by Business



| By Business<br>HK\$M | Revenue            | Segment<br>Profit | Segment<br>Profit Margin |
|----------------------|--------------------|-------------------|--------------------------|
| Retailing            | 3,872              | 280               | 7.2%                     |
| <i>Y-o-Y Changes</i> | +10.6%             | +34.6%            | +1.3 p.p.                |
| Wholesaling          | 1,158              | 185               | 16.0%                    |
| <i>Y-o-Y Changes</i> | -23.9%             | -14.4%            | +1.8 p.p.                |
| Adjusted Wholesaling | 2,015 <sup>1</sup> | 185               | 9.2%                     |
| <i>Y-o-Y Changes</i> | -8.9%              | -14.4%            | -0.6 p.p.                |
| Licensing            | 543                | 391               | 72.1%                    |
| <i>Y-o-Y Changes</i> | -4.6%              | -4.8%             | -0.2 p.p.                |
| Overall              | 5,573              | 856               | 15.4%                    |
| <i>Y-o-Y Changes</i> | -0.3%              | +2.5%             | +0.4 p.p.                |

Remarks: Figures for 1HFY2022 are shown in brackets

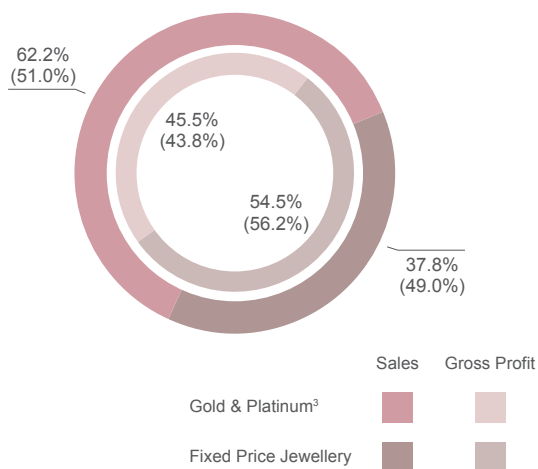
<sup>1</sup> Adjusted Wholesaling Revenue = Revenue of Wholesaling Business to External Parties + Inter-Segment Wholesaling Revenue

During the Period under review, the retailing business remained as the Group's primary source of revenue. Benefitted from the declining gold prices and recovery of retail sentiment in certain regions, the Group's total retailing revenue increased by 10.6% to HK\$3,871,756,000 (2021: HK\$3,499,915,000), accounting for 69.5% (2021: 62.6%) of the Group's total revenue. Its segment profit increased by 34.6% to HK\$279,606,000 (2021: HK\$207,725,000), accounting for 32.7% (2021: 24.9%) of the total, and its segment profit margin was 7.2% (2021: 5.9%).

Owing to the diminished demand of fixed price jewellery products in Mainland, the Group's wholesaling revenue declined by 23.9% to HK\$1,158,626,000 (2021: HK\$1,522,442,000), accounting for 20.8% (2021: 27.2%) of the Group's total revenue. Its segment profit decreased by 14.4% to HK\$185,419,000 (2021: HK\$216,609,000), accounting for 21.6% (2021: 25.9%) of the total. Its segment profit margin was 16.0% (2021: 14.2%). As the segment profit of wholesaling business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be 9.2% (2021: 9.8%).

During the Period under review, licensing income slightly decreased by 4.6% to HK\$542,802,000 (2021: HK\$568,882,000), accounting for 9.7% (2021: 10.2%) of the Group's total revenue. Its segment profit margin was 72.1% (2021: 72.3%), while its segment profit decreased by 4.8% to HK\$391,322,000 (2021: HK\$411,150,000), accounting for 45.7% (2021: 49.2%) of the total.

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



| By Product<br>HK\$M                          | Sales           | Gross Profit   | Gross Margin       |
|----------------------------------------------|-----------------|----------------|--------------------|
| Gold & Platinum<br><i>Y-o-Y Changes</i>      | 3,127<br>+22.0% | 477<br>+1.6%   | 15.3%<br>-3.0 p.p. |
| Fixed Price Jewellery<br><i>Y-o-Y Change</i> | 1,903<br>-22.6% | 572<br>-5.1%   | 30.0%<br>+5.5 p.p. |
| Overall<br><i>Y-o-Y Change</i>               | 5,030<br>+0.2%  | 1,049<br>-2.1% | 20.9%<br>-0.5 p.p. |

Remarks: Figures for 1HFY2022 are shown in brackets

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

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

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

During the Period under review, as the fall in gold prices stimulated retail consumption, sales of gold and platinum products increased by 22.0% to HK\$3,126,769,000 (2021: HK\$2,562,575,000), accounting for 62.2% (2021: 51.0%) of the overall sales amount (Group revenue minus licensing income). However, its gross margin declined by 3.0 p.p. to 15.3% (2021: 18.3%) as a result of the fall in gold prices, while gross profit of gold and platinum products increased by 1.6% to HK\$477,328,000 (2021: HK\$469,696,000), accounting for 45.5% (2021: 43.8%) 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 decreased by 22.6% to HK\$1,903,613,000 (2021: HK\$2,459,781,000), accounting for 37.8% (2021: 49.0%) of the overall sales amount (Group revenue minus licensing income). Nevertheless, the gross margin of fixed price jewellery products increased substantially by 5.5 p.p. to 30.0% (2021: 24.5%) due to the improvement of gross margin from its retailing business. It was mainly because of reduced discount offerings and increase in retail selling prices of fixed price jewellery products given the increasing diamond costs. Its gross profit therefore decreased by 5.1% only to HK\$571,952,000 (2021: HK\$602,602,000), accounting for 54.5% (2021: 56.2%) of the overall gross profit (consolidated gross profit of the Group minus gross profit of licensing income).

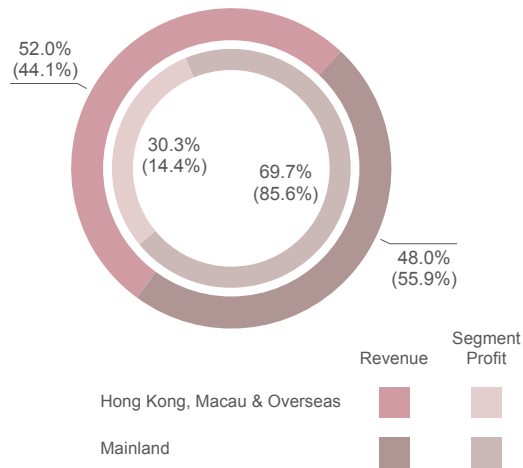
The overall SSSG of the Group was +19.0% (2021: +110.0%). SSSG for gold and platinum products was +35.0% (2021: +120.4%) and -14.4% (2021: +90.8%) for fixed price jewellery products.

The Group has been striving to diversify its product mix so as to offer customers with varieties and choices. Since 2010, the Group has been engaging in the mid- to high-end watch business. As at 30 September 2022, the Group was the authorised dealer of 12 watch brands, including COINWATCH, DOXA, DARWIL, ENICAR, HAMILTON, LONGINES, MIDO, OMEGA, RADO, ROMAGO SWISS, TISSOT and BIJOU MONTRE. For the Period under review, the watch business contributed revenue of HK\$24,439,000 (2021: HK\$36,525,000), accounting for 0.4% (2021: 0.7%) of the Group's total revenue.



## BUSINESS REVIEW

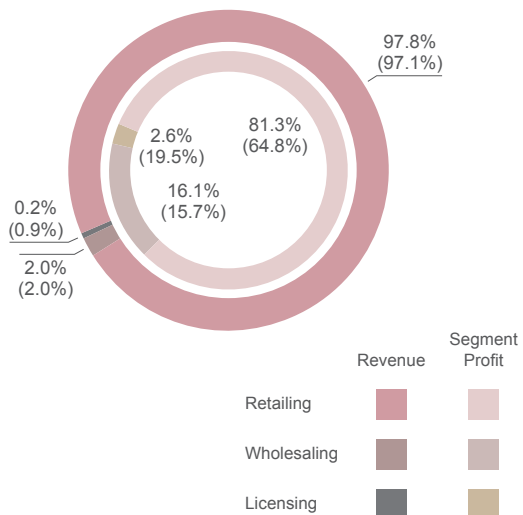
### Revenue and Segment Profit by Market



| By Market<br>HK\$M                                  | Revenue         | Segment<br>Profit | Segment<br>Profit Margin |
|-----------------------------------------------------|-----------------|-------------------|--------------------------|
| Hong Kong, Macau & Overseas<br><i>Y-o-Y Changes</i> | 2,898<br>+17.4% | 259<br>+116.0%    | 9.0%<br>+4.1 p.p.        |
| Mainland<br><i>Y-o-Y Changes</i>                    | 2,675<br>-14.4% | 597<br>-16.6%     | 22.3%<br>-0.6 p.p.       |
| Overall<br><i>Y-o-Y Changes</i>                     | 5,573<br>-0.3%  | 856<br>+2.5%      | 15.4%<br>+0.5 p.p.       |

Remarks: Figures for 1HFY2022 are shown in brackets

## Hong Kong, Macau and Overseas



| HK\$M                | Revenue          | Segment Profit | Segment Profit Margin |
|----------------------|------------------|----------------|-----------------------|
| Retailing            | 2,833            | 211            | 7.5%                  |
| <i>Y-o-Y Changes</i> | +18.2%           | +171.0%        | +4.2 p.p.             |
| Wholesaling          | 59               | 42             | 70.7%                 |
| <i>Y-o-Y Changes</i> | +22.5%           | +122.3%        | +31.8 p.p.            |
| Adjusted Wholesaling | 867 <sup>1</sup> | 42             | 4.8%                  |
| <i>Y-o-Y Changes</i> | +29.7%           | +122.3%        | +2.0 p.p.             |
| Licensing            | 6                | 6              | 109.1%                |
| <i>Y-o-Y Changes</i> | -73.8%           | -71.8%         | +7.9 p.p.             |
| Overall              | 2,898            | 259            | 9.0%                  |
| <i>Y-o-Y Changes</i> | +17.4%           | +116.0%        | +4.1 p.p.             |

Remarks: Figures for 1HFY2022 are shown in brackets

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

## **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 2022, Mainland visitors from January to September 2022 surged by 337.7% year-on-year to approximately 202,000. In respect of tourist spending, according to the retail sales figures released by the Census and Statistics Department of Hong Kong in November 2022, the sales value of jewellery, watches and clocks, and valuable gifts from January to September 2022 increased by 0.2 % over the corresponding period last year. Nevertheless, with the strong local demand in gold products benefitted from the fall in gold prices, the Group’s retailing revenue in the Hong Kong market increased substantially by 51.6% to HK\$1,971,884,000 (2021: HK\$1,301,059,000) during the Period under review. As at 30 September 2022, the Group operated a total of 44 self-operated shops (2021: 46 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 2022 decreased by 25% to approximately 3.9 million year-on-year due to the reduced tourist traffic given the resurgence of pandemic in Mainland. The Group’s revenue generated from the Macau market therefore decreased by 37.8% to HK\$556,995,000 (2021: HK\$896,084,000) during the Period under review. As at 30 September 2022, the Group had a total of 16 self-operated shops (2021: 14 shops) in Macau.

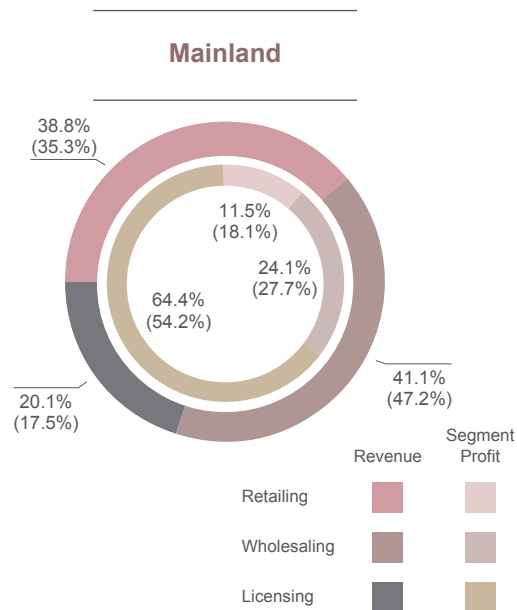
### ***Overseas***

As at 30 September 2022, the Group operated a total of 13 overseas shops (2021: 13 shops), including self-operated shops of 2 in Malaysia, 3 in the United States, 2 in Canada and 1 in Australia, and 1 licensed shop in Laos and 2 licensed shops in each of Cambodia and the Philippines.

During the Period under review, retailing revenue from the Hong Kong, Macau and overseas markets increased by 18.2% to HK\$2,833,228,000 (2021: HK\$2,396,498,000), accounting for 97.8% (2021: 97.1%) of Hong Kong, Macau and overseas markets' total revenue and 50.8% (2021: 42.9%) of the Group's total. Its segment profit increased by 171.0% to HK\$211,184,000 (2021: HK\$77,921,000), which accounted for 81.3% (2021: 64.8%) of these markets' total and 24.7% (2021: 9.3%) of the Group's total. Its segment profit margin was 7.5% (2021: 3.3%). In addition, given the increase in sales of rough diamonds, the wholesaling revenue increased by 22.5% to HK\$59,198,000 (2021: HK\$48,342,000), accounting for 2.0% (2021: 2.0%) of these markets' total revenue and 1.1% (2021: 0.8%) of the Group's total. Its segment profit increased by 122.3% to HK\$41,854,000 (2021: HK\$18,829,000), accounting for 16.1% (2021: 15.7%) of these markets' total and 4.9% (2021: 2.3%) of the Group's total, while its segment profit margin was 70.7% (2021: 38.9%). As the segment profit of wholesaling business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be 4.8% (2021: 2.8%). On the other hand, Hong Kong licensing income decreased by 73.8% to HK\$6,066,000 (2021: HK\$23,179,000), accounting for 0.2% (2021: 0.9%) of these markets' total revenue and 0.1% (2021: 0.4%) of the Group's total revenue. Its segment profit decreased by 71.8% to HK\$6,617,000 (2021: HK\$23,456,000), accounting for 2.6% (2021: 19.5%) of these markets' total and 0.7% (2021: 2.8%) of the Group's total, and its segment profit margin was 109.1% (2021: 101.2%).

Overall speaking, revenue from the Hong Kong, Macau and overseas markets increased by 17.4% to HK\$2,898,492,000 (2021: HK\$2,468,019,000) during the Period under review, accounting for 52.0% (2021: 44.1%) of the Group's total revenue. Its segment profit increased by 116.0% to HK\$259,655,000 (2021: HK\$120,206,000), accounting for 30.3% (2021: 14.4%) of the total, while its segment profit margin was 9.0% (2021: 4.9%).

The overall SSSG in the Hong Kong, Macau and overseas markets was +26.1% (2021: +111.1%), while their SSSG for gold and platinum products was +46.0% (2021: +111.0%) and -12.2% (2021: +111.4%) for fixed price jewellery products.



| HK\$M                | Revenue            | Segment Profit | Segment Profit Margin |
|----------------------|--------------------|----------------|-----------------------|
| Retailing            | 1,039              | 69             | 6.6%                  |
| <i>Y-o-Y Changes</i> | -5.9%              | -47.3%         | -5.2 p.p.             |
| Wholesaling          | 1,099              | 143            | 13.1%                 |
| <i>Y-o-Y Changes</i> | -25.4%             | -27.4%         | -0.3 p.p.             |
| Adjusted Wholesaling | 1,148 <sup>1</sup> | 143            | 12.5%                 |
| <i>Y-o-Y Changes</i> | -25.6%             | -27.4%         | -0.3 p.p.             |
| Licensing            | 537                | 385            | 71.7%                 |
| <i>Y-o-Y Changes</i> | -1.6%              | -0.8%          | +0.7 p.p.             |
| Overall              | 2,675              | 597            | 22.3%                 |
| <i>Y-o-Y Changes</i> | -14.4%             | -16.6%         | -0.6 p.p.             |

Remarks: Figures for 1HFY2022 are shown in brackets

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

## ***Mainland***

During the Period under review, owing to the resurgence of pandemic, relatively strict anti-pandemic measures and together with the high base effect, retailing revenue from the Mainland market decreased by 5.9% to HK\$1,038,528,000 (2021: HK\$1,103,417,000), accounting for 38.8% (2021: 35.3%) of Mainland market's revenue and 18.7% (2021: 19.7%) of the Group's total. Its segment profit decreased by 47.3% to HK\$68,421,000 (2021: HK\$129,804,000), accounting for 11.5% (2021: 18.1%) of Mainland markets' total and 8.0% (2021: 15.5%) of the Group's total. Its segment profit margin was 6.6% (2021: 11.8%). The overall SSSG in Mainland was -15.7% (2021: +88.9%). The SSSG for its gold and platinum products was -11.9% (2021: +144.6%) and -28.2% (2021: +10.3%) for its fixed price jewellery products.

Because of the reduced demand of fixed price jewellery products from licensed shops, revenue of the wholesaling business in the Mainland market decreased by 25.4% to HK\$1,099,428,000 (2021: HK\$1,474,100,000), which accounted for 41.1% (2021: 47.2%) of Mainland market's revenue and 19.7% (2021: 26.4%) of the Group's total. Its segment profit decreased by 27.4% to HK\$143,565,000 (2021: HK\$197,780,000), accounting for 24.1% (2021: 27.7%) of Mainland market's total and 16.8% (2021: 23.7%) of the Group's total. Its segment profit margin was 13.1% (2021: 13.4%). As the segment profit of wholesaling business included the profit of inter-segment sales to self-operated shops, if including inter-segment sales in the denominator, its segment profit margin would be 12.5% (2021: 12.8%).

Licensing income in the Mainland market decreased marginally by 1.6% to HK\$536,736,000 (2021: HK\$545,703,000), which accounted for 20.1% (2021: 17.5%) of Mainland market's revenue and 9.6% (2021: 9.8%) of the Group's total. Its segment profit decreased by 0.8% to HK\$384,705,000 (2021: HK\$387,694,000), accounting for 64.4% (2021: 54.2%) of Mainland market's total and 44.9% (2021: 46.4%) of the Group's total, and its segment profit margin was 71.7% (2021: 71.0%).

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", which was well known for pioneering exquisite techniques, into independent shops since May 2019. In the financial year of 2022, the Group has also newly added shops of "Lukfook Joaillerie", which were targeting at high-end market, and "Heirloom Fortune", which were famous for traditional craftsmanship. Therefore, during the Period under review, the Group operated a total of 80 "Goldstyle" shops, 7 "Lukfook Joaillerie" shops and 41 "Heirloom Fortune" shops in Mainland. Apart from that, the Group added a net total of 121 "Lukfook" licensed shops (2021: net addition of 230 shops), while there is a net reduction of 2 "Lukfook" self-operated shops (2021: net addition of 1 shop). Details are as follows:

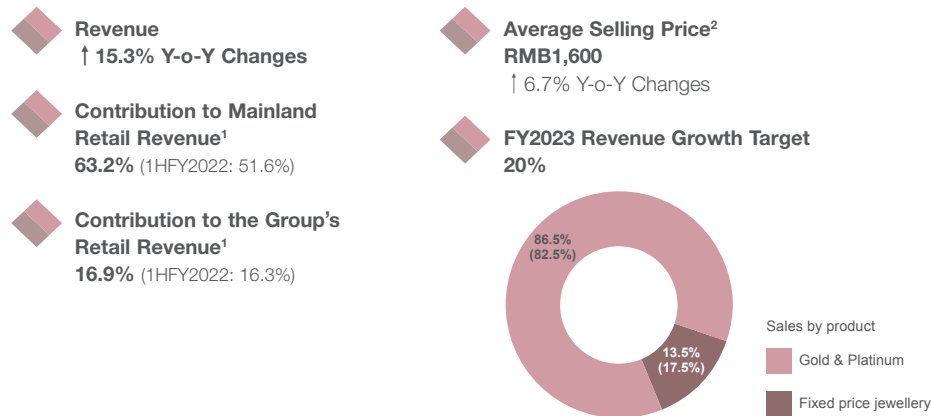
### Mainland distribution network

| Shop Number of Different Brands/Product Lines |               | 30 September<br>2022 | 31 March<br>2022 | Changes |
|-----------------------------------------------|---------------|----------------------|------------------|---------|
| "Lukfook"                                     | Self-operated | 75                   | 77               | -2      |
|                                               | Licensed      | 2,690                | 2,569            | +121    |
|                                               | Sub-total     | 2,765                | 2,646            | +119    |
| "Goldstyle"                                   | Self-operated | 3                    | 5                | -2      |
|                                               | Licensed      | 77                   | 79               | -2      |
|                                               | Sub-total     | 80                   | 84               | -4      |
| "Dear Q"                                      | Self-operated | 0                    | 1                | -1      |
| "Lukfook Joaillerie"                          | Licensed      | 7                    | 2                | +5      |
| "Heirloom Fortune"                            | Self-operated | 8                    | 0                | +8      |
|                                               | Licensed      | 33                   | 3                | +30     |
|                                               | Sub-total     | 41                   | 3                | +38     |
| Total                                         | Self-operated | 86                   | 83               | +3      |
|                                               | Licensed      | 2,807                | 2,653            | +154    |
|                                               | <b>Total</b>  | <b>2,893</b>         | 2,736            | +157    |

As at 30 September 2022, the Group had a total of 2,893 shops (2021: 2,528 shops), including 2,765 "Lukfook" shops (2021: 2,443 shops), 80 "Goldstyle" shops (2021: 83 shops), 7 "Lukfook Joaillerie" shops (2021: Nil) and 41 "Heirloom Fortune" shops (2021: Nil) in Mainland.

During the Period under review, the overall same store sales growth of "Lukfook" licensed shops in Mainland was -8.5% (2021: +36.7%). The same store sales growth for its gold and platinum products and fixed price jewellery products was -3.5% (2021: +65.1%) and -19.7% (2021: -1.5%) respectively.

**1HFY2023**  
**Mainland E-commerce Business Performance**



Remarks: Figures for 1HFY2022 are shown in brackets  
<sup>1</sup> Sales of self-operated shops and e-commerce business  
<sup>2</sup> ASP included value-added tax (VAT)

Despite the decrease in revenue from the self-operating shops in Mainland, the revenue of e-commerce business there managed to maintain a double-digit growth of 15.3% to HK\$656,054,000 (2021: HK\$569,167,000) during the Period under review, accounting for 63.2% (2021: 51.6%) of the retailing revenue in Mainland and 16.9% (2021: 16.3%) of the Group's retailing revenue. Sales of gold and platinum products accounted for 86.5% (2021: 82.5%) of its sales mix and 13.5% (2021: 17.5%) for its fixed price jewellery products.

Overall speaking, revenue from the Mainland market decreased by 14.4% to HK\$2,674,692,000 (2021: HK\$3,123,220,000), accounting for 48.0% (2021: 55.9%) of the Group's total revenue. Its segment profit decreased by 16.6% to HK\$596,691,000 (2021: HK\$715,278,000), accounting for 69.7% (2021: 85.6%) of the total, and its segment profit margin was 22.3% (2021: 22.9%).



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

| Gain/(Loss)                         |             |            |               |
|-------------------------------------|-------------|------------|---------------|
| HK\$M                               | 1HFY2023    | 1HFY2022   | Y-o-Y Changes |
| 50% share of result of an associate | (23)        | (9)        | -14           |
| Wholesale gross profit              | 1           | 1          | -             |
| Interest income on lending          | -           | 2          | -2            |
| <b>Overall</b>                      | <b>(22)</b> | <b>(6)</b> | <b>-16</b>    |

During the Period under review, the aggregated losses in relation to the investments and operating activities in HKRH and its subsidiaries increased to HK\$ 22,000,000 (2021: loss of HK\$6,000,000) as a consequence of their unsatisfactory operating results.

# “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 Group’s financial performance prepared in accordance with HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

### Liquidity and Financial Resources

As at 30 September 2022, the Group’s cash and bank balances amounted to HK\$2,420,000,000 (31 March 2022: HK\$3,492,000,000). Net cash was HK\$1,897,000,000 (31 March 2022: HK\$1,537,000,000). The debt-to-equity ratio was 22.1% (31 March 2022: 34.3%), being the ratio of total liabilities of HK\$2,587,000,000 (31 March 2022: HK\$4,142,000,000) against total shareholders’ equity of HK\$11,710,000,000 (31 March 2022: HK\$12,079,000,000). As at 30 September 2022, the Group’s banking facilities amounted to approximately HK\$4.2 billion (31 March 2022: HK\$4.2 billion), of which HK\$0.5 billion (31 March 2022: HK\$2.0 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 |               |
|-----------------------|-------------------|---------------|-------------------|---------------|
|                       | 1HFY2023          | Y-o-Y Changes | 1HFY2023          | Y-o-Y Changes |
| Gold                  | 233               | -17           | 222               | -40           |
| Fixed price jewellery | 697               | +228          | 680               | +186          |
| <b>Overall</b>        | <b>390</b>        | <b>+33</b>    | <b>378</b>        | <b>+3</b>     |

As at 30 September 2022, the Group's inventory decreased by 6.3% to HK\$8,214,000,000 (31 March 2022: HK\$8,769,000,000). Benefitted from the stimulated gold sales, the average inventory turnover days of gold products reduced to 233 days (2021: 250 days) while the average inventory turnover days of fixed price jewellery products increased to 697 days (2021: 469 days) due to sluggish demand in Mainland. The overall average inventory turnover days therefore increased to 390 days (2021: 357 days).

## Capital Expenditure

During the Period under review, the Group's capital expenditures amounted to HK\$43,000,000 (31 March 2022: HK\$558,000,000), including the costs of properties, leasehold lands, right-of-use assets, leasehold improvements, furniture, fixtures and equipment.

## Capital Commitments

As at 30 September 2022, the Group's total capital commitments amounted to HK\$20,000,000 (31 March 2022: HK\$23,000,000).

## Contingent Liabilities and Guarantee

As at 30 September 2022, the Group had corporate financial guarantee amounting to HK\$1,075,000,000 (31 March 2022: 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 2022, the banking facilities utilised by the associate was HK\$1,564,000,000 (31 March 2022: HK\$1,564,000,000).

As at 30 September 2022, a loss allowance of HK\$37,000,000 estimated under the expected credit loss model in respect of such corporate financial guarantee of the Group was recognised (31 March 2022: HK\$37,000,000).

As at 30 September 2022 and 2021, save as disclosed above, the Group had no significant contingent liabilities.

## **Human Capital Policy**

As at 30 September 2022, the number of employees of the Group was approximate 5,900 (2021: 6,000). 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.

## **Brand Promotion**

To align with the branding theme of “Love is Beauty”, the Group has made continuous efforts in enhancing brand value. The Group has built a welcoming and warm-hearted brand image to convey the brand philosophy to everyone and strengthen their emotional attachment to the brand, and has strived to become a globally recognised jewellery brand through outstanding marketing strategies and excellent customer service programmes. Targeting the mid- to high-end markets, the Group has adopted comprehensive marketing strategies, and launched exquisite diversified product offerings with innovative designs, together with sincere services to seize the development opportunities in the middle-class, wedding and kids markets.

The Group has stayed innovative and actively adopted different promotion approaches to enhance brand awareness. We also captured the rapid growth of online marketing and promoted our products via popular new media, social media and online platforms. To celebrate the Group's milestone of approaching 3,000 points of sale worldwide and anniversary, a series of promotional activities have been rolled out. The Group held lucky draw and gold giveaway campaign to present more than HK\$9 million worth of jewellery and rewards to share the joy, and also organised promotion activities on major social media platforms and the well-known sports mobile application, “KEEP”, to effectively enhance brand visibility and seize the business opportunities from customers who adopt healthy lifestyles. With a strategic initiative to increase our brand exposure in the wedding market, we invited popular singer-songwriter Jay Fung to act as the celebrity store manager at Lukfook Jewellery shop to introduce our exquisite wedding jewellery products and caring wedding services and interact with fans at the site. At the same time, we integrated the popular NFT in Mainland into products by creating the 1314-carat NFT diamond ring and pioneering the introduction of the NFT metaverse wedding certificate to achieve cross-marketing between the virtual and real worlds, so as to interact with wedding customers. It has realised brand exposure to nearly 300 million viewers that effectively enhanced brand visibility and created hot topics, leading the jewellery industry in the metaverse marketing new ecology. In addition, in order to bring the public to experience the beauty of jewellery, the Group participated in the largest consumer products exhibition in the Asia-Pacific region, “China International Consumer Products Expo 2022” which held in Hainan, to showcase an array of extraordinary jewellery and our brand image, so as to promote our continuous high quality innovative development. Besides, riding on the wave of e-sports booms in recent years, the Group has created the “King Pro League” champion rings for 12 consecutive seasons, thus increasing our brand penetration into the market of younger generation.

To keep abreast of different market trends and create more diversified, comfortable shopping space, the Group has introduced new elements to the shop and unveiled various new shop images to cater for the needs of different markets. The Group has also attached great importance to customer experience. Apart from embracing omni-channel approach, we have also upgraded our traditional customer relationship management system to a social customer relationship management (SCRM) system to form a self-media scale. Tracking customers' spending patterns through different channels, consolidating online and offline members, in order to integrate marketing strategies with consumer behaviour, with a view to providing more convenient shopping experience for customers.

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.

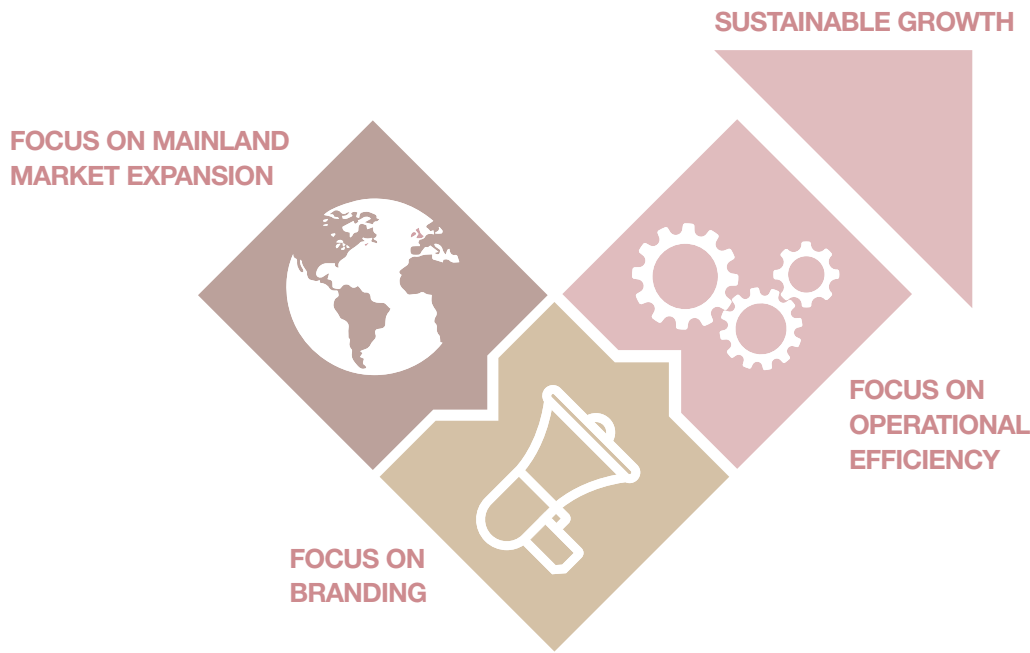
## **OUTLOOK**

During the Period under review, the overall SSSG of the Group turned around to a growth from a decline since the second quarter of current financial year despite the high base, among which Hong Kong and overseas markets recorded decent growth in SSSG due to recovery of market sentiment and the surging demand in gold products caused by the decline in gold prices. However, as a result of pandemic resurgence in Mainland and high base effect, the decline in its SSSG offset growth of the other markets.

The consumer spending momentum in Hong Kong and Macau market continued to maintain subsequent to the Period under review with 20% growth in same store sales in October and the first three weeks of November 2022, and 21% drop for Mainland market (including both self-operated and licensed shops).

Nevertheless, subject to the pandemic development, with further expansion of our retail network and the progressive relaxation of the lockdown measures in Mainland and the government's commitment to implementing economic push measures and consumption encouragement policies, together with low base effect in the second half of the financial year, we still target to achieve a double-digit growth in revenue for the current financial year.

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



### **Mainland Market Expansion**

With the ongoing headwinds from pandemic, Mainland is facing challenges to recover its economic growth. Yet the Group is confident that Mainland government will roll out more policies to support and engineer the recovery of economy and also spur a strong consumption sentiment. Therefore, the Group 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.

Owing to the pandemic resurgence and relatively strict anti-pandemic measures, the pace of the Group's shop expansion in the Mainland was delayed during the Period under review. The Group therefore lowers its net addition target to 350 shops for the current financial year, and will still focus on opening licensed shops in the fourth- and fifth-tier cities there. In addition, the Group remains committed to the growth of its e-commerce business and targets at a 20% revenue increment in e-commerce business in current financial year. With strengthened cooperation with various e-commerce platforms in Mainland and establishment of its own platform, the Group expects the growth in e-commerce business to be sustainable. In light of the enormous spending potential of young consumers on online sales platforms, the Group will continue its endeavours to promote the sales of affordable luxury jewellery products to expand its footprint in the young consumer market.

## **Branding**

The Group will further strengthen its brand image and positioning through leveraging of innovative approaches and making use of various media. Apart from that, the Group will also enhance its product quality assurance, optimise service quality, improve support for licensees and adopt a multi-brand/line strategy to offer products that meet market needs. Moreover, 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 to 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. The Group also recognises the importance of environmental protection and climate change and the increasing awareness of environmental protection among stakeholders, including consumers, and the demand for products, and thus the Group will set up a long-term goal of carbon neutrality and will implement measures to reduce the carbon footprint of its products to enhance the Group's contribution to environmental protection.

## **Operational Efficiency**

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

## **INTERIM DIVIDEND**

With the strong financial position, the Board has resolved to declare an interim dividend of HK\$0.55 per ordinary share (2021: HK\$0.55 per ordinary share) for the six months ended 30 September 2022, to shareholders whose names appear on the register of members of the Company on 13 December 2022. The interim dividends will be paid on or around 23 December 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company for the interim dividend will be closed on 13 December 2022 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 12 December 2022.

## **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 (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 2022, except for the following deviation:

Code Provision C.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 2022. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information will be included in the interim report.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2022/23**

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the "HKEx") ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([lukfook.com](http://lukfook.com)). The Interim Report 2022/23 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, 28 November 2022

*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.*