



# LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

Website: [www.lukfook.com.hk](http://www.lukfook.com.hk)

(Stock Code: 590)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

The Board of Directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company” or “Luk Fook”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2007 together with comparative figures for the corresponding period in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

|                                                                                                                     |             | <b>Unaudited</b>                |                 |
|---------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------|-----------------|
|                                                                                                                     |             | <b>For the six months ended</b> |                 |
|                                                                                                                     |             | <b>30th September</b>           |                 |
|                                                                                                                     |             | <b>2007</b>                     | <b>2006</b>     |
|                                                                                                                     | <i>Note</i> | <i>HK\$'000</i>                 | <i>HK\$'000</i> |
| Turnover                                                                                                            | 4           | 1,360,565                       | 1,403,982       |
| Cost of sales                                                                                                       | 5           | (1,038,952)                     | (1,140,882)     |
| Gross profit                                                                                                        |             | 321,613                         | 263,100         |
| Other income                                                                                                        | 4           | 43,751                          | 20,869          |
| Selling and distribution costs                                                                                      | 5           | (207,838)                       | (163,957)       |
| Administrative expenses                                                                                             | 5           | (20,090)                        | (18,101)        |
| Other gains                                                                                                         | 6           | 3,614                           | 2,688           |
| Operating profit                                                                                                    |             | 141,050                         | 104,599         |
| Finance costs                                                                                                       |             | (158)                           | (110)           |
| Profit before taxation                                                                                              |             | 140,892                         | 104,489         |
| Taxation                                                                                                            | 7           | (20,014)                        | (18,969)        |
| Profit for the period                                                                                               |             | 120,878                         | 85,520          |
| Profit attributable to:                                                                                             |             |                                 |                 |
| Equity holders of the Company                                                                                       |             | 118,496                         | 84,776          |
| Minority interests                                                                                                  |             | 2,382                           | 744             |
|                                                                                                                     |             | 120,878                         | 85,520          |
| Earnings per share for profit attributable to equity holders of the Company, expressed in Hong Kong cents per share | 8           |                                 |                 |
| – Basic                                                                                                             |             | 24.06 cents                     | 17.29 cents     |
| – Diluted                                                                                                           |             | 24.06 cents                     | 17.29 cents     |
| Dividends                                                                                                           | 9           | 49,251                          | 34,476          |

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2007

|                                                                   |             | Unaudited<br>As at<br>30th September<br>2007<br>HK\$'000 | Audited<br>As at<br>31st March<br>2007<br>HK\$'000 |
|-------------------------------------------------------------------|-------------|----------------------------------------------------------|----------------------------------------------------|
|                                                                   | <i>Note</i> |                                                          |                                                    |
| <b>ASSETS</b>                                                     |             |                                                          |                                                    |
| Non-current assets                                                |             |                                                          |                                                    |
| Property, plant and equipment                                     |             | 112,839                                                  | 103,130                                            |
| Leasehold land and land use rights                                |             | 8,246                                                    | 8,169                                              |
| Trading licence                                                   |             | 1,080                                                    | 1,080                                              |
| Rental deposits                                                   |             | 21,557                                                   | 21,915                                             |
| Deferred income tax assets                                        |             | 9,727                                                    | 7,468                                              |
|                                                                   |             | <u>153,449</u>                                           | <u>141,762</u>                                     |
| Current assets                                                    |             |                                                          |                                                    |
| Inventories                                                       |             | 930,268                                                  | 751,854                                            |
| Trade receivables                                                 | 10          | 36,314                                                   | 19,318                                             |
| Deposits, prepayments and other receivables                       |             | 44,159                                                   | 32,561                                             |
| Bank balances and cash                                            |             | 136,311                                                  | 174,534                                            |
|                                                                   |             | <u>1,147,052</u>                                         | <u>978,267</u>                                     |
| Total assets                                                      |             | <u><b>1,300,501</b></u>                                  | <u><b>1,120,029</b></u>                            |
| <b>EQUITY</b>                                                     |             |                                                          |                                                    |
| Capital and reserves attributable to the Company's equity holders |             |                                                          |                                                    |
| Share capital                                                     |             | 49,250                                                   | 49,250                                             |
| Share premium                                                     |             | 58,884                                                   | 58,884                                             |
| Reserves                                                          |             | 761,863                                                  | 687,786                                            |
| Proposed dividends                                                |             | 49,251                                                   | 54,176                                             |
|                                                                   |             | <u>919,248</u>                                           | <u>850,096</u>                                     |
| Minority interests                                                |             | <u>15,292</u>                                            | <u>12,789</u>                                      |
| Total equity                                                      |             | <u><b>934,540</b></u>                                    | <u><b>862,885</b></u>                              |
| <b>LIABILITIES</b>                                                |             |                                                          |                                                    |
| Non-current liabilities                                           |             |                                                          |                                                    |
| Deferred income tax liabilities                                   |             | <u>105</u>                                               | <u>129</u>                                         |
| Current liabilities                                               |             |                                                          |                                                    |
| Trade and other payables                                          | 11          | 241,744                                                  | 227,304                                            |
| Taxation payable                                                  |             | 51,112                                                   | 29,711                                             |
| Short-term bank loans, unsecured                                  |             | 73,000                                                   | —                                                  |
|                                                                   |             | <u>365,856</u>                                           | <u>257,015</u>                                     |
| Total liabilities                                                 |             | <u><b>365,961</b></u>                                    | <u><b>257,144</b></u>                              |
| Total equity and liabilities                                      |             | <u><b>1,300,501</b></u>                                  | <u><b>1,120,029</b></u>                            |
| Net current assets                                                |             | <u><b>781,196</b></u>                                    | <u><b>721,252</b></u>                              |
| Total assets less current liabilities                             |             | <u><b>934,645</b></u>                                    | <u><b>863,014</b></u>                              |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007**

|                                                                                    | <b>Unaudited</b>         |                          |                 |                 |                               |                         |
|------------------------------------------------------------------------------------|--------------------------|--------------------------|-----------------|-----------------|-------------------------------|-------------------------|
|                                                                                    | <b>Share<br/>capital</b> | <b>Share<br/>premium</b> | <b>Reserves</b> | <b>Subtotal</b> | <b>Minority<br/>interests</b> | <b>Total<br/>equity</b> |
|                                                                                    | <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/>30th September 2007</b>                                |                          |                          |                 |                 |                               |                         |
| As at 1st April 2007                                                               | 49,250                   | 58,884                   | 741,962         | 850,096         | 12,789                        | 862,885                 |
| Exchange differences                                                               | —                        | —                        | 4,820           | 4,820           | 121                           | 4,941                   |
| Profit for the period                                                              | —                        | —                        | 118,496         | 118,496         | 2,382                         | 120,878                 |
| Dividends paid                                                                     | —                        | —                        | (54,176)        | (54,176)        | —                             | (54,176)                |
| Surplus on revaluation<br>of other properties                                      | —                        | —                        | 12              | 12              | —                             | 12                      |
| As at 30th September 2007                                                          | <u>49,250</u>            | <u>58,884</u>            | <u>811,114</u>  | <u>919,248</u>  | <u>15,292</u>                 | <u>934,540</u>          |
| <b>For the period ended<br/>30th September 2006</b>                                |                          |                          |                 |                 |                               |                         |
| As at 1st April 2006                                                               | 48,794                   | 57,789                   | 608,581         | 715,164         | 13,028                        | 728,192                 |
| Exchange differences                                                               | —                        | —                        | 1,247           | 1,247           | —                             | 1,247                   |
| Issue of shares                                                                    | 456                      | 1,095                    | —               | 1,551           | —                             | 1,551                   |
| Profit for the period                                                              | —                        | —                        | 84,776          | 84,776          | 744                           | 85,520                  |
| Dividends paid                                                                     | —                        | —                        | (34,476)        | (34,476)        | —                             | (34,476)                |
| Repayment of advance from<br>minority interests                                    | —                        | —                        | —               | —               | (980)                         | (980)                   |
| Advance to minority interests<br>in proportion to their interests<br>in subsidiary | —                        | —                        | —               | —               | (1,470)                       | (1,470)                 |
| As at 30th September 2006                                                          | <u>49,250</u>            | <u>58,884</u>            | <u>660,128</u>  | <u>768,262</u>  | <u>11,322</u>                 | <u>779,584</u>          |

NOTES:

**1 General Information**

Luk Fook Holdings (International) Limited (the “Company”) was incorporated in Bermuda on 3rd 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 and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones and other accessory items.

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

The Interim Financial Information for the six months ended 30th September 2007 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 17th December 2007.

**2 Basis of preparation**

The Company has a financial year end date of 31st March. The Interim Financial Information for the six months ended 30th September 2007 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st March 2007.

**3 Accounting policies**

The accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31st March 2007, except as mentioned below.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st March 2008:

|                    |                                                           |
|--------------------|-----------------------------------------------------------|
| HKAS 1 (Amendment) | Presentation of Financial Statements: Capital Disclosures |
| HKFRS 7            | Financial Instruments: Disclosures                        |
| HK(IFRIC)-Int 8    | Scope of HKFRS 2                                          |
| HK(IFRIC)-Int 9    | Reassessment of Embedded Derivatives                      |
| HK(IFRIC)-Int 10   | Interim Financial Reporting and Impairment                |
| HK(IFRIC)-Int 11   | HKFRS 2 – Group and Treasury Share Transactions           |

The adoption of the above standards and interpretations has no material financial impact to the Interim Financial Information.

The following new standard and interpretation, which are relevant to the Group, have been issued but are not effective for 2007/2008 and have not been early adopted by the Group:

|                  |                                 |
|------------------|---------------------------------|
| HKFRS 8          | Operating Segments              |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |

The adoption of these new standard or interpretation has no material impact to the Interim Financial Information.

#### 4 Turnover, other income and segment information

|                                | For the six months ended<br>30th September |                  |
|--------------------------------|--------------------------------------------|------------------|
|                                | 2007                                       | 2006             |
|                                | HK\$'000                                   | HK\$'000         |
| Turnover                       |                                            |                  |
| Sales of goods                 | 1,360,565                                  | 1,403,982        |
| Other income                   |                                            |                  |
| Quality control service income | 26,136                                     | 11,164           |
| Consultancy service income     | 5,845                                      | 6,196            |
| Others                         | 11,770                                     | 3,509            |
|                                | <hr/>                                      | <hr/>            |
|                                | 43,751                                     | 20,869           |
|                                | <hr/>                                      | <hr/>            |
| Turnover and other income      | <b>1,404,316</b>                           | <b>1,424,851</b> |
|                                | <hr/>                                      | <hr/>            |

Turnover represents invoiced sales of goods and includes an amount of HK\$222,827,000 (2006: HK\$381,013,000) which was settled by gold bullion and the gold bullion was in turn used for settlement of trade payables.

#### Primary reporting format – business segments

The Group is mainly organised into two major business segments:

- Retailing of jewellery
- Manufacturing and wholesaling of jewellery, including the provision of technical support and consultancy services, and quality control of jewellery products to certain licensees.

Other operations of the Group mainly represent investments and services relating to internet and software development.

For the six months ended 30th September

|                                      | Retailing        |                | Manufacturing and<br>wholesaling |                | Other operations |              | Eliminations     |                  | Group            |                  |
|--------------------------------------|------------------|----------------|----------------------------------|----------------|------------------|--------------|------------------|------------------|------------------|------------------|
|                                      | 2007             | 2006           | 2007                             | 2006           | 2007             | 2006         | 2007             | 2006             | 2007             | 2006             |
|                                      | HK\$'000         | HK\$'000       | HK\$'000                         | HK\$'000       | HK\$'000         | HK\$'000     | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000         |
| Turnover from external customers     |                  |                |                                  |                |                  |              |                  |                  |                  |                  |
| – Sales of merchandises              | 1,025,429        | 751,111        | 110,668                          | 90,963         | –                | –            | –                | –                | 1,136,097        | 842,074          |
| – Sales of scrap gold and platinum   | –                | –              | 222,827                          | 561,558        | –                | –            | –                | –                | 222,827          | 561,558          |
| – Others                             | –                | –              | –                                | –              | 1,641            | 350          | –                | –                | 1,641            | 350              |
|                                      | <u>1,025,429</u> | <u>751,111</u> | <u>333,495</u>                   | <u>652,521</u> | <u>1,641</u>     | <u>350</u>   | <u>–</u>         | <u>–</u>         | <u>1,360,565</u> | <u>1,403,982</u> |
| Inter-segment sales                  | 34,069           | 24,534         | 362,605                          | 247,698        | –                | –            | (396,674)        | (272,232)        | –                | –                |
| Other income from external customers | 221              | 67             | 41,482                           | 17,693         | 2,048            | 3,105        | –                | –                | 43,751           | 20,865           |
| Inter-segment other income           | –                | –              | –                                | –              | 298              | 287          | (298)            | (287)            | –                | –                |
|                                      | <u>–</u>         | <u>–</u>       | <u>–</u>                         | <u>–</u>       | <u>298</u>       | <u>287</u>   | <u>(298)</u>     | <u>(287)</u>     | <u>–</u>         | <u>–</u>         |
| Total                                | <u>1,059,719</u> | <u>775,712</u> | <u>737,582</u>                   | <u>917,912</u> | <u>3,987</u>     | <u>3,742</u> | <u>(396,972)</u> | <u>(272,519)</u> | <u>1,404,316</u> | <u>1,424,847</u> |
| Segment results                      | <u>81,934</u>    | <u>61,664</u>  | <u>83,374</u>                    | <u>58,380</u>  | <u>1,755</u>     | <u>2,651</u> | <u>(10,943)</u>  | <u>(4,264)</u>   | <u>156,120</u>   | <u>118,431</u>   |
| Interest income                      |                  |                |                                  |                |                  |              |                  |                  | 1,233            | 893              |
| Unallocated costs                    |                  |                |                                  |                |                  |              |                  |                  | (16,303)         | (14,725)         |
| Operating profit                     |                  |                |                                  |                |                  |              |                  |                  | 141,050          | 104,599          |
| Finance costs                        |                  |                |                                  |                |                  |              |                  |                  | (158)            | (110)            |
| Profit before taxation               |                  |                |                                  |                |                  |              |                  |                  | 140,892          | 104,489          |
| Taxation                             |                  |                |                                  |                |                  |              |                  |                  | (20,014)         | (18,969)         |
| Profit for the period                |                  |                |                                  |                |                  |              |                  |                  | <u>120,878</u>   | <u>85,520</u>    |

Other segment items included in the condensed consolidated income statement are as follows:

|               | Retailing |          | Manufacturing and<br>wholesaling |          | Other operations |          | Eliminations |          | Group         |               |
|---------------|-----------|----------|----------------------------------|----------|------------------|----------|--------------|----------|---------------|---------------|
|               | 2007      | 2006     | 2007                             | 2006     | 2007             | 2006     | 2007         | 2006     | 2007          | 2006          |
|               | HK\$'000  | HK\$'000 | HK\$'000                         | HK\$'000 | HK\$'000         | HK\$'000 | HK\$'000     | HK\$'000 | HK\$'000      | HK\$'000      |
| Depreciation  |           |          |                                  |          |                  |          |              |          |               |               |
| – allocated   | 8,981     | 5,838    | 4,222                            | 2,848    | 7                | 94       | –            | –        | 13,210        | 8,780         |
| – unallocated |           |          |                                  |          |                  |          |              |          | 2,081         | 1,945         |
|               |           |          |                                  |          |                  |          |              |          | <u>15,291</u> | <u>10,725</u> |
| Amortisation  |           |          |                                  |          |                  |          |              |          |               |               |
| – allocated   | 8         | –        | 69                               | 61       | 4                | 11       | –            | –        | 81            | 72            |
| – unallocated |           |          |                                  |          |                  |          |              |          | 6             | 6             |
|               |           |          |                                  |          |                  |          |              |          | <u>87</u>     | <u>78</u>     |

The segment assets and liabilities as at 30th September 2007 and 31st March 2007, and capital expenditure of each of the six months ended 30th September 2007 and 2006 are as follows:

|                         | Retailing       |                 | Manufacturing and<br>wholesaling |                 | Other operations |                 | Eliminations    |                 | Group            |                  |
|-------------------------|-----------------|-----------------|----------------------------------|-----------------|------------------|-----------------|-----------------|-----------------|------------------|------------------|
|                         | As at 30th      | As at 31st      | As at 30th                       | As at 31st      | As at 30th       | As at 31st      | As at 30th      | As at 31st      | As at 30th       | As at 31st       |
|                         | September       | March           | September                        | March           | September        | March           | September       | March           | September        | March            |
|                         | 2007            | 2007            | 2007                             | 2007            | 2007             | 2007            | 2007            | 2007            | 2007             | 2007             |
|                         | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>                  | <i>HK\$'000</i> | <i>HK\$'000</i>  | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>  | <i>HK\$'000</i>  |
| Segment assets          | 824,357         | 722,486         | 802,212                          | 830,096         | 8,617            | 12,621          | (404,971)       | (518,920)       | 1,230,215        | 1,046,283        |
| Unallocated assets      |                 |                 |                                  |                 |                  |                 |                 |                 | 70,286           | 73,746           |
| Total assets            |                 |                 |                                  |                 |                  |                 |                 |                 | <u>1,300,501</u> | <u>1,120,029</u> |
| Segment liabilities     | (549,392)       | (640,282)       | (112,526)                        | (99,811)        | (1,890)          | (1,651)         | 404,971         | 518,922         | (258,837)        | (222,822)        |
| Unallocated liabilities |                 |                 |                                  |                 |                  |                 |                 |                 | (107,124)        | (34,322)         |
| Total liabilities       |                 |                 |                                  |                 |                  |                 |                 |                 | <u>(365,961)</u> | <u>(257,144)</u> |

|                     | For the six months ended 30th September |                 |                                  |                 |                  |                 |                 |                 |                 |                 |
|---------------------|-----------------------------------------|-----------------|----------------------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                     | Retailing                               |                 | Manufacturing and<br>wholesaling |                 | Other operations |                 | Eliminations    |                 | Group           |                 |
|                     | 2007                                    | 2006            | 2007                             | 2006            | 2007             | 2006            | 2007            | 2006            | 2007            | 2006            |
|                     | <i>HK\$'000</i>                         | <i>HK\$'000</i> | <i>HK\$'000</i>                  | <i>HK\$'000</i> | <i>HK\$'000</i>  | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital expenditure |                                         |                 |                                  |                 |                  |                 |                 |                 |                 |                 |
| – allocated         | 19,412                                  | 11,915          | 2,456                            | 9,568           | –                | –               | –               | –               | 21,868          | 21,483          |
| – unallocated       |                                         |                 |                                  |                 |                  |                 |                 |                 | 1,625           | 1,071           |
|                     |                                         |                 |                                  |                 |                  |                 |                 |                 | <u>23,493</u>   | <u>22,554</u>   |

## Secondary reporting format – geographical segments

The geographical analysis is divided into three regions:

- Hong Kong
- The People's Republic of China ("PRC")
- Other countries

|                 | Turnover         |                  | Total assets     |                             | Capital expenditure |               |
|-----------------|------------------|------------------|------------------|-----------------------------|---------------------|---------------|
|                 | For the          |                  | As at            |                             | For the             |               |
|                 | six months ended |                  | 30th             |                             | six months ended    |               |
|                 | 30th September   |                  | September        |                             | 30th September      |               |
|                 | 2007             | 2006             | 2007             | As at<br>31st March<br>2007 | 2007                | 2006          |
|                 | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000                    | HK\$'000            | HK\$'000      |
| Hong Kong       | 1,187,934        | 1,344,188        | 915,576          | 809,032                     | 18,151              | 9,899         |
| PRC             | 113,722          | 7,911            | 319,513          | 252,396                     | 4,029               | 10,453        |
| Other countries | 58,909           | 51,883           | 65,412           | 58,601                      | 1,313               | 2,202         |
|                 | <u>1,360,565</u> | <u>1,403,982</u> | <u>1,300,501</u> | <u>1,120,029</u>            | <u>23,493</u>       | <u>22,554</u> |

## 5 Expenses by nature

|                                                                                 | For the six months ended |                  |
|---------------------------------------------------------------------------------|--------------------------|------------------|
|                                                                                 | 30th September           |                  |
|                                                                                 | 2007                     | 2006             |
|                                                                                 | HK\$'000                 | HK\$'000         |
| Cost of inventories sold                                                        | 1,038,952                | 1,140,882        |
| Operating lease rentals in respect of land and buildings                        | 58,490                   | 49,514           |
| Depreciation of property, plant and equipment                                   | 15,291                   | 10,725           |
| Amortisation of leasehold land and land use rights                              | 87                       | 78               |
| Others                                                                          | 154,060                  | 121,741          |
| Total cost of sales, selling and distribution costs and administrative expenses | <u>1,266,880</u>         | <u>1,322,940</u> |



**For the six months ended  
30th September**

**2007                      2006**  
**HK\$'000                      HK\$'000**

Representing:

|                                |                  |             |
|--------------------------------|------------------|-------------|
| Cost of sales                  | <b>1,038,952</b> | 1,140,882   |
| Selling and distribution costs | <b>207,838</b>   | 163,957     |
| Administrative expenses        | <b>20,090</b>    | 18,101      |
|                                | <hr/>            | <hr/>       |
|                                | <b>1,266,880</b> | 1,322,940   |
|                                | <hr/> <hr/>      | <hr/> <hr/> |

**6 Other gains**

**For the six months ended  
30th September**

**2007                      2006**  
**HK\$'000                      HK\$'000**

|                                                     |              |             |
|-----------------------------------------------------|--------------|-------------|
| Interest income                                     | <b>1,233</b> | 893         |
| Net exchange gain                                   | <b>1,948</b> | 513         |
| Write back of provision for slow-moving inventories | <b>433</b>   | 1,282       |
|                                                     | <hr/>        | <hr/>       |
|                                                     | <b>3,614</b> | 2,688       |
|                                                     | <hr/> <hr/>  | <hr/> <hr/> |

**7 Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (For the six months ended 30th September 2006: 17.5%) on the estimated assessable profit for the period.

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

The amount of taxation charged to the condensed consolidated income statement represents:

**For the six months ended  
30th September**

**2007                      2006**  
**HK\$'000                      HK\$'000**

|                                        |                |             |
|----------------------------------------|----------------|-------------|
| Hong Kong profits tax                  |                |             |
| – current                              | <b>19,134</b>  | 15,306      |
| – under/(over) provision in prior year | <b>866</b>     | (872)       |
| Overseas taxation                      | <b>2,297</b>   | 5,497       |
| Deferred taxation                      | <b>(2,283)</b> | (962)       |
|                                        | <hr/>          | <hr/>       |
|                                        | <b>20,014</b>  | 18,969      |
|                                        | <hr/> <hr/>    | <hr/> <hr/> |

## 8 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\$118,496,000 (2006: HK\$84,776,000) and the weighted average number of 492,507,850 (2006: 490,238,320) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$118,496,000 (2006: HK\$84,776,000) and the weighted average number of 492,507,850 (2006: 490,238,320) ordinary shares in issue during the period after adjusting for the effects of all potential dilutive ordinary shares deemed to be issued at no consideration if all outstanding share options granted under the share option scheme of the Company had been exercised.

## 9 Dividends

|                                                                                                                | <b>For the six months ended<br/>30th September</b> |                 |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------|
|                                                                                                                | <b>2007</b>                                        | <b>2006</b>     |
|                                                                                                                | <b>HK\$'000</b>                                    | <b>HK\$'000</b> |
| 2006/2007 final, paid, of HK\$0.11 (2005/2006 final, paid, of HK\$0.07)<br>per ordinary share (note (i))       | <b>54,176</b>                                      | 34,476          |
| 2007/2008 interim, proposed, of HK\$0.10 (2006/2007 interim, paid: HK\$0.07)<br>per ordinary share (note (ii)) | <b>49,251</b>                                      | 34,476          |

*Note (i):* At a meeting held on 24th July 2007, the directors declared a final dividend of HK\$0.11 per ordinary share for the year ended 31st March 2007, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2007.

*Note (ii):* At a meeting held on 17th December 2007, the directors proposed an interim dividend of HK\$0.10 per ordinary share for the year ending 31st March 2008. This proposed dividend is not reflected as a dividend payable in the Interim Financial Information, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2008.

## 10 Trade receivables

The majority of the Group's sales are on cash basis. Credit sales are mainly for the Group's wholesale customers with terms of 0 to 90 days.

The ageing analysis of trade receivables is as follows:

|               | <b>As at<br/>30th September<br/>2007<br/>HK\$'000</b> | <b>As at<br/>31st March<br/>2007<br/>HK\$'000</b> |
|---------------|-------------------------------------------------------|---------------------------------------------------|
| 0 – 30 days   | <b>36,027</b>                                         | 17,951                                            |
| 31 – 60 days  | <b>143</b>                                            | 933                                               |
| 61 – 90 days  | <b>6</b>                                              | 55                                                |
| 91 – 120 days | <b>69</b>                                             | 168                                               |
| Over 120 days | <b>69</b>                                             | 211                                               |
|               | <b>36,314</b>                                         | 19,318                                            |

The carrying amounts of trade receivables approximate their fair values.

## 11 Trade and other payables

Included in trade and other payables are trade payables of HK\$135,469,000 and their ageing analysis is as follows:

|               | As at<br>30th September<br>2007<br>HK\$'000 | As at<br>31st March<br>2007<br>HK\$'000 |
|---------------|---------------------------------------------|-----------------------------------------|
| 0 – 30 days   | 97,239                                      | 80,352                                  |
| 31 – 60 days  | 26,668                                      | 33,702                                  |
| 61 – 90 days  | 5,927                                       | 5,591                                   |
| 91 – 120 days | 3,165                                       | 3,360                                   |
| Over 120 days | 2,470                                       | 397                                     |
|               | <u>135,469</u>                              | <u>123,402</u>                          |

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

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 10.0 HK cents (2006: 7.0 HK cents) per share for the six months ended 30th September 2007. The interim dividend will be payable on 15th January 2008 to shareholders whose names appear on the Registrar of Members of the Company on 4th January 2008.

## INTERIM RESULTS

The total turnover of the Group for the six months ended 30th September 2007 decreased by HK\$43,417,000 to HK\$1,360,565,000 (2006: HK\$1,403,982,000), representing a decrease of 3.1% from the corresponding period of last year. Profit attributable to shareholders was approximately HK\$118,496,000 (2006: HK\$84,776,000) representing a growth of 39.8% from last year. Basic earnings per share were 24.06 HK cents (2006: 17.29 HK cents).

Our retail business contributed HK\$1,025,429,000 to our total turnover, registering an increase of 36.5% from the same period of last year. The impressive performance was largely attributed to the robust retail market resulted from a pick up in local spending as well as the increased spending from the PRC consumers. However, as gold prices experienced relatively mild fluctuations in the six months ended 30th September 2007, the amount of the disposal of gold items from customers and the profits arisen from the trade-in to gold merchants during the review period was substantially reduced as compared to the same period of last year. Accordingly, turnover from the wholesale business recorded a drop of 48.9% from HK\$652,521,000 to HK\$333,495,000.

## **INDUSTRY REVIEW**

With the fast growing economy of the PRC as well as its rising number of affluent population, the PRC consumers have contributed significantly to Hong Kong's retail market since the Individual Visit Scheme was implemented in 2003. In particular, with the surging gold price and the PRC's climbing inflation rate during the period, the PRC consumers were inclined towards buying gold as a kind of investment and as a hedge against inflation. The rise in gold price generally favors local jewelers.

For the first nine months in 2007, tourist arrivals from the PRC accumulated to 11.3 million, representing a growth of 10.9% from the same period of last year. The Group continued to benefit from the growing PRC tourists who spent a great deal of money on purchasing jewellery items in Hong Kong.

## **BUSINESS REVIEW**

### **Hong Kong Market**

For the period ended 30th September 2007, the Group operates a total of 27 shops in Hong Kong. During the period, the Group opened 3 new shops: 2 in Mong Kok and 1 in Causeway Bay. The 3 shops are ideally situated at the heart of Mongkok and Causeway Bay, which are major shopping districts for both local residents and tourists. From the sale performance of our shops in these two districts, we are positive that the new shops will be able to drive further growth and bring satisfactory profit contributions to the Group.

During the period, the Group has refurbished the outlets in Mongkok, North Point, Tsuen Wan and Macau. The renovated shops adopted the same modern design as the rest of other new shops, which aim to give customers a more pleasant environment to shop at Luk Fook.

The Group continued its efforts to market and promote Luk Fook through a range of sponsorship and exhibitions. We sponsored jewellery items in a range of gaming shows, assorted beauty contests in Hong Kong, the PRC and overseas. The Group also placed series of TV advertisements on the main TV channels of Hong Kong and the PRC.

### **PRC Market**

We see enormous potentials for further development in the PRC and are devoted to broadening our retail network in this vast market. During the period, the Group quickened the pace of setting up self-operated shops. 3 self-operated shops were set up in Gansu, Shangdong and Zhejiang provinces. 37 brand shops were also opened, some of which newly arrived at 12 cities that Luk Fook first entered, such as Wuhan in Hubei Province.

The Group's popularity and high brand recognition among PRC consumers proved our strategies to adopt licensing model in the PRC effective and successful.

## **Macau Market**

Macau has become one of the top travel destinations for tourists worldwide. During the period, revenue derived from our two shops in Macau was significantly increased thanks to the flourishing retail industry stimulated by the rapid expanding gaming and tourism sectors.

A new shop was opened in December 2007 in the Grand Canal Shoppes at the Venetian Resort. We believe the new shop is situated at a superb location that would easily reach tourists and shoppers. The new shop will definitely make shopping at Luk Fook an enjoyable shopping experience for customers.

## **OVERSEAS DEVELOPMENT**

Apart from the shops established in Canada and the United States, the Group also sought to explore other potential markets to extend our global reach. After the opening of Luvina Jewelers in California, we have decided to further set our foothold in another US city, New York. Up till the recent months, we have successfully spot out an appropriate location and signed the leasehold contract. The new shop is scheduled to commence operation before 2008.

## **AWARDS**

We endeavor to strengthen our brand management and strive to become the most trusted brand among customers. In recognition of the Group's outstanding sales performance, the Group was ranked one of the top 10 retailers in Hong Kong and received "The 4th Retail Asia Pacific Top 500 Awards (2007)". Organized by Retail Asia in collaboration with Euromonitor International and KPMG, the award was seen as a leading honour as it shows the Group's top performance over other retail companies from 14 economies in the Asia Pacific region.

During the period, the Group gained "The Best Brand Enterprise Award 2007 (Greater China)" organized by Hong Kong Productivity Council for 2 consecutive years, revealing the Group's success in the pursuit of brand excellence. With wide recognition among the PRC consumers, the Group also won "The PRC Consumers' Most Favorable Hong Kong Brands 2007 – Gold Prize" and received "The Most Favorable Brands of the Nation 2007" in a poll organized by JUST Events Limited and the China Enterprise Reputation and Credibility Association (Overseas) Limited.

## **PROSPECTS**

We believe the retail market in Hong Kong and the PRC will continue to be robust. With the huge development potential in the PRC market, broadening our sales network remains our key focus in the following years. We will capitalize on the golden opportunity that Beijing Olympics will bring and proactively search for new spots to expand our network and capture business opportunities.

To maintain our competitive edge in the market and foster our position as a leading jewellery retailer in Hong Kong, we will continue to explore growth opportunities and step up our efforts in providing high quality designs and enriching our product portfolio. We hope to further achieve higher brand recognition among consumers through participating in a wide array of marketing and promotion activities, as we believe it is one of the key factors that helps build a solid customer base for the Group. We also look forward to bringing our presence to new overseas locations and take a further step to realize our long-term goal to become a renowned jeweler around the world.

## **EMPLOYEES**

As at 30th September 2007, the Group had approximately 2,345 employees (including staff and workers) (31st March 2007: 2,124). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured taking into account factors of comparable markets. Bonus and others merit payments are linked to performance of the Group and individual employees.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's core business is gold and jewellery retailing and wholesaling. As at 30th September 2007, the Group's cash and bank balances reached approximately HK\$136 million (31st March 2007: HK\$175 million). The Group's debt to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$366 million (31st March 2007: HK\$257 million) against total equity of approximately HK\$919 million (31st March 2007: HK\$850 million), was 39.8% (31st March 2007: 30.2%). During the period, the capital expenditure of the Group was approximately HK\$23.5 million (2006: HK\$22.6 million).

As at 30th September 2007, the Group had banking facilities amounted to approximately HK\$120 million (31st March 2007: HK\$120 million) out of which HK\$73 million (31st March 2007: Nil) was utilised. The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities at 30th September 2007 and 31st March 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of members of the Company will be closed from 4th January 2008 to 7th January 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3rd January 2008.

## **AUDIT COMMITTEE**

In compliance with the Code of Best Practice applicable before 1st January 2005, the Board has established an audit committee, comprising all independent non-executive directors, to monitor the accounting and financial reporting practices and internal control systems of the Company. Since 1st April 2007, the audit committee has held several meetings to consider matters including the 2006/07 annual report of the Company, internal controls and the implications of the new accounting standards to the Group's financial reporting, the unaudited condensed consolidated interim financial information for the six months ended 30th September 2007, and the Group's IT control environment.

The interim results have been reviewed by external auditors and the audit committee of the Group.

## **CORPORATE GOVERNANCE PRACTICES**

The Board of Directors and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and 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 Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th September 2007.

## **REMUNERATION COMMITTEE**

In compliance with the Code, the Board on 7th April 2005 established a remuneration committee comprising three independent non-executive directors and two executive directors. The remuneration committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; to determine the specific remuneration packages; to review and approve performance based remuneration; to review and approve the compensation payable in connection with any loss or termination of office or appointment of directors and senior management; to oversee any major changes in employee benefits structures throughout the Company or the Group; and to review the ongoing appropriateness and relevance of the remuneration policy.

## MODEL CODE ON SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions in relation to the six months ended 30th September 2007.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's share during the period.

By Order of the Board  
**WONG Wai Sheung**  
*Chief Executive*

17th December 2007

*As at the date of this announcement, the Company's executive directors are Mr. WONG Wai Sheung (Chief Executive), Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul and Mr. LAU Kwok Sum; the non-executive directors are Mr. WONG Koon Cheung, Mr. CHAN Wai, Mr. LEE Shu Kuan, Ms. YEUNG Po Ling, Pauline and Mr. HUI King Wai; the independent non-executive directors are Mr. CHIU Wai Mo, Mr. HUI Chiu Chung, and Mr. LO Mun Lam, Raymond (Chairman).*