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六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with Limited Liability)
Stock Code: 590

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

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 2009 together with comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

		Unaudited	
		For the six months ended	
		30th September	
		2009	2008
	Note	HK\$'000	HK\$'000
Revenue	4	2,087,637	1,814,692
Cost of sales	5	(1,562,319)	(1,438,270)
Gross profit		525,318	376,422
Other income		20,187	17,270
Selling and distribution costs	5	(277,926)	(236,986)
Administrative expenses	5	(29,731)	(26,053)
Other (losses)/gains, net	6	(8,769)	5,390
Operating profit		229,079	136,043
Finance income		1,823	267
Finance costs		(2,164)	(4,877)
Finance costs, net	7	(341)	(4,610)
Share of results of an associate		1,275	1,998
Profit before taxation		230,013	133,431
Taxation	8	(40,361)	(8,608)
Profit for the period		189,652	124,823

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009 (CONTINUED)

		Unaudited	
		For the six months ended	
		30th September	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:			
Equity holders of the Company		188,449	123,033
Minority interests		1,203	1,790
		<u>189,652</u>	<u>124,823</u>
Earnings per share for profit attributable to equity holders of the Company, expressed in Hong Kong cents per share	9		
– Basic		<u>38.26 cents</u>	<u>24.98 cents</u>
– Diluted		<u>38.26 cents</u>	<u>24.98 cents</u>
Dividends	10	<u>73,876</u>	<u>24,625</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	Unaudited	
	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	189,652	124,823
Other comprehensive income:		
Exchange differences	128	5,482
Surplus on revaluation of properties	5,422	36
Total comprehensive income for the period	195,202	130,341
Total comprehensive income attributable to:		
– Equity holders of the Company	193,871	128,346
– Minority interests	1,331	1,995
	195,202	130,341

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2009

	Unaudited As at 30th September 2009 <i>Note</i> <i>HK\$'000</i>	Audited As at 31st March 2009 <i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	162,338	107,621
Leasehold land and land use rights	234,970	17,318
Interests in an associate	3,210	1,955
Trading licence	1,080	1,080
Rental deposits	29,115	25,907
Deferred tax assets	14,142	14,240
	<u>444,855</u>	<u>168,121</u>
Current assets		
Inventories	1,401,689	1,218,880
Trade receivables	44,621	37,081
Deposits, prepayments and other receivables	42,966	43,747
Amount due from an associate	12,562	6,491
Cash and cash equivalents	217,884	280,125
	<u>1,719,722</u>	<u>1,586,324</u>
Total assets	<u>2,164,577</u>	<u>1,754,445</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	49,250	49,250
Share premium	58,884	58,884
Reserves	1,208,330	1,088,335
Proposed dividends	73,876	59,101
	<u>1,390,340</u>	<u>1,255,570</u>
Minority interests	18,988	17,657
Total equity	<u>1,409,328</u>	<u>1,273,227</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2009 (CONTINUED)

		Unaudited	Audited
		As at	As at
		30th September	31st March
		2009	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,381	2,980
Employee benefit obligations		22,733	22,733
Long-term bank borrowing, secured		159,553	–
		188,667	25,713
Current liabilities			
Trade payables, other payables and accruals	12	339,078	258,699
Short-term bank borrowings, unsecured		164,065	169,000
Current portion of long-term bank borrowing, secured		17,075	–
Taxation payable		46,364	27,806
		566,582	455,505
Total liabilities		755,249	481,218
Total equity and liabilities		2,164,577	1,754,445
Net current assets		1,153,140	1,130,819
Total assets less current liabilities		1,597,995	1,298,940

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30TH SEPTEMBER 2009

	Attributable to equity holders of the Company				Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000		
For the period ended 30th September 2009						
As at 1st April 2009	49,250	58,884	1,147,436	1,255,570	17,657	1,273,227
Profit for the period	–	–	188,449	188,449	1,203	189,652
Other comprehensive income:						
Exchange differences	–	–	–	–	128	128
Surplus on revaluation of properties	–	–	5,422	5,422	–	5,422
Total comprehensive income for the period	–	–	193,871	193,871	1,331	195,202
Dividends paid	–	–	(59,101)	(59,101)	–	(59,101)
As at 30th September 2009	49,250	58,884	1,282,206	1,390,340	18,988	1,409,328
For the period ended 30th September 2008						
As at 1st April 2008	49,250	58,884	974,182	1,082,316	16,049	1,098,365
Profit for the period	–	–	123,033	123,033	1,790	124,823
Other comprehensive income:						
Exchange differences	–	–	5,277	5,277	205	5,482
Surplus on revaluation of properties	–	–	36	36	–	36
Total comprehensive income for the period	–	–	128,346	128,346	1,995	130,341
Dividends paid	–	–	(76,339)	(76,339)	–	(76,339)
As at 30th September 2008	49,250	58,884	1,026,189	1,134,323	18,044	1,152,367

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	Unaudited	
	For the six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from operating activities	113,643	44,363
Net cash used in investing activities	(286,035)	(19,052)
Net cash generated from/(used in) financing activities	110,428	(54,216)
Decrease in cash and cash equivalents	(61,964)	(28,905)
Cash and cash equivalents at 1st April	280,125	185,380
Exchange differences	(277)	3,471
Cash and cash equivalents at 30th September	217,884	159,946

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 and jewellery products and licensing business.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6th May 1997. 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 2009 is unaudited and has been reviewed by the independent auditor and the audit committee of the Company and approved for issue by the board of directors on 16th December 2009.

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 2009 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Accounting policies

Except as described below, the accounting policies 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 2009.

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

The following new/revised standards, amendments to existing standards and interpretation are mandatory for the financial year beginning 1st April 2009 and are relevant to the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Amendments)	Financial Instruments: Disclosure
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HKAS 23 (Revised)	Borrowing Costs

NOTES:

3 Accounting policies (continued)

The following amendments to existing standards and interpretations have been effective for the financial year beginning 1st April 2009 but are not relevant to the Group.

HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendments)	Share-based Payment Vesting Conditions and Cancellations
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in Foreign Operation

The following new/revised standards, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning 1st April 2009 and have not been early adopted.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual period beginning on or after 1st July 2009)
HKAS 39 (Amendment)	Eligible Hedged Items (effective for annual period beginning on or after 1st July 2009)
HKFRS 1 (Revised)	First-time Adoption of HKFRS (effective for annual period beginning on or after 1st July 2009)
HKFRS 3 (Revised)	Business Combinations (effective for annual period beginning on or after 1st July 2009)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1st January 2013)
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives (effective for annual periods beginning on or after 1st January 2010)
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1st January 2010)
HK(IFRIC) – Int 18	Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1st July 2009)

The Group plans to adopt the above new/revised standards, amendments to existing standards and interpretations when they become effective.

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant impact on the results and financial position of the Group.

4 Segment information

The Group is principally engaged in the retailing and wholesaling of gold and jewellery products and licensing business.

The chief operating decision-maker (“CODM”) has been identified as the Board of Directors. CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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 – The People’s Republic of China (“PRC”)
- iii. Wholesaling
- iv. Licensing

NOTES:

4 Segment information (continued)

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 that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the Interim Financial Information.

Assets of reportable segments exclude interest in an associate, certain buildings and leasehold land, deferred tax assets and corporate assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

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

	Six months ended 30th September 2009				
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Reportable segments Total HK\$'000
Revenue					
Sales of merchandises	1,574,799	101,711	741,211	–	2,417,721
Inter-segment sales	(92,202)	–	(586,529)	–	(678,731)
	<u>1,482,597</u>	<u>101,711</u>	<u>154,682</u>	<u>–</u>	<u>1,738,990</u>
Sales of scrap gold and platinum and gold bullion	–	–	271,539	–	271,539
Sales to external customers	1,482,597	101,711	426,221	–	2,010,529
Royalty income	–	–	–	68,346	68,346
Consultancy fee income	–	–	–	8,762	8,762
	<u>1,482,597</u>	<u>101,711</u>	<u>426,221</u>	<u>77,108</u>	<u>2,087,637</u>
Revenue from external customers	<u>1,482,597</u>	<u>101,711</u>	<u>426,221</u>	<u>77,108</u>	<u>2,087,637</u>
Results of reportable segments	<u>120,867</u>	<u>11,940</u>	<u>63,878</u>	<u>48,244</u>	<u>244,929</u>
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					244,929
Unallocated income					3,324
Unallocated expenses					(19,174)
Operating profit					229,079
Finance income					1,823
Finance costs					(2,164)
Share of results of an associate					1,275
Profit before taxation					230,013
Taxation					(40,361)
Profit for the period					189,652
Minority interest					(1,203)
Profit attributable to equity holders of the Company					<u>188,449</u>

NOTES:

4 Segment information (continued)

Six months ended 30th September 2009								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	9,325	3,706	4,255	–	–	17,286	1,268	18,554
Amortisation of leasehold land and land use rights	<u>8</u>	<u>88</u>	<u>81</u>	<u>–</u>	<u>–</u>	<u>177</u>	<u>812</u>	<u>989</u>
As at 30th September 2009								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>1,150,365</u>	<u>269,518</u>	<u>722,028</u>	<u>13,241</u>	<u>(353,129)</u>	<u>1,802,023</u>	–	1,802,023
Interest in an associate							3,210	3,210
Building							52,244	52,244
Leasehold land							217,771	217,771
Deferred tax assets							14,142	14,142
Other unallocated assets							<u>75,187</u>	<u>75,187</u>
Total assets per condensed consolidated balance sheet								<u>2,164,577</u>
Segment liabilities	<u>(248,822)</u>	<u>(228,843)</u>	<u>(71,449)</u>	<u>(101,602)</u>	<u>353,129</u>	<u>(297,587)</u>	–	(297,587)
Deferred tax liabilities							(6,381)	(6,381)
Long-term bank borrowing, secured							(159,553)	(159,553)
Short-term bank borrowings, unsecured							(164,065)	(164,065)
Current portion of long-term bank borrowing, secured							(17,075)	(17,075)
Taxation payable							(46,364)	(46,364)
Other unallocated liabilities							<u>(64,224)</u>	<u>(64,224)</u>
Total liabilities per condensed consolidated balance sheet								<u>(755,249)</u>

NOTES:

4 Segment information (continued)

	Six months ended 30th September 2008				
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
Revenue					
Sales of merchandises	1,368,078	69,719	546,755	–	1,984,552
Inter-segment sales	(44,100)	–	(423,833)	–	(467,933)
	<u>1,323,978</u>	<u>69,719</u>	<u>122,922</u>	<u>–</u>	<u>1,516,619</u>
Sales of scrap gold and platinum and gold bullion	–	–	228,888	–	228,888
Sales to external customers	1,323,978	69,719	351,810	–	1,745,507
Royalty income	–	–	–	63,206	63,206
Consultancy fee income	–	–	–	5,979	5,979
	<u>1,323,978</u>	<u>69,719</u>	<u>351,810</u>	<u>69,185</u>	<u>1,814,692</u>
Revenue from external customers	1,323,978	69,719	351,810	69,185	1,814,692
Results of reportable segments	48,291	4,123	58,385	50,328	161,127
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					161,127
Unallocated income					1,797
Unallocated expenses					(26,881)
					<u>136,043</u>
Operating profit					136,043
Finance income					267
Finance costs					(4,877)
Share of results of an associate					1,998
					<u>133,431</u>
Profit before taxation					133,431
Taxation					(8,608)
					<u>124,823</u>
Profit for the period					124,823
Minority interest					(1,790)
					<u>123,033</u>
Profit attributable to equity holders of the Company					123,033

NOTES:

4 Segment information (continued)

Six months ended 30th September 2008								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	9,653	1,373	4,842	–	–	15,868	1,331	17,199
Amortisation of leasehold land and land use rights	8	88	76	–	–	172	10	182
As at 31st March 2009								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	1,089,571	151,556	861,832	9,538	(489,711)	1,622,786	–	1,622,786
Interest in an associate							1,955	1,955
Deferred tax assets							14,240	14,240
Other unallocated assets							115,464	115,464
Total assets per condensed consolidated balance sheet								1,754,445
Segment liabilities	(276,773)	(287,091)	(63,777)	(84,328)	489,711	(222,258)	–	(222,258)
Deferred tax liabilities							(2,980)	(2,980)
Short-term bank borrowings, unsecured							(169,000)	(169,000)
Taxation payable							(27,806)	(27,806)
Other unallocated liabilities							(59,174)	(59,174)
Total liabilities per condensed consolidated balance sheet								(481,218)

The Group's revenue are mainly derived from customers located in Hong Kong and the PRC. An analysis of the Group's revenue by location of customers is as follows:

		For the six months ended 30th September	
		2009	2008
		HK\$'000	HK\$'000
Revenue			
Hong Kong		1,562,888	1,443,701
The PRC		313,008	249,610
Other locations		211,741	121,381
		2,087,637	1,814,692

NOTES:

4 Segment information (continued)

An analysis of the Group's non-current assets (other than deferred tax assets) by location of assets is as follows:

	As at 30th September 2009				As at 31st March 2009			
	Hong Kong	The PRC	Other	Total	Hong Kong	The PRC	Other	Total
	HK\$'000	HK\$'000	locations	HK\$'000	HK\$'000	HK\$'000	locations	HK\$'000
Non-current assets								
Property, plant and equipment	70,109	86,578	5,651	162,338	24,922	75,724	6,975	107,621
Leasehold land and land use rights	219,418	15,552	–	234,970	1,664	15,654	–	17,318
Interests in an associate	3,210	–	–	3,210	1,955	–	–	1,955
Trading licence	1,080	–	–	1,080	1,080	–	–	1,080
Rental deposits	25,545	762	2,808	29,115	22,292	754	2,861	25,907
	<u>319,362</u>	<u>102,892</u>	<u>8,459</u>	<u>430,713</u>	<u>51,913</u>	<u>92,132</u>	<u>9,836</u>	<u>153,881</u>

5 Expenses by nature

	For the six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
Cost of sales		
– cost of inventories sold	1,533,957	1,419,549
– cost of licensing business	28,362	18,721
	<u>1,562,319</u>	<u>1,438,270</u>
Staff costs (including directors' emoluments)	116,608	114,683
Operating lease rentals in respect of land and buildings	91,336	78,468
Advertising and promotion expenses	17,689	15,376
Commission expenses to credit card companies	16,350	14,169
Depreciation of property, plant and equipment	18,554	17,199
Amortisation of leasehold land and land use rights	989	182
Others	46,131	22,962
	<u>1,869,976</u>	<u>1,701,309</u>
Total		
	<u>1,869,976</u>	<u>1,701,309</u>
Representing:		
Cost of sales	1,562,319	1,438,270
Selling and distribution costs	277,926	236,986
Administrative expenses	29,731	26,053
	<u>1,869,976</u>	<u>1,701,309</u>

NOTES:

6 Other (losses)/gains, net

	For the six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
(Losses)/gains on derivative financial instruments		
– trading of gold	(9,009)	5,166
Write back of provision for slow-moving inventories	240	224
	<u>(8,769)</u>	<u>5,390</u>

7 Finance costs, net

	For the six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Interest income	167	267
Net exchange gain	1,656	–
	<u>1,823</u>	<u>267</u>
Interest on short-term bank borrowings	(2,018)	(3,882)
Interest on long-term bank borrowing	(146)	–
Net exchange loss	–	(995)
	<u>(2,164)</u>	<u>(4,877)</u>
Finance costs, net	<u>(341)</u>	<u>(4,610)</u>

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (For the six months ended 30th September 2008: 16.5%) 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.

NOTES:

8 Taxation (continued)

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

	For the six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current	23,249	11,972
– over-provision in prior year	–	(3,291)
Overseas taxation	13,612	855
Deferred taxation	3,500	(928)
	<u>40,361</u>	<u>8,608</u>

9 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$188,449,000 (2008: HK\$123,033,000) and the weighted average number of 492,507,850 (2008: 492,507,850) ordinary shares in issue during the period.

Diluted earnings per share is the same as the basic as there were no potential dilutive ordinary shares outstanding during the period.

10 Dividends

	For the six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
2008/2009 final, paid, of HK\$0.12 (2007/2008 final, paid, of HK\$0.155) per ordinary share (<i>note (i)</i>)	<u>59,101</u>	<u>76,339</u>
2009/2010 interim, proposed, of HK\$0.15 (2008/2009 interim, paid: HK\$0.05) per ordinary share (<i>note (ii)</i>)	<u>73,876</u>	<u>24,625</u>

Note (i): At a meeting held on 22nd July 2009, the directors declared a final dividend of HK\$0.12 per ordinary share for the year ended 31st March 2009, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2009.

Note (ii): At a meeting held on 16th December 2009, the directors proposed an interim dividend of HK\$0.15 per ordinary share, totalling HK\$73,876,000, for the year ending 31st March 2010. 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 2010.

NOTES:

11 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:

	As at 30th September 2009 HK\$'000	As at 31st March 2009 HK\$'000
0 – 30 days	37,912	27,274
31 – 60 days	5,546	7,812
61 – 90 days	423	946
91 – 120 days	296	14
Over 120 days	444	1,035
	<u>44,621</u>	<u>37,081</u>

The carrying amounts of trade receivables approximate their fair values.

During the six months ended 30th September 2009, no trade receivables were impaired (2008: Nil).

12 Trade payables, other payables and accruals

Included in trade payables, other payables and accruals are trade payables of HK\$119,889,000 (31st March 2009: HK\$68,780,000) and their ageing analysis is as follows:

	As at 30th September 2009 HK\$'000	As at 31st March 2009 HK\$'000
0 – 30 days	89,299	37,958
31 – 60 days	20,323	16,676
61 – 90 days	4,534	5,761
91 – 120 days	3,812	1,405
Over 120 days	1,921	6,980
	<u>119,889</u>	<u>68,780</u>

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 15.0 HK cents (2008: 5.0 HK cents) per share for the six months ended 30th September 2009. The interim dividend will be payable on 14th January 2010 to shareholders whose names appear on the Register of Members of the Company on 5th January 2010.

INTERIM RESULTS

The revenue of the Group for the six months ended 30th September 2009 grew to HK\$2,087,637,000 (2008: HK\$1,814,692,000), representing an increase of 15.0% from the corresponding period of last year. The gross profit for the period increased from HK\$376,422,000 to HK\$525,318,000 and the gross profit % increased from 20.7% to 25.2%, mainly caused by the upward trend of gold and platinum prices during the period. As the inventory cost is determined by the first-in, first-out basis, the continuous upward trend of gold and platinum prices resulted in higher gross profit percentage of gold and platinum sales for the period. Profit attributable to equity holders of the Company was approximately HK\$188,449,000 (2008: HK\$123,033,000) representing 53.2% increase from last year. Basic earnings per share were 38.26 HK cents (2008: 24.98 HK cents).

Our retail business contributed HK\$1,584,308,000 to our total revenue, registering an increase of 13.7% from the same period of last year and accounted for 75.9% of total revenue. During the period, the overall performance was satisfactory as the sign of recovery from economic downturn surfaced. Revenue from the wholesale business recorded a growth of 21.2% from HK\$351,810,000 of the same period of last year to HK\$426,221,000.

For the period ended 30th September 2009, the Group operates a total of 508 retail outlets (including 70 self-operated and 438 licensed) in the PRC, Hong Kong, Macau, Canada and the United States. There were 31 shops in Hong Kong, 469 in the PRC, 4 in Macau, 2 in Canada and 2 in the United States. During the period, the Group opened two self-operated shops in Tsim Sha Tsui, Hong Kong.

According to the figures from the World Gold Council, the demand in gold in Greater China region increased by 9% in the first half of 2009, nevertheless the world gold demand attained a 9% decline. Demand of gold increased even though the gold price surged, recording a 14% revenue growth in the gold business compared with the corresponding period of last year.

INDUSTRY REVIEW

The tourism in Hong Kong was under depression due to the spread of swine flu. According to the figures of the Hong Kong Tourism Board, the total visitor arrivals in the first eight months of the year were 3.4% lower than the same period last year. However, Mainland visitor achieved a positive gain of 2.6% in its arrivals year-to-date. The Mainland visitors, who contribute over 50% of Hong Kong sales, improves the Group's business.

BUSINESS REVIEW

Hong Kong Market

For the period ended 30th September 2009, the Group operated 31 shops in Hong Kong.

In August 2009, the Group acquired the whole block of Cyber Plaza, an 18-storey commercial building situated at Jordon, Kowloon, mainly for the purposes of accommodating the Group's head office building.

During the period, the Group continued to market and promote the Luk Fook Jewellery brand through a range of joint promotions, sponsorship and exhibition, and achieved very satisfactory results.

PRC Market

The Group endeavors to develop the PRC market as the major market contributor in a long run.

During the period, the Group established 37 new licensee shops in the PRC, accumulating its total number to 437. The licensee shops not only bring substantial revenue to the Group, but also consolidate Luk Fook's brand image among consumers in the PRC.

Apart from expanding our licensee shops network, the Group sets up self-operated shops as well. As at 30th September 2009, the Group had 32 self-operated shops in the PRC, of which 13 were newly established. During the period, the first self-operated shop in Shanxi and Jiangsu provinces was opened. The Group continues to look for suitable location for self-operated shops in the PRC and the number of shops is expected to increase rapidly.

Macau Market

For the period ended 30th September 2009, the Group operated 4 shops in Macau.

The growth in the Macau tourism industry was diminished by the financial tsunami last year. However, due to the favorable government policy, tourists from Guangdong, which take up 25% of Macau tourists, increased by 2-3%, making a positive impact on the growth of jewellery retail industry. During the period under review, revenue from the Macau shops amounted to HK\$200,889,000, an increase of over 80% from the same period of last year. The Group is optimistic about the market in Macau and will take a steady approach in opening new shops in future.

OVERSEAS DEVELOPMENT

The Group currently has two shops (including 1 self-operated and 1 licensed) in Canada and two self-operated shops in the United States. The Group is looking for opportunities to expand the overseas market with a view to build up an international image.

MARKETING AND PROMOTION

To further strengthen Lukfook Jewellery's corporate brand image and to enhance the corporate motto of "Brand of Hong Kong, Sparkling the World", the Group has actively participated in a wide spectrum of marketing activities and publicity campaigns in order to consolidate its brand position and facilitate the extension of its global retail network.

During the period, the Group had continued to actively plan and execute various marketing activities. Below are some highlights:

- Sponsored the Diamond Crown and jewellery pieces for the winners of "Miss Hong Kong Pageant" for 12 consecutive years and continued sponsoring other beauty events including "Miss Asia Pageant", "City Beauties Pageant" and "Miss Chinese Pageant" in Vancouver and Toronto for many years
- Participated in "Style Hong Kong Show in Wuhan", a well-recognized exhibition in Hong Kong and the PRC
- Participated in "Hong Kong Wedding & Banquet Expo 2009" held in Hong Kong Convention & Exhibition Centre and "The 2nd InterContinental Shenzhen Wedding Exhibition" held in InterContinental, Shenzhen
- Appointed renowned celebrity Mr Raymond Lam as the spokesperson of "Love Forever" Collection in the PRC
- Sponsored Mr Raymond Lam's first concert – "Let's Get Wet Live Concert 2009" as well as the TVB programme – "Raymond Lam Special presented by Lukfook Jewellery"
- Invited famous celebrities Mr Raymond Lam, Ms Yoyo Mung and Mr Zhoulibo to be the ribbon-cutting guests for the grand opening of new shops in the PRC
- Fully supported the activity of "Join Coalition Against Financial Tsunami" to stimulate local spending in Hong Kong and to fight against the financial tsunami
- Collaborated with UnionPay to launch "Union Pay Shopping in Summer" by providing special offer to UnionPay users
- Rolled out the new TV commercials – "Love is Beauty" and carried out strategic placement of TV commercials on mainstream TV channels in Hong Kong and the PRC
- Sponsored Lukfook Jewellery shops as shooting venue and products as props in major scenes of key TV dramas in order to reinforce the brand image of Lukfook Jewellery in audience's mind
- Enhanced advertising impact by strategically placing advertisements at the back of bus bodies of different routes throughout Hong Kong

- Actively explored online promotion platform and raised brand awareness through banner advertisements, advertorial write-up and online games on popular websites in Hong Kong and the PRC
- Introduced new product series on a periodic basis and collections for festivals including Mother's Day, Labour Day and National Day, so as to stimulate consumers' spending through publicity campaigns and above all achieve better sale results

PRODUCTS

In order to cater for various customer segments, the Group diversifies its product portfolio by launching a series of new products with exquisite designs and craftsmanship. Below are the promotional series launched during the period:

- “Warm-hearted” Collection for Mother's Day
- “Sol Enjoy” and “Sol Joyful” Series of “Sol Diamond” Collection for Labour Day
- “Praising Me” and “Admiring Heart” Series of K-gold 18K Gold Collection jointly promoted with World Gold Council
- Wedding Rings and pure gold “Xifu” Collection jointly promoted with World Gold Council for wedding couples
- “Love Forever” Collection endorsed by renowned celebrity Mr Raymond Lam in the PRC
- “Soul Cosmos”, “Weightless Fantasy” and “Wings of Fancy” Series jointly promoted with Platinum Guild International

AWARDS

The Group's efforts on enhancing product quality were widely recognized. The Group won the “PRC Consumers' Most Favorable Hong Kong Brands 2009 – Gold Prize” for 4 consecutive years, and attained “My Favourite Jewellery Brand of Hong Kong” in “My Best Favourite Brand in Hong Kong 2009”, organized by Sohu Hong Kong Channel and 10 mainstream multi-media and mobile websites. It demonstrates the widespread popularity of Luk Fook brand amongst Mainland Internet users. Moreover, the group received recognition from the Hong Kong Laboratory Accreditation Scheme (HOKLAS) on diamond testing, the Group is the only jewellery retailer in Hong Kong being recognized by the scheme.

DESIGN

The Group is famous for its stylish designs of jewellery products. With the Group's outstanding and award-winning design team, the Group designed a variety of fashionable jewellery products that were well received by the market. The Group is also keen on participating in various local and international jewellery design competitions. During the period, the Group attained both the 2 Gold Prize and 2 Silver Prize in the section of in "The Buyers' Favorite Jewelry Design Competition 2009". Also, the Group's designers were invited to present their Innovative design in a world jewellery trend guide, Gemvisions 2010 China Special.

PROSPECTS

The economy starts to recover from the impact of global financial crisis. Regarding the economic difficulties, the Group would keep a product approach on future development.

While the global financial crisis has negatively impacted the luxury markets worldwide, China appears to have been resilient. Retail market in the PRC occupied more than 6% of the Group's retail sales, and the Group would continue to develop business in mainland by enlarging the sales network, so as to seize the opportunity brought by the appreciation of Renminbi and the relative strong economic growth of the PRC under global economic downturn. Moreover, the Group would look for the opportunities to open self-operated shops in second-tier cities to increase the market share.

The Group scheduled to expand the business in Macau, with the insight that the Individual Visit Scheme benefits the tourism and brings the retail shops remarkable sales growth.

To maintain the competitive edge, the Group would continue to dedicate efforts on brand building by sponsoring wide range of marketing and promotion activities. Furthermore, the Group would endeavor to provide high quality jewellery, aiming to foster the Group's leading position in jewellery retailer, bringing highest return to the shareholders.

EMPLOYEES

As at 30th September 2009, the Group had approximately 2,530 employees (including staff and workers (31st March 2009: 2,445 employees)). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured taking into account factors in comparable markets. Bonus and other merit payments are linked to the 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 2009, the Group's cash and bank balances reached approximately HK\$218 million (31st March 2009: approximately HK\$280 million). The Group's debt-to-equity ratio at the period-end, being the proportion of total bank loans of approximately HK\$341 million (31st March 2009: HK\$169 million) against total equity of approximately HK\$1,390 million (31st March 2009: HK\$1,256 million), was 24.5% (31st March 2009: 13.5%). During the period, the capital expenditure of the Group was approximately HK\$286.2 million (2008: HK\$19.4 million).

As at 30th September 2009, the Group had banking facilities amounted to approximately HK\$693 million (31st March 2009: HK\$455 million) out of which HK\$347 million (31st March 2009: HK\$170 million) was utilised. The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

Subsequent to the accounting period, on 12th November 2009, a subsidiary of the Company ("the Subsidiary") entered into a Gold Linked Interest Rate Swap ("the Swap") with a Bank for 18 months from 15th November 2009 to 18th May 2011, in order to convert the interest rate exposure of a bank loan owed by another subsidiary to a long gold position. Under the Swap, the Subsidiary is entitled to 18 monthly cash settlements from the Bank in Hong Kong dollars, while each cash settlement will be calculated at the Hong Kong Inter-Bank Offered Rate (one month) plus 0.8% on the amortized balance of the bank loan at each monthly fixing date starting at \$173,794,000. In return, the Subsidiary is obliged to purchase 3,000 troy ounces of gold from the Bank at the strike price of US\$888 per troy ounce if and only if the market price of gold fixes below such strike price on each monthly fixing date.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th September 2009 and 31st March 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5th January 2010 to 7th January 2010, both days inclusive during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer 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 4th January 2010.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September 2009, save as disclosed below, none of the directors and chief executive of the Company had interests and short positions in the shares, underlying shares and debentures of the issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which (a) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Exchange:

I. Long positions in shares and underlying shares of the Company:

Name of Director	Beneficial Owner	Spouse	Controlled Corporation	Beneficiary of Trust	Total Interest	% of Shares
Mr. WONG Wai Sheung	7,583,162	320,000 <i>note (d)</i>	244,820,176 <i>note (a) & (b)</i>	1,511,050 <i>note (c)</i>	254,234,388	51.62%
Mr. TSE Moon Chuen	487,344		244,820,176 <i>note (a) & (b)</i>		245,307,520	49.81%
Mr. WONG Koon Cheung	2,678,090		244,820,176 <i>note (a) & (b)</i>		247,498,266	50.25%
Mr. CHAN Wai	3,899,022		244,820,176 <i>note (a) & (b)</i>		248,719,198	50.50%
Mr. LEE Shu Kuan	6,370,229		247,406,800 <i>note (a), (b), (e) & (f)</i>		253,777,029	51.53%
Mr. WONG Ho Lung, Danny	420,000	22,000 <i>note (g)</i>	1,511,050 <i>note (c)</i>		1,953,050	0.40%
Miss WONG Lan Sze, Nancy	232,000		1,511,050 <i>note (c)</i>		1,743,050	0.35%

Note (a) Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. CHAN Wai, Mr. LEE Shu Kuan and Mr. WONG Koon Cheung were also directors, and together with their associates collectively controlled over one-half of the voting power, of Luk Fook (Control) Limited which held 231,858,000 shares in the Company. These directors were deemed to be interested in the same shares, relevant disclosures were therefore duplicated for the purpose of SFO.

Note (b) Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. CHAN Wai, Mr. LEE Shu Kuan and Mr. WONG Koon Cheung were also directors, and together with their associates collectively controlled over one-third of the voting power, of Dragon King Investment Ltd. which held 12,962,176 shares in the Company. These directors were deemed to be interested in the same shares, relevant disclosures were therefore duplicated for the purpose of SFO.

Note (c) Mr. WONG Wai Sheung, Ms. LUK Chui Yee, Mr. WONG Ho Lung, Danny and Miss WONG Lan Sze, Nancy were discretionary beneficiaries of the WONG's Family Trust (the "Trust"). The Trust was the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which was the beneficial owner of 1,511,050 shares of the Company.

Note (d) Mr. WONG Wai Sheung's spouse, Ms. LUK Chui Yee, held 320,000 shares of the Company.

Note (e) Mr. LEE Shu Kuan held 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn held 630,624 shares of the Company.

Note (f) Mr. LEE Shu Kuan held 51% of the entire issued share capital of Wah Hang Kimon Holdings Limited which in turn held 1,956,000 shares of the Company.

Note (g) Mr. WONG Ho Lung, Danny's spouse, Ms. CHEUNG Irene, held 22,000 shares of the Company.

II. Long positions in shares and underlying shares of Luk Fook (Control) Limited, the ultimate holding company

Name of Director	Beneficial Owner	Spouse	Controlled Corporation	Beneficiary of Trust	Total Interest	% of Shares
Mr. WONG Wai Sheung	5,936,240			36,724,007 <i>note (a)</i>	42,660,247	42.66%
Mr. TSE Moon Chuen	406,556	82,853 <i>note (b)</i>			489,409	0.49%
Mr. LAU Kwok Sum	1,600				1,600	0.002%
Mr. WONG Koon Cheung			4,585,920 <i>note (c)</i>		4,585,920	4.59%
Mr. CHAN Wai	6,639,130				6,639,130	6.64%
Mr. LEE Shu Kuan	7,291,338		1,093,575 <i>note (d)</i>		8,384,913	8.38%
Miss YEUNG Po Ling, Pauline	60,000				60,000	0.06%
Mr. WONG Ho Lung, Danny				36,724,007 <i>note (a)</i>	36,724,007	36.72%
Miss WONG Lan Sze, Nancy				36,724,007 <i>note (a)</i>	36,724,007	36.72%

Note (a) Mr. WONG Wai Sheung, Ms. LUK Chui Yee, Mr. WONG Ho Lung, Danny and Miss WONG Lan Sze, Nancy were discretionary beneficiaries of the WONG's Family Trust (the "Trust"). The Trust was the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which was the beneficial owner of 36,724,007 shares of Luk Fook (Control) Limited.

Note (b) Mr. TSE Moon Chuen's spouse, Ms. FONG Anissa King, held 82,853 shares of Luk Fook (Control) Limited.

Note (c) Mr. WONG Koon Cheung together his spouse, Ms. SO Lai Sheung, controlled the entire issued share capital of WKC Investments Limited which in turn held 4,585,920 shares of Luk Fook (Control) Limited.

Note (d) Mr. LEE Shu Kuan held 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn held 1,093,575 shares of Luk Fook (Control) Limited.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2009, save as disclosed below, so far as is known to any director or chief executive of the Company, no person, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholder	Beneficial Owner	Controlled Corporation	Total Interest	% of Shares
Luk Fook (Control) Limited	231,858,000		231,858,000	47.08%
First State Investments (Hong Kong) Limited	34,828,000 <i>note (a)</i>		34,828,000	7.07%
Commonwealth Bank of Australia		34,828,000 <i>note (a)</i>	34,828,000	7.07%

Note (a) Commonwealth Bank of Australia was a 100% indirect controlling shareholder of First State Investments (Hong Kong) Limited ("FSHK"). In turn, FSHK held 34,828,000 shares of the Company in the capacity as investment manager. By virtue of the SFO, Commonwealth Bank of Australia was deemed to be interested in those shares of the Company and relevant disclosures were therefore duplicated.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 2009, the audit committee has held several meetings to consider matters including the 2008/09 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 2009, 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

The Board of Directors and 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 2009.

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 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any 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

16th December 2009

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, Mr. LAU Kwok Sum, Mr. WONG Ho Lung, Danny and Miss WONG Lan Sze, Nancy; 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. HUI Chiu Chung, Mr. LO Mun Lam, Raymond (Chairman) and Mr. TAI Kwok Leung, Alexander.