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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 2016

HIGHLIGHTS

- Revenue reached HK\$5.5 billion, representing a decrease of 21.5% as compared with the same period last year
- Overall same store sales growth* (“SSSG”) was -31.5%
- Overall gross margin improved by 5.3 p.p. to 28.0% as a result of relatively high gold price and higher gem-set jewellery sales mix. Gross profit therefore decreased by only 3% to HK\$1.5 billion
- Operating profit decreased by 6.0% to HK\$558 million
- Segmental profit of Mainland China accounted for more than one half of the total, amounting to 54.6%, representing an increase of 12.8 p.p.
- Profit attributable to equity holders amounted to HK\$429 million, a decrease of 7.4%
- Proposed interim and special dividends of HK\$0.29 and HK\$0.26 per share
- Net additions of 27 Lukfook shops world-wide, of those 24 new stores were opened in Mainland China, with a total of 1,455 Lukfook Jewellery shops globally

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

FINANCIAL PERFORMANCE

	For the six months ended 30 September 2016 HK\$'000	For the six months ended 30 September 2015 HK\$'000	Y-o-Y Change
Revenue	5,469,124	6,964,909	-21.5%
Gross Profit	1,531,696	1,579,085	-3.0%
Operating Profit	558,372	593,749	-6.0%
Profit for the period	433,668	463,385	-6.4%
Profit Attributable to Equity Holders	429,030	463,428	-7.4%
Basic Earnings per Share	HK\$0.73	HK\$0.79	-7.6%
Interim Dividend per Share	HK\$0.29	HK\$0.315	-7.9%
Special Dividend per Share	HK\$0.26	HK\$0.235	+10.6%
Dividend Payout Ratio	75.3%	69.9%	+5.4 p.p.
Gross Margin	28.0%	22.7%	+5.3 p.p.
Operating Margin	10.2%	8.5%	+1.7 p.p.
Net Margin	7.9%	6.7%	+1.2 p.p.
EBITDA	589,985	615,833	-4.2%
EBITDA Margin	10.8%	8.8%	+2.0 p.p.
Total Operating Expenses to Revenue Ratio	18.5%	14.6%	+3.9 p.p.
Effective Tax Rate	19.0%	18.0%	+1.0 p.p.

The board of directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016 together with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

		Unaudited	
		for the six months ended	
		30 September	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	5,469,124	6,964,909
Cost of sales		(3,937,428)	(5,385,824)
Gross profit		1,531,696	1,579,085
Other income	7	83,334	58,810
Selling and distribution costs		(941,225)	(957,633)
Administrative expenses		(72,312)	(62,227)
Other losses, net	8	(43,121)	(24,286)
Operating profit	6	558,372	593,749
Finance income		12,876	27,499
Finance costs		(4,411)	(9,442)
Share of results of associates	12	(31,352)	(46,517)
Profit before income tax		535,485	565,289
Income tax expenses	9	(101,817)	(101,904)
Profit for the period		433,668	463,385
Profit attributable to:			
Equity holders of the Company		429,030	463,428
Non-controlling interests		4,638	(43)
		433,668	463,385
Earnings per share for profit attributable to equity holders of the Company during the period			
– Basic and diluted	10	HK\$0.73	HK\$0.79

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 2016

	Unaudited for the six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Profit for the period	<u>433,668</u>	<u>463,385</u>
Other comprehensive income: <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences		
– Group	(77,352)	(93,670)
– Associates	(5,213)	1,680
Revaluation of available-for-sale financial assets	<u>(1,769)</u>	<u>(3,285)</u>
Other comprehensive income for the period, net of tax	<u>(84,334)</u>	<u>(95,275)</u>
Total comprehensive income for the period	<u><u>349,334</u></u>	<u><u>368,110</u></u>
Attributable to:		
– Equity holders of the Company	344,710	368,102
– Non-controlling interests	<u>4,624</u>	<u>8</u>
Total comprehensive income for the period	<u><u>349,334</u></u>	<u><u>368,110</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2016

		Unaudited As at 30 September 2016 <i>HK\$'000</i>	Audited As at 31 March 2016 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		583,923	603,878
Land use rights		205,891	215,245
Investment properties		24,047	24,617
Interests in associates	12	117,966	154,531
Loan to an associate		88,860	86,911
Derivative financial instruments		43,707	46,135
Available-for-sale financial assets		6,998	8,767
Trading licence		1,080	1,080
Rental deposits and prepayments		120,924	121,828
Deferred income tax assets		41,316	36,770
		<u>1,234,712</u>	<u>1,299,762</u>
Current assets			
Inventories		6,714,566	6,344,728
Trade receivables	13	201,875	214,534
Deposits, prepayments and other receivables		309,108	241,752
Derivative financial instruments		9	9
Amount due from an associate		56,536	56,374
Loan to an associate		20,000	20,000
Income tax recoverable		15,145	20,155
Cash and bank balances		1,838,468	2,432,185
		<u>9,155,707</u>	<u>9,329,737</u>
Total assets		<u>10,390,419</u>	<u>10,629,499</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		58,710	58,710
Share premium		2,494,040	2,494,040
Reserves		5,819,938	5,798,137
Proposed dividends	11	322,909	322,909
		<u>8,695,597</u>	<u>8,673,796</u>
Non-controlling interests		<u>99,747</u>	<u>95,123</u>
Total equity		<u>8,795,344</u>	<u>8,768,919</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2016

		Unaudited	Audited
		As at	As at
		30 September	31 March
		2016	2016
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		71,616	79,892
Employee benefit obligations		23,918	23,918
		<u>95,534</u>	<u>103,810</u>
Current liabilities			
Trade payables, other payables and accruals	<i>14</i>	984,052	892,459
Amount due to an associate		13,317	2,235
Bank borrowings		–	400,000
Gold loans		336,203	310,692
Current income tax liabilities		165,969	151,384
		<u>1,499,541</u>	<u>1,756,770</u>
Total liabilities		<u>1,595,075</u>	<u>1,860,580</u>
Total equity and liabilities		<u>10,390,419</u>	<u>10,629,499</u>
Net current assets		<u>7,656,166</u>	<u>7,572,967</u>
Total assets less current liabilities		<u>8,890,878</u>	<u>8,872,729</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

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

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

For the six months ended 30 September 2015

	Unaudited					Total equity <i>HK\$'000</i>
	Attributable to equity holders of the Company				Non- controlling interests <i>HK\$'000</i>	
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>		
For the period ended 30 September 2015						
As at 1 April 2015	58,910	2,522,983	5,954,470	8,536,363	64,144	8,600,507
Comprehensive income						
Profit for the period	–	–	463,428	463,428	(43)	463,385
Other comprehensive income						
Currency translation differences						
– Group	–	–	(93,721)	(93,721)	51	(93,670)
– Associates	–	–	1,680	1,680	–	1,680
Revaluation of available-for-sale financial assets	–	–	(3,285)	(3,285)	–	(3,285)
Total comprehensive income	–	–	368,102	368,102	8	368,110
Transaction with owners						
Dividends paid	–	–	(324,009)	(324,009)	–	(324,009)
Establishment of a non-wholly owned subsidiary	–	–	–	–	29,341	29,341
As at 30 September 2015	58,910	2,522,983	5,998,563	8,580,456	93,493	8,673,949

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Unaudited for the six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Net cash generated from operations	354,648	1,270,897
Hong Kong profits tax paid	(19,126)	(19,456)
Overseas income taxes paid	(75,918)	(57,771)
	<u>259,604</u>	<u>1,193,670</u>
Net cash generated from operating activities	----- 259,604	----- 1,193,670
Cash flows from investing activities		
Purchases of property, plant and equipment	(44,741)	(45,572)
Prepayment for purchase of property	(10,166)	(9,429)
(Increase)/decrease in short-term bank deposits, with maturities over 3 months	(129,410)	162,867
Interest received	10,927	15,211
Proceeds from disposals of property, plant and equipment	37	330
	<u>(173,353)</u>	<u>123,407</u>
Net cash (used in)/generated from investing activities	----- (173,353)	----- 123,407
Cash flows from financing activities		
Proceeds from bank borrowings	-	369,000
Proceeds from gold loans	-	544,083
Repayment of bank borrowings	(400,000)	(1,299,513)
Repayment of gold loans	(76,541)	(542,531)
Establishment of a non-wholly owned subsidiary	-	29,341
Interest on bank borrowings and gold loans	(4,411)	(9,442)
Dividends paid	(322,909)	(324,009)
	<u>(803,861)</u>	<u>(1,233,071)</u>
Net cash used in financing activities	----- (803,861)	----- (1,233,071)
Net (decrease)/increase in cash and cash equivalents	(717,610)	84,006
Cash and cash equivalents at 1 April	2,361,595	1,375,079
Exchange differences	(5,517)	(18,280)
Cash and cash equivalents at 30 September	<u>1,638,468</u>	<u>1,440,805</u>

NOTES:

1 GENERAL INFORMATION

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

The Company was incorporated in Bermuda on 3 September 1996 as a company with limited liability under the Companies Act of Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 May 1997.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

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

New amendments to existing shareholders that are effective for the first time for the financial year beginning 1 April 2016 and are relevant to the Group’s operations:

Amendment to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Annual improvements 2014	Annual improvements 2012 – 2014 cycle

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

Certain new standards and amendments to existing standards relevant to the Group have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2017 or later periods, which the Group has not early adopted, are as follows:

HKFRS 9	Financial instruments ⁽¹⁾
HKFRS 15	Revenue from contracts with customers ⁽¹⁾
HKFRS 16	Leases ⁽³⁾
Amendments to HKAS 7	Statement of cash flows ⁽²⁾
Amendments to HKAS 12	Income taxes ⁽²⁾
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or contribution of assets between an investor and its associate or joint venture ⁽⁴⁾

(1) Effective for annual period beginning on or after 1 April 2017

(2) Effective for annual period beginning on or after 1 April 2018

(3) Effective for annual period beginning on or after 1 April 2019

(4) To be determined by HKICPA

The Group is in the process of making an assessment on the impact of these new standards and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results of the operations and financial position taken as a whole. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2016.

5 SEGMENT INFORMATION

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

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

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

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

Assets of reportable segments exclude interests in associates, certain leasehold land and buildings, investment properties, deferred income tax assets, income tax recoverable and corporate assets, all of which are managed on a central basis. These form part of the reconciliation to total assets of 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 2016						Reportable segments
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
Sales to external customers	3,384,714	644,007	45,653	856,334	–	–	4,930,708
Sales of scrap gold and platinum	–	–	315,970	–	–	–	315,970
	<u>3,384,714</u>	<u>644,007</u>	<u>361,623</u>	<u>856,334</u>	<u>–</u>	<u>–</u>	<u>5,246,678</u>
Inter-segment sales	67,917	10,298	690,194	156,734	–	(925,143)	–
	<u>3,452,631</u>	<u>654,305</u>	<u>1,051,817</u>	<u>1,013,068</u>	<u>–</u>	<u>(925,143)</u>	<u>5,246,678</u>
Sales of merchandises	–	–	–	–	216,804	–	216,804
Royalty and service income	–	–	–	–	5,642	–	5,642
Consultancy fee income	–	–	–	–	–	–	–
Total	<u>3,452,631</u>	<u>654,305</u>	<u>1,051,817</u>	<u>1,013,068</u>	<u>222,446</u>	<u>(925,143)</u>	<u>5,469,124</u>
Results of reportable segments	<u>252,189</u>	<u>86,732</u>	<u>23,775</u>	<u>121,056</u>	<u>123,872</u>	<u>–</u>	<u>607,624</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
Results of reportable segments							607,624
Unallocated income							24,586
Unallocated expenses							(73,838)
Operating profit							558,372
Finance income							12,876
Finance costs							(4,411)
Share of results of associates							(31,352)
Profit before income tax							535,485
Income tax expenses							(101,817)
Profit for the period							433,668
Less: Profit attributable to non-controlling interests							(4,638)
Profit attributable to equity holders of the Company							<u>429,030</u>

As at 30 September 2016

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>6,092,334</u>	<u>1,507,704</u>	<u>663,859</u>	<u>1,930,041</u>	<u>375,825</u>	<u>(1,629,124)</u>	<u>8,940,639</u>		8,940,639
Interests in associates								117,966	117,966
Land and buildings								278,946	278,946
Investment properties								24,047	24,047
Deferred income tax assets								41,316	41,316
Income tax recoverable								15,145	15,145
Other unallocated assets								<u>972,360</u>	<u>972,360</u>
Total assets									<u>10,390,419</u>
Segment liabilities	<u>(307,738)</u>	<u>(69,148)</u>	<u>(1,645,210)</u>	<u>(214,560)</u>	<u>(290,418)</u>	<u>1,629,124</u>	<u>(897,950)</u>		(897,950)
Deferred income tax liabilities								(71,616)	(71,616)
Current income tax liabilities								(165,969)	(165,969)
Gold loans								(336,203)	(336,203)
Other unallocated liabilities								<u>(123,337)</u>	<u>(123,337)</u>
Total liabilities									<u>(1,595,075)</u>

For the six months ended 30 September 2015

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
Revenue							
Sales to external customers	4,955,043	567,273	15,646	932,736	–	–	6,470,698
Sales of scrap gold and platinum	–	–	223,610	–	–	–	223,610
	<u>4,955,043</u>	<u>567,273</u>	<u>239,256</u>	<u>932,736</u>	<u>–</u>	<u>–</u>	<u>6,694,308</u>
Inter-segment sales	44,664	1,108	960,672	102,775	–	(1,109,219)	–
	<u>4,999,707</u>	<u>568,381</u>	<u>1,199,928</u>	<u>1,035,511</u>	<u>–</u>	<u>(1,109,219)</u>	<u>6,694,308</u>
Sales of merchandises	4,999,707	568,381	1,199,928	1,035,511	–	(1,109,219)	6,694,308
Royalty and service income	–	–	–	–	260,000	–	260,000
Consultancy fee income	–	–	–	–	10,601	–	10,601
	<u>4,999,707</u>	<u>568,381</u>	<u>1,199,928</u>	<u>1,035,511</u>	<u>270,601</u>	<u>(1,109,219)</u>	<u>6,964,909</u>
Total	<u>4,999,707</u>	<u>568,381</u>	<u>1,199,928</u>	<u>1,035,511</u>	<u>270,601</u>	<u>(1,109,219)</u>	<u>6,964,909</u>
Results of reportable segments	<u>338,534</u>	<u>24,701</u>	<u>53,857</u>	<u>82,126</u>	<u>174,802</u>	<u>–</u>	<u>674,020</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
Results of reportable segments							674,020
Unallocated income							26,452
Unallocated expenses							(106,723)
Operating profit							593,749
Finance income							27,499
Finance costs							(9,442)
Share of results of associates							(46,517)
Profit before income tax							565,289
Income tax expenses							(101,904)
Profit for the period							463,385
Add: Loss attributable to non-controlling interests							43
Profit attributable to equity holders of the Company							<u>463,428</u>

As at 31 March 2016

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	5,842,188	1,489,006	742,357	1,923,297	503,053	(1,611,496)	8,888,405		8,888,405
Interests in associates								154,531	154,531
Land and buildings								282,957	282,957
Investment properties								24,617	24,617
Deferred income tax assets								36,770	36,770
Income tax recoverable								20,155	20,155
Other unallocated assets								1,222,064	1,222,064
Total assets									10,629,499
Segment liabilities	(198,364)	(56,873)	(1,584,007)	(286,390)	(293,342)	1,611,496	(807,480)		(807,480)
Deferred income tax liabilities								(79,892)	(79,892)
Current income tax liabilities								(151,384)	(151,384)
Bank borrowings								(400,000)	(400,000)
Gold loans								(310,692)	(310,692)
Other unallocated liabilities								(111,132)	(111,132)
Total liabilities									(1,860,580)

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of sales		
– Cost of inventories sold (<i>Note</i>)	3,846,263	5,292,082
– Cost of licensing business (<i>Note</i>)	91,165	93,742
Staff costs (including directors' emoluments)	350,490	337,987
Operating lease		
– Minimum lease payments	322,912	325,080
– Contingent rents	57,483	62,940
Commission expenses to credit card companies	40,563	56,651
Depreciation of investment properties	367	393
Depreciation of property, plant and equipment	58,839	63,444
Loss on disposal of property, plant and equipment	408	635
Amortisation of land use rights	3,759	4,764

Note: Cost of inventories sold and cost of licensing business include staff cost (including directors' emoluments) of HK\$141,296,000 (2015: HK\$104,511,000).

7 OTHER INCOME

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Valued-added tax refund (<i>Note i</i>)	52,777	28,078
Government subsidies (<i>Note ii</i>)	13,806	18,699
Rental income	2,040	3,746
Others	14,711	8,287
	<u>83,334</u>	<u>58,810</u>

Notes:

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

8 OTHER LOSSES, NET

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Net realised (losses)/gains on derivative financial instruments	(12,410)	7,300
Fair value losses on the convertible bond	(2,428)	(20,060)
Net realised (losses)/gains on gold loans	(30,409)	14,006
Net unrealised gains on gold loans	376	125
Net exchange gains/(losses)	1,750	(12,829)
Net realised losses on foreign exchange forward contracts	-	(1,691)
Net unrealised losses on foreign exchange forward contracts	-	(11,137)
	<u>(43,121)</u>	<u>(24,286)</u>

9 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period.

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

	For the six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	48,661	61,037
– Overseas taxation	65,979	58,626
Deferred taxation	(12,823)	(17,759)
	<u>101,817</u>	<u>101,904</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\$429,030,000 (2015: HK\$463,428,000) and the weighted average number of 587,107,850 (2015: 589,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2016 and 2015 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 23 June 2016, the directors recommended the payment of a final dividend of HK\$0.34 per ordinary share and a special dividend of HK\$0.21 per ordinary share, totalling HK\$0.55 per ordinary share, amounting to a total dividend of HK\$322,909,000 for the year ended 31 March 2016. Such dividend was approved by the shareholders at the Annual General Meeting on 17 August 2016, paid during the period ended 30 September 2016 and has been reflected as an appropriation of retained earnings for the period.

At a meeting held on 24 November 2016, the directors declared the payment of an interim dividend of HK\$0.29 per ordinary share and a special dividend of HK\$0.26 per ordinary share, totalling HK\$0.55 per ordinary share, amounting to a total dividend of HK\$322,909,000 for the year ending 31 March 2017. This dividend has not been reflected as a dividend payable in these condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2017.

12 INTERESTS IN ASSOCIATES

	As at 30 September 2016 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>
Interests in associates	117,966	154,531
Amount due from an associate (<i>Note i</i>)	56,536	56,374
Amount due to an associate (<i>Note i</i>)	(13,317)	(2,235)
	<u>117,966</u>	<u>154,531</u>
	For the six months ended	
	30 September 2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Beginning of the period as at 1 April	154,531	245,934
Share of results of associates for the period	(31,352)	(46,517)
Share of reserve movement of associates for the period	(5,213)	1,680
	<u>117,966</u>	<u>201,097</u>

Notes:

- (i) Amount due from an associate of HK\$56,536,000 (as at 31 March 2016: HK\$56,374,000) mainly represents trade receivables due from the company. Amount due from/(to) associate are denominated in HK\$ and are unsecured, interest-free and repayable on demand.
- (ii) The Group's associates did not have any significant commitments as at 30 September 2016 and 31 March 2016.

13 TRADE RECEIVABLES

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

The ageing of trade receivables is as follows:

	As at 30 September 2016 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>
0–30 days	149,310	148,719
31–60 days	32,074	52,730
61–90 days	7,760	12,121
91–120 days	5,439	36
Over 120 days	7,292	928
	<u>201,875</u>	<u>214,534</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\$336,447,000 (As at 31 March 2016: HK\$246,076,000) and the ageing is as follows:

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
0-30 days	278,174	150,510
31-60 days	47,324	81,445
61-90 days	8,501	9,512
91-120 days	2,084	4,583
Over 120 days	364	26
	<u>336,447</u>	<u>246,076</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Revenue

HK\$5,469M

-21.5%

Operating Profit

HK\$558M

-6.0%

Profit Attributable to Equity Holders

HK\$429M

-7.4%

Basic Earnings per Share

HK\$0.73

-7.6%

Proposed Dividend per Share

HK55 Cents

Interim Dividend per Share: HK29 Cents

Special Dividend per Share: HK26 Cents

Overall Net Shop Additions

+27

Hong Kong, Macau & Overseas: +3

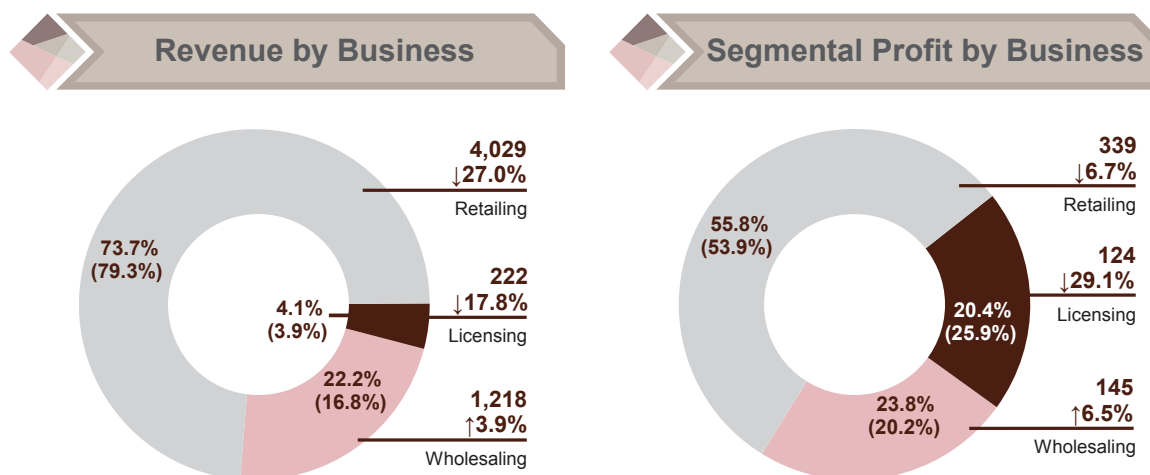
Mainland China: +24

Results

For the six months ended 30 September 2016 (the “Period under review”), with the continuing weak retail sentiment, together with the relatively high gold price and a relatively high base due to the small scale gold rush in certain months last year, gold sales fell more than expected. Consequently, during the Period under review, Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded a revenue drop of 21.5% to HK\$5,469,124,000 (2015: HK\$6,964,909,000). However, the Group’s overall gross margin significantly improved by 5.3 p.p. to 28.0% (2015: 22.7%), attributable to the increased sales mix of gem-set jewellery products driven by a slowdown in demand for gold products and the improved gross margin of gold products as a result of the gold price rise. Gross profit therefore decreased by 3.0% only to HK\$1,531,696,000 (2015: HK\$1,579,085,000). The decrease in sales caused the decline in the variable costs, leading to a slight drop of total operating expenses by 0.6%. However, with a faster decrease in revenue, its ratio to revenue increased to 18.5% (2015: 14.6%). The operating profit decreased by 6.0% to HK\$558,372,000 (2015: HK\$593,749,000) and the operating margin improved to 10.2% (2015: 8.5%). At a net margin of 7.9% (2015: 6.7%), the profit attributable to equity holders decreased by 7.4% to HK\$429,030,000 (2015: HK\$463,428,000). Basic earnings per share were HK\$0.73 (2015: HK\$0.79).

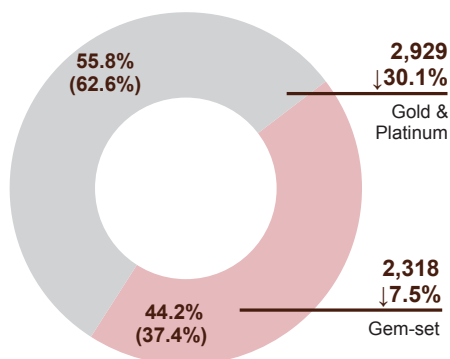
Overview

During the Period under review, the Group added a net total of 27 Lukfook shops worldwide, including a net addition of 24 shops (among them were 9 licensed shops and 15 self-operated shops) in Mainland China, 1 self-operated shop in both Macau casino district and New York, the United States, and 1 licensed shop in Seoul, Korea. As at 30 September 2016, the Group had a global network of 1,455 Lukfook shops (2015: 1,412 shops), spanning over Mainland China, Hong Kong, Macau, Singapore, Korea, the United States, Canada and Australia, and operated 9 3D-GOLD shops (2015: 4 shops) in Mainland China.

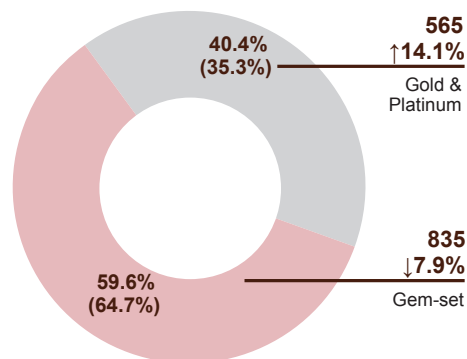


The retail business continued to be the primary revenue source for the Group with its revenue declined year-on-year by 27.0% to HK\$4,028,721,000 (2015: HK\$5,522,316,000), accounting for 73.7% (2015: 79.3%) of the Group's total revenue. With a much improved gross margin, segmental profit in the retail business dropped by 6.7% only to HK\$338,921,000 (2015: HK\$363,235,000), representing 55.8% (2015: 53.9%) of the total. Its segmental profit margin was 8.4% (2015: 6.6%). Benefited from the increase in scrap gold sales in Hong Kong, the wholesale business revenue increased by 3.9% over the same period last year to HK\$1,217,957,000 (2015: HK\$1,171,992,000), accounting for 22.2% (2015: 16.8%) of the Group's total revenue. Its segmental profit increased by 6.5% to HK\$144,831,000 (2015: HK\$135,983,000), representing 23.8% (2015: 20.2%) of the total, while its segmental profit margin was 11.9% (2015: 11.6%). Licensing income decreased by 17.8% to HK\$222,446,000 (2015: HK\$270,601,000), accounting for 4.1% (2015: 3.9%) of the Group's total revenue. Its segmental profit dropped by 29.1% to HK\$123,872,000 (2015: HK\$174,802,000), representing 20.4% (2015: 25.9%) of the total, while its segmental profit margin was 55.7% (2015: 64.6%).

Sales¹ by Product



Gross Profit² by Product



¹ Sales = Revenue – Licensing Income

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

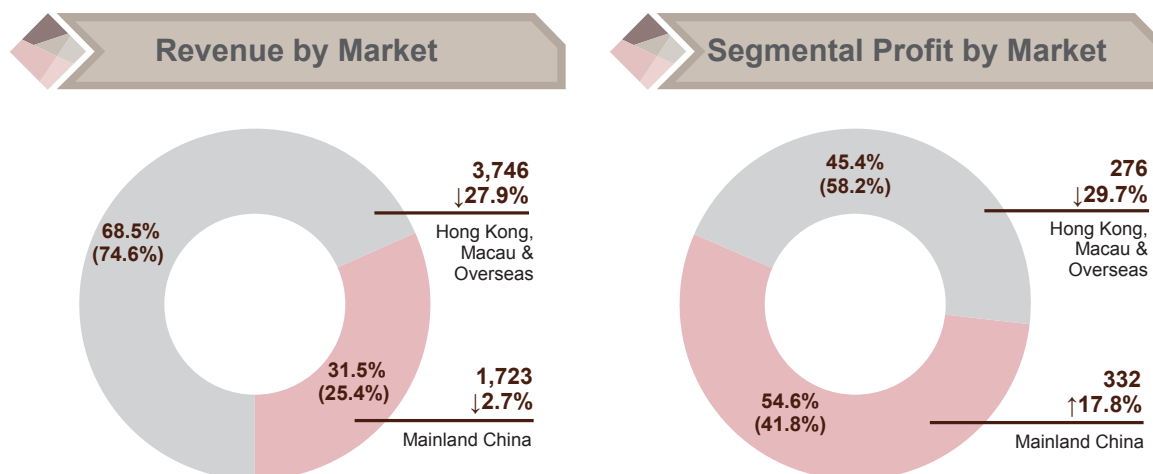
Gold products although remained the most favourite item among customers, due to the relatively high gold price which had adversely affected the demand, together with platinum products, their revenue decreased by 30.1% to HK\$2,928,962,000 (2015: HK\$4,188,884,000), accounting for 55.8% (2015: 62.6%) of the overall sales (Group revenue excluding licensing income). However, the high gold price also led to a substantial increase in gross margin of gold products of 6.8 p.p. to 18.8% (2015: 12.0%), gross profit of gold and platinum products therefore increased by 14.1% to HK\$565,318,000 (2015: HK\$495,324,000), accounting for 40.4% (2015: 35.3%) of the overall gross profit (consolidated gross profit of the Group excluding gross profit of licensing income). On the other hand, sales of gem-set jewellery products dropped by 7.5% to HK\$2,317,716,000 (2015: HK\$2,505,424,000), accounting for 44.2% (2015: 37.4%) of the overall sales. Gross margin of gem-set jewellery products decreased slightly by 0.2 p.p. to 36.0% (2015: 36.2%), while its gross profit decreased by 7.9% to HK\$835,098,000 (2015: HK\$906,901,000), accounting for 59.6% (2015: 64.7%) of the overall gross profit.

During the Period under review, the overall same store sales growth* (“SSSG”) of the Group was -31.5% (2015: -11.6%). SSSG for the Hong Kong and Macau market and the Mainland China market were -32.3% (2015: -12.6%) and -23.7% (2015: +1.2%) respectively. SSSG for gold and platinum products was -39.1% (2015: -5.6%) and that for gem-set jewellery products was -16.2% (2015: -22.0%).

The Group has been striving to diversify its product mix to offer customers with more choices. Since 2010, the Group has been endeavouring to expand the mid-to-high end watch business. As at 30 September 2016, the Group was the authorised dealer of 34 watch brands, including ARNOLD & SON, AUDEMARS PIGUET, BALL and its BALL for BMW series, BALMAIN, BULOVA, BURBERRY, BVLGARI, CERTINA, COINWATCH, CORUM, DOXA, EMILE CHOURIET, EMPORIO ARMANI, ENICAR, ERNEST BOREL, ETERNA, FREDERIQUE CONSTANT, GRONEFELD, HAMILTON, H. MOSER & CIE, LONGINES, LOUIS ERARD, LUDOVIC BALLOUARD, MAURICE LACROIX, MIDO, OMEGA, ORIS, RADO, ROMAGO SWISS, TAG HEUER, TISSOT, URWERK, VICTORIONX SWISS ARMY and ZENITH. For the Period under review, the watch business contributed a revenue of HK\$104,485,000 (2015: HK\$119,388,000), representing 1.9% (2015: 1.7%) of the Group’s total revenue with 12.5% decrease when compared with same period last year.

* Same store sales growth 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.

BUSINESS REVIEW



Hong Kong, Macau and Overseas

Hong Kong

The Hong Kong market remained to be the key source of revenue for the Group. Visitors from Mainland China have been the major driving force behind the growth in the local retail business in the past. However, under the impact of the slowdown in economic growth in Mainland China, the changes to the Individual Visit Scheme and the growing popularity of other tourist destinations as a result of currency devaluation, Mainland tourists tended to stay shorter period of time. Consumption expenditure per capita continued to fall with the poor macro-economic conditions and decreased spending power of consumers. According to the statistics on visitor arrivals to Hong Kong published by the Hong Kong Tourism Board in October 2016, total visitor arrivals from Mainland China from January to September 2016 fell by 8.7% year-on-year to approximately 32 million. In respect of spending by tourists, the value of sales of jewellery, watches and clocks, and valuable gifts from January to September 2016 totalled approximately HK\$51.4 billion, a decrease of 21.5% year-on-year, according to the Census and Statistics Department. Hit by the lackluster market performance, retail revenue in Hong Kong therefore decreased substantially by 33.4% to HK\$2,641,820,000 (2015: HK\$3,965,509,000). However, the revenue of the wholesale business generated from the Hong Kong market increased significantly by 51.1% to HK\$361,623,000 (2015: HK\$239,256,000) due to the increase in scrap gold sales as well as wholesale of rough diamonds. As at 30 September 2016, the Group operated a total of 47 self-operated shops (2015: 48 shops) in Hong Kong, 1 shop less than the previous year.

Macau

According to the tourism statistics published by the Statistics and Census Service of the Macau Special Administrative Region, the number of visitor arrivals to Macau from January to September 2016 was similar to that of last year, but GDP of Macau for the first half of 2016 decreased by 10.3% over last year. Total spending by visitor arrival to Macau in the second quarter of 2016 amounted to MOP11.7 billion, down 4.5% year-on-year. During the Period under review, the Group's revenue generated from the Macau market decreased by 27.7% to HK\$665,528,000 (2015: HK\$920,098,000). As at 30 September 2016, the Group had a total of 11 self-operated shops (2015: 10 shops) in Macau.

Overseas

To follow its motto "Brand of Hong Kong, Sparkling the World", the Group continued to look for opportunities around the world in recent years. During the Period under review, the Group opened 1 Lukfook self-operated shop in New York, the United States, and reopened 1 Lukfook licensed shop in Korea. As at 30 September 2016, the Group operated a total of 8 overseas shops (2015: 6 shops), including self-operated shops of 1 in Singapore, 3 in the United States, 2 in Canada, 1 in Australia, and 1 licensed shop in Korea.

The revenue from the Hong Kong, Macau and overseas markets dropped by 27.9% to HK\$3,746,337,000 (2015: HK\$5,194,299,000), accounting for 68.5% (2015: 74.6%) of the Group's total revenue, while their segmental profit declined by 29.7% to HK\$275,964,000 (2015: HK\$392,391,000), accounting for 45.4% (2015: 58.2%) of the total. Their segmental profit margin was 7.4% (2015: 7.6%).

The SSSG for gold and platinum products of Hong Kong, Macau and overseas markets was -40.2% (2015: -5.8%) while that for gem-set jewellery products was -16.9% (2015: -23.6%).

Mainland China

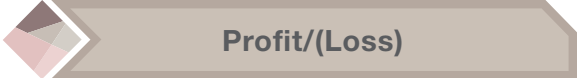
During the Period under review, retail revenue from the Mainland China market increased by 13.5% to HK\$644,007,000 (2015: HK\$567,273,000) due to the increase in the number of self-operated shops. The SSSG for gold and platinum products in Mainland China was -29.8% (2015: -2.9%) and that for gem-set jewellery products was -5.4% (2015: +17.5%).

The revenue of the wholesale business from the Mainland China market fell by 8.2% to HK\$856,334,000 (2015: HK\$932,736,000) as a result of the decrease in the number of new licensed shops, while the licensing income fell by 17.8% to HK\$222,446,000 (2015: HK\$270,601,000).

As at 30 September 2016, the Group operated a total of 1,389 shops (2015: 1,348 shops) under the “Lukfook” brandname in Mainland China, including 120 self-operated shops (2015: 85 shops) and 1,269 licensed shops (2015: 1,263 shops). During the Period under review, the Group had a net increase of 9 Lukfook licensed shops (2015: 23 shops) and 15 Lukfook self-operated shops (2015: 6 shops) there. 13 of the new self-operated shops were opened by a joint venture (in which the Group held a 51% equity interest) established with a licensee. Moreover, the Group continued to operate 9 3D-GOLD self-operated shops (2015: 4 shops) in Mainland China with the same joint venture, in order to meet the development of the Group’s dual-brand strategy.

During the Period under review, revenue from the Mainland China market decreased by 2.7% to HK\$1,722,787,000 (2015: HK\$1,770,610,000), accounting for 31.5% (2015: 25.4%) of the Group’s total revenue. Benefited from the growth of its retail business, together with the much higher gross margin, its segmental profit increased by 17.8% to HK\$331,660,000 (2015: HK\$281,629,000), accounting for more than one half of the total, amounting to 54.6% (2015: 41.8%) and its segmental profit margin was 19.3% (2015: 15.9%).

Financial Impact of Investment and Operating Activities in HKRH[#] & Its Subsidiaries

 Profit/(Loss)			
HK\$M	1HFY2017	1HFY2016	Y-o-Y Change
50% Share of Results of Associate	(32)	(47)	15
Valuation Gain/(Loss) on Convertible Bond	(2)	(20)	18
Wholesale Gross Profit	6	6	–
Interest Income on Working Capital Loan	2	2	–
Interest Income on Convertible Bond	1	1	–
Total	(25)	(58)	33

The loss of investment and operating activities in HKRH and its subsidiaries reduced by 56.9% to approximately HK\$25,000,000 (2015: approximately HK\$58,000,000 loss) during the Period under review.


[#] HKRH represented Hong Kong Resources Holdings Limited (Stock Code: 2882) which conducted jewellery retail and franchise business under the brandname of “3D-GOLD” in Hong Kong, Macau and Mainland China.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2016, the Group's cash and bank balances were approximately HK\$1,838,000,000 (31 March 2016: approximately HK\$2,432,000,000). The Group's net gearing ratio at year-end was 0% (31 March 2016: 0%), which was concluded by using the ratio of total bank borrowings and gold loans of approximately HK\$336,000,000 (31 March 2016: approximately HK\$711,000,000) less cash and bank balances against total shareholders' equity of approximately HK\$8,696,000,000 (31 March 2016: approximately HK\$8,674,000,000). Net cash was approximately HK\$1,502,000,000 (31 March 2016: approximately HK\$1,721,000,000). The debt-to-equity ratio was 18.3% (31 March 2016: 21.5%), which was concluded using the ratio of total liabilities of approximately HK\$1,595,000,000 (31 March 2016: approximately HK\$1,861,000,000) against total shareholders' equity of approximately HK\$8,696,000,000 (31 March 2016: approximately HK\$8,674,000,000). The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

Inventory



The chart is a horizontal bar chart titled "Inventory Turnover Days by Product". It compares the number of inventory turnover days for three product categories: Gold, Gem-set, and Overall. The data is presented for three periods: 1HFY2017, 1HFY2016, and FY2016. The bars are colored in shades of brown and grey.

	1HFY2017	1HFY2016	FY2016
Gold	190	112	119
Gem-set	488	535	469
Overall	311	243	238

As at 30 September 2016, the Group's inventory increased by 5.8% to approximately HK\$6,715,000,000 (31 March 2016: approximately HK\$6,345,000,000) due to increase in the number of self-operated shops. The number of inventory turnover days was 311 days (2015: 243 days). In particular, the number of inventory turnover days for gold products was 190 days (2015: 112 days) and that for gem-set jewellery products was 488 days (2015: 535 days).

Capital Expenditure

During the Period under review, the Group incurred capital expenditures of approximately HK\$55,000,000 (2015: approximately HK\$55,000,000), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipments.

Capital Commitments

As at 30 September 2016, the Group's total capital commitments amounted to approximately HK\$15,000,000 (31 March 2016: approximately HK\$12,000,000).

Contingent Liabilities

As at 30 September 2016, the Group's outstanding financial guarantees amounted to approximately HK\$772,000,000 (31 March 2016: approximately HK\$673,000,000), which were issued to several banks in respect of banking facilities granted to an associate.

Human Capital Policy

As at 30 September 2016, the number of employees of the Group was approximately 7,000 (31 March 2016: approximately 7,100). The management reviews and examines the remuneration policies on a regular basis to ensure that employees are offered fair rewards and compensation. Remuneration packages are structured to be comparable to the market 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 achieve the objective of enhancing the Group's business performance.

BRANDING

In order to align with the branding theme of "Love is Beauty", the Group has been building a brand image that is welcoming and warm-hearted, and strengthening customers' emotional attachment to the brand through outstanding marketing campaigns and excellent customer service programmes. Targeting the mid-to-high end consumer markets in Mainland China, Hong Kong, Macau and overseas, the Group has implemented comprehensive marketing strategies, and launched diversified product offerings with exquisite designs, to seize the business opportunities arising from the middle-class, wedding and kids markets. To increase brand awareness more strategically, the Group made good use of various promotional platforms, such as organising public relations activities and sponsoring various TV programmes, movies and concerts. The Group has also captured the trend of rapid growth of online marketing by placing advertisements on major social media platforms, portals, video websites and search engines, and organised different types of promotional campaigns to enhance our brand exposure.

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

OUTLOOK

Since September 2016, the same store sales of gem-set jewellery products in the Group's retail business recorded a narrowing decline. Together with a relatively low base in the second-half of last financial year, sales performance of gem-set jewellery products for the second-half of this financial year is expected to improve as compared with the first-half. Given the ongoing uncertainties over the global economy and the slowdown in the economic growth in Mainland China, the Group remains cautious about the business growth in the short term. Nevertheless, the Group continues to be optimistic about the prospects for the mid-to long-term business and will endeavour to uphold the Group's business development via product offering enrichment, China focus network expansion and market oriented strategies in the coming few years, and through offering more fashionable yet affordable products to cater for the trend of trading down consumption and to target at the mass market covering middle-class customers as well as kids.

The Group will continue to accelerate its expansion into the sub second-tier cities by leveraging on the joint venture business model with certain licensees and the dual-brand strategy advantages. The net shop additions in Mainland China will not be less than 50 in the current financial year. The Group also aims to continue to develop the e-commerce business and to further strengthen cooperation with e-commerce platforms in Mainland China. During the Period under review, the Group had a total of 15 online sales platforms in Mainland China, including Tmall.com, VIP.com, JD.com and Suning.com. Since young consumers have enormous spending potential on online sales platforms, the Group will endeavour to promote sales of low-priced jewellery on online platforms to attract these young consumers. The Group targets to grow revenue from e-commerce business by 50% in the coming year.

By understanding customers' spending habits, the Group will adopt comprehensive initiatives to penetrate into the markets for middle-class, wedding services and kids. It will continue to attract customers and boost local consumption by enhancing product displays, cross-promotional campaigns and VIP promotional activities so as to improve sales and profit. The Group will also showcase, promote and market its products on mobile applications and social media platforms such as Facebook and WeChat.

In addition to broadening the sources of income in different ways, the Group will strive to enhance productivity and reduce expenditure in different operational aspects, including the ongoing negotiations with landlords about reducing rents as appropriate, improvement of the monitoring of service quality, enhancement of support to licensees, promotion of a continuous improvement culture and full automation of operational processes in order to enhance efficiency and reduce costs in the hope of minimizing the impact of the economic downturn on the Group's performance.

In the long run, the outlook for the jewellery industry remains promising given the growing solid demand for jewellery products driven by the unique geographic and tax advantages of Hong Kong and Macau, long-established brand awareness, extensive retail networks, management's effective sales strategies and increased income per capita in Mainland China. The rosy future for the industry will be conducive to the sustainable development of the Group. Therefore, the Group will sharpen the cutting edge and consolidate its leading position in the jewellery retail market through pragmatic and prudent strategies, proactive response to challenges and a firm grip on opportunities.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.29 (2015: HK\$0.315 per share) per ordinary share and a special dividend of HK\$0.26 per ordinary share (2015: HK\$0.235 per share), totalling HK\$0.55 per ordinary share (2015: HK\$0.55 per share) for the six months ended 30 September 2016, to shareholders whose names appear on the register of members of the Company as at 9 December 2016. The interim and special dividends will be paid on or around 20 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the interim and special dividends will be closed on 9 December 2016 and no transfer of shares will be registered on that day. In order to qualify for the interim and special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 8 December 2016.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining good corporate governance practices and procedures. The corporate governance principles of the Company place emphasis on a quality Board, sound internal controls as well as transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2016, except for the following deviation:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the six months ended 30 September 2016. PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim results of the Group for the Period under review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2016/2017

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the “HKEx”) (www.hkexnews.hk) and the Company (lukfook.com). The Interim Report 2016/2017 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

APPRECIATION

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

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

Hong Kong, 24 November 2016

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