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六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with Limited Liability)
Stock Code 股份代號 : 0590

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

HIGHLIGHTS

- Revenue and profit attributable to equity holders reached HK\$7.5 billion and HK\$805 million respectively, second highest in interim record, only after last year's record high with "gold rush"
- Overall gross margin improved with successful strategies on increasing mix of gem-set jewellery products
- Strategic move to expand business mix in Mainland China to lower reliance on the Hong Kong and Macau market

FINANCIAL PERFORMANCE

	For the six months ended 30 September 2014 HK\$'000	For the six months ended 30 September 2013 HK\$'000	Y-o-Y Change
Revenue	7,542,358	10,066,153	-25.1%
Gross Profit	1,798,941	2,022,951	-11.1%
Operating Profit	978,260	1,150,173	-14.9%
Profit for the period	807,683	965,559	-16.4%
Profit Attributable to Equity Holders	804,637	965,040	-16.6%
Basic Earnings per Share	HK\$1.37	HK\$1.64	-16.5%
Interim Dividend per Share	HK\$0.55	HK\$0.63	-12.7%
Dividend Payout Ratio	40.3%	38.5%	+1.8 p.p
Gross Margin	23.9%	20.1%	+3.8 p.p
Operating Margin	13.0%	11.4%	+1.6 p.p
Net Margin	10.7%	9.6%	+1.1 p.p
EBITDA	1,044,039	1,205,116	-13.4%
EBITDA Margin	13.8%	12.0%	+1.8 p.p
Total Operating Expenses Percentage to Revenue	13.0%	9.5%	+3.5 p.p
Effective Tax Rate	18.2%	16.3%	+1.9 p.p

The board of directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2014 together with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2014

		Unaudited for the six months ended 30 September	
	<i>Note</i>	2014 HK\$'000	2013 HK\$'000
Revenue	5	7,542,358	10,066,153
Cost of sales		(5,743,417)	(8,043,202)
Gross profit		1,798,941	2,022,951
Other income	7	98,735	28,856
Selling and distribution costs		(911,131)	(889,827)
Administrative expenses		(65,681)	(69,544)
Other gains, net	8	57,396	57,737
Operating profit	6	978,260	1,150,173
Finance income	9	21,457	3,938
Finance costs	9	(6,617)	(509)
Share of results of associates	13	(5,195)	(129)
Profit before income tax		987,905	1,153,473
Income tax expenses	10	(180,222)	(187,914)
Profit for the period		807,683	965,559
Profit attributable to:			
Equity holders of the Company		804,637	965,040
Non-controlling interests		3,046	519
		807,683	965,559
Earnings per share for profit attributable to equity holders of the Company during the period	11		
– Basic and diluted		HK\$1.37	HK\$1.64

Details of dividends to equity holders of the Company are set out in Note 12.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2014

	Unaudited	
	for the six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	807,683	965,559
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss in future periods</i>		
Currency translation differences		
– Group	17,784	30,610
– Associates	(41)	–
Revaluation of available-for-sale financial assets	(3,690)	–
Other comprehensive income for the period, net of tax	14,053	30,610
Total comprehensive income for the period	821,736	996,169
Attributable to:		
– Equity holders of the Company	818,495	995,210
– Non-controlling interests	3,241	959
Total comprehensive income for the period	821,736	996,169

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2014

		Unaudited As at 30 September 2014 <i>HK\$'000</i>	Audited As at 31 March 2014 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		634,123	566,321
Land use rights		234,019	182,576
Investment properties		45,380	45,926
Interests in associates	13	261,179	7,046
Loan to an associate	14	81,356	–
Derivative financial instruments	15	72,668	–
Available-for-sale financial assets		9,810	13,500
Trading licence		1,080	1,080
Rental deposits and prepayments		115,638	189,933
Deferred income tax assets		30,596	34,211
		<u>1,485,849</u>	<u>1,040,593</u>
Current assets			
Inventories		6,931,662	6,225,280
Trade receivables	16	217,911	225,938
Deposits, prepayments and other receivables		280,163	274,880
Derivative financial instruments	15	5,234	14,528
Amount due from an associate		7,758	–
Cash and bank balances	17	2,250,054	1,804,937
		<u>9,692,782</u>	<u>8,545,563</u>
Total assets		<u><u>11,178,631</u></u>	<u><u>9,586,156</u></u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		58,910	58,910
Share premium		2,522,983	2,522,983
Reserves		5,177,511	4,683,025
Proposed dividends		324,009	375,851
		<u>8,083,413</u>	7,640,769
Non-controlling interests		<u>61,627</u>	<u>58,386</u>
Total equity		<u><u>8,145,040</u></u>	<u><u>7,699,155</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2014

		Unaudited As at 30 September 2014 <i>HK\$'000</i>	Audited As at 31 March 2014 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		64,454	54,793
Employee benefit obligations		34,517	34,517
		98,971	89,310
Current liabilities			
Trade payables, other payables and accruals	18	1,304,250	979,123
Amount due to an associate		2,076	1,771
Bank borrowings		1,143,628	568,000
Gold loans		173,504	–
Current income tax liabilities		311,162	248,797
		2,934,620	1,797,691
Total liabilities		3,033,591	1,887,001
Total equity and liabilities		11,178,631	9,586,156
Net current assets		6,758,162	6,747,872
Total assets less current liabilities		8,244,011	7,788,465

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Unaudited					Total equity HK\$'000
	Attributable to equity holders of the Company				Non- controlling interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000		
For the period ended						
30 September 2014						
As at 1 April 2014	58,910	2,522,983	5,058,876	7,640,769	58,386	7,699,155
Comprehensive income						
Profit for the period	–	–	804,637	804,637	3,046	807,683
Other comprehensive income						
Currency translation differences						
– Group	–	–	17,589	17,589	195	17,784
– Associates	–	–	(41)	(41)	–	(41)
Revaluation of available-for-sale financial assets	–	–	(3,690)	(3,690)	–	(3,690)
Total comprehensive income	–	–	818,495	818,495	3,241	821,736
Transaction with owners						
Dividends paid	–	–	(375,851)	(375,851)	–	(375,851)
As at 30 September 2014	<u>58,910</u>	<u>2,522,983</u>	<u>5,501,520</u>	<u>8,083,413</u>	<u>61,627</u>	<u>8,145,040</u>

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

For the six months ended 30 September 2013

	Unaudited					Total equity HK\$'000
	Attributable to equity holders of the Company				Non- controlling interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000		
For the period ended 30 September 2013						
As at 1 April 2013	58,910	2,522,983	3,842,855	6,424,748	52,845	6,477,593
Comprehensive income						
Profit for the period	–	–	965,040	965,040	519	965,559
Other comprehensive income						
Currency translation differences – Group	–	–	30,170	30,170	440	30,610
Total comprehensive income	–	–	995,210	995,210	959	996,169
Transaction with owners						
Dividends paid	–	–	(282,772)	(282,772)	–	(282,772)
As at 30 September 2013	<u>58,910</u>	<u>2,522,983</u>	<u>4,555,293</u>	<u>7,137,186</u>	<u>53,804</u>	<u>7,190,990</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

		Unaudited	
		for the six months ended	
		30 September	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
Cash flows from operating activities			
Net cash generated from operations		625,500	714,409
Hong Kong profits tax (paid)/refunded		(109)	34
Overseas income taxes paid		(104,472)	(63,427)
		<u>520,919</u>	<u>651,016</u>
Net cash generated from operating activities		<u>520,919</u>	<u>651,016</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(112,602)	(73,834)
Purchases of land use rights		–	(659)
Purchases of available-for-sale financial assets		–	(8,100)
Increase in short-term bank deposits, with maturities over 3 months		(827,354)	–
Interest received		6,840	3,938
Proceeds from disposals of property, plant and equipment		132	738
Acquisition of an associate		(194,810)	–
Increase in loan to an associate		(100,000)	–
Subscription of convertible bond		(57,080)	–
		<u>(1,284,874)</u>	<u>(77,917)</u>
Net cash used in investing activities		<u>(1,284,874)</u>	<u>(77,917)</u>
Cash flows from financing activities			
Net increase in bank borrowings		575,628	–
Net increase in gold loans		181,666	–
Interest on bank borrowings and gold loans		(6,617)	(509)
Dividends paid		(375,851)	(282,772)
		<u>374,826</u>	<u>(283,281)</u>
Net cash generated from/(used in) financing activities		<u>374,826</u>	<u>(283,281)</u>
Net (decrease)/increase in cash and cash equivalents		(389,129)	289,818
Cash and cash equivalents at 1 April	<i>17</i>	1,646,475	1,186,808
Exchange differences		6,892	4,948
Cash and cash equivalents at 30 September	<i>17</i>	<u>1,264,238</u>	<u>1,481,574</u>

NOTES:

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2014 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements.

3.1 Amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2014 and are relevant to the Group’s operations:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosure for non-financial assets

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

3.2 The following new standards and amendments to existing standards relevant to the Group have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted.

HKAS 16 and HKAS 38 (Amendments)	Clarification on acceptable methods of depreciation and amortisation ⁽²⁾
HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contribution ⁽¹⁾
HKFRS 9	Financial instruments ⁽⁴⁾
HKAS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽²⁾
HKFRS 15	Revenue from contracts with customers ⁽³⁾
HKFRSs (Amendments)	Improvement to HKFRSs 2010-2012 Cycles ⁽¹⁾
HKFRSs (Amendments)	Improvement to HKFRSs 2011-2013 Cycles ⁽¹⁾
HKFRSs (Amendments)	Improvement to HKFRSs 2012-2014 Cycles ⁽²⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 April 2015

⁽²⁾ Effective for the Group for annual period beginning on 1 April 2016

⁽³⁾ Effective for the Group for annual period beginning on 1 April 2017

⁽⁴⁾ Effective for the Group for annual period beginning on 1 April 2018

The Group plans to adopt the above new standards and amendments to existing standards when they become effective. The Group is in process of making an assessment of the likely impact of these new standards and amendments to existing standards.

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2014. Below are some new accounting estimates and judgements made during the period ended 30 September 2014.

(a) Estimated fair value of convertible bond

The fair values of convertible bond that are not traded in an active market are determined by using valuation techniques. The directors have used a Trinomial Option Pricing Model to determine the fair values of the convertible bond. Significant judgement on parameters, such as dividend yield, effective interest rate, volatility and risk-free rate, is required to be made by the directors in applying the Trinomial Option Pricing Model. The fair value of convertible bond subscribed for the period ended 30 September 2014 determined using the Trinomial Option Pricing Model was approximately HK\$72,668,000.

(b) Purchase price allocation

Purchase prices related to acquisition of an associate are allocated to the underlying assets and liabilities of the investee based on their estimated fair value at the time of acquisition. The determination of fair value requires directors to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities.

5 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified collectively as the executive directors and senior management. The 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.

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

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

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

Assets of reportable segments exclude interests in associates, certain leasehold land and buildings, investment properties, deferred income tax assets and corporate assets, all of which are managed on a central basis. These form part of the reconciliation to total assets of the condensed consolidated balance sheet.

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

For the six months ended 30 September 2014

	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – Mainland China HK\$'000	Wholesaling – Hong Kong HK\$'000	Wholesaling – Mainland China HK\$'000	Licensing HK\$'000	Inter-segment elimination HK\$'000	Reportable Segments Total HK\$'000
Revenue							
Sales to external customers	5,360,801	538,863	61,762	1,066,801	-	-	7,028,227
Sales of scrap gold and platinum	-	-	233,324	-	-	-	233,324
	<u>5,360,801</u>	<u>538,863</u>	<u>295,086</u>	<u>1,066,801</u>	<u>-</u>	<u>-</u>	<u>7,261,551</u>
Inter-segment sales	30,752	2,170	2,109,609	65,149	-	(2,207,680)	-
	<u>5,391,553</u>	<u>541,033</u>	<u>2,404,695</u>	<u>1,131,950</u>	<u>-</u>	<u>(2,207,680)</u>	<u>7,261,551</u>
Sales of merchandises	-	-	-	-	261,749	-	261,749
Royalty and service income	-	-	-	-	19,058	-	19,058
Consultancy fee income	-	-	-	-	-	-	-
	<u>5,391,553</u>	<u>541,033</u>	<u>2,404,695</u>	<u>1,131,950</u>	<u>280,807</u>	<u>(2,207,680)</u>	<u>7,542,358</u>
Total	<u>5,391,553</u>	<u>541,033</u>	<u>2,404,695</u>	<u>1,131,950</u>	<u>280,807</u>	<u>(2,207,680)</u>	<u>7,542,358</u>
Results of reportable segments	<u>563,189</u>	<u>40,817</u>	<u>62,026</u>	<u>121,661</u>	<u>185,227</u>	<u>-</u>	<u>972,920</u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
Results of reportable segments							972,920
Unallocated income							39,167
Unallocated expenses							(33,827)
Operating profit							978,260
Finance income							21,457
Finance costs							(6,617)
Share of results of associates							(5,195)
Profit before income tax							987,905
Income tax expenses							(180,222)
Profit for the period							807,683
Non-controlling interests							(3,046)
Profit attributable to equity holders of the Company							<u>804,637</u>

As at 30 September 2014

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>6,021,559</u>	<u>1,400,941</u>	<u>1,022,968</u>	<u>1,693,044</u>	<u>493,644</u>	<u>(1,431,134)</u>	<u>9,201,022</u>		<u>9,201,022</u>
Interests in associates								261,179	261,179
Land and buildings								265,566	265,566
Investment properties								45,380	45,380
Deferred income tax assets								30,596	30,596
Other unallocated assets								<u>1,374,888</u>	<u>1,374,888</u>
Total assets									<u><u>11,178,631</u></u>
Segment liabilities	<u>(444,942)</u>	<u>(15,846)</u>	<u>(1,648,317)</u>	<u>(185,142)</u>	<u>(315,639)</u>	<u>1,431,134</u>	<u>(1,178,752)</u>		<u>(1,178,752)</u>
Deferred income tax liabilities								(64,454)	(64,454)
Current income tax liabilities								(311,162)	(311,162)
Bank borrowings								(1,143,628)	(1,143,628)
Gold loans								(173,504)	(173,504)
Other unallocated liabilities								<u>(162,091)</u>	<u>(162,091)</u>
Total liabilities									<u><u>(3,033,591)</u></u>

For the six months ended 30 September 2013

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable Segments Total <i>HK\$'000</i>
Revenue							
Sales to external customers	7,741,824	897,873	31,607	891,742	–	–	9,563,046
Sales of scrap gold and platinum	–	–	180,118	–	–	–	180,118
	<u>7,741,824</u>	<u>897,873</u>	<u>211,725</u>	<u>891,742</u>	<u>–</u>	<u>–</u>	<u>9,743,164</u>
Inter-segment sales	21,714	17,585	6,163,178	89,454	–	(6,291,931)	–
	<u>7,763,538</u>	<u>915,458</u>	<u>6,374,903</u>	<u>981,196</u>	<u>–</u>	<u>(6,291,931)</u>	<u>9,743,164</u>
Sales of merchandises	–	–	–	–	300,676	–	300,676
Royalty and service income	–	–	–	–	22,313	–	22,313
Consultancy fee income	–	–	–	–	–	–	–
	<u>7,763,538</u>	<u>915,458</u>	<u>6,374,903</u>	<u>981,196</u>	<u>322,989</u>	<u>(6,291,931)</u>	<u>10,066,153</u>
Total	<u><u>7,763,538</u></u>	<u><u>915,458</u></u>	<u><u>6,374,903</u></u>	<u><u>981,196</u></u>	<u><u>322,989</u></u>	<u><u>(6,291,931)</u></u>	<u><u>10,066,153</u></u>
Results of reportable segments	<u><u>864,051</u></u>	<u><u>15,635</u></u>	<u><u>48,299</u></u>	<u><u>49,246</u></u>	<u><u>220,179</u></u>	<u><u>–</u></u>	<u><u>1,197,410</u></u>
A reconciliation of results of reportable segments to profit for the period is as follows:							
Results of reportable segments							1,197,410
Unallocated income							16,678
Unallocated expenses							(63,915)
Operating profit							1,150,173
Finance income							3,938
Finance costs							(509)
Share of results of an associate							(129)
Profit before income tax							1,153,473
Income tax expenses							(187,914)
Profit for the period							965,559
Non-controlling interests							(519)
Profit attributable to equity holders of the Company							<u><u>965,040</u></u>

As at 31 March 2014

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>5,337,181</u>	<u>1,261,126</u>	<u>596,284</u>	<u>1,299,091</u>	<u>487,143</u>	<u>(730,514)</u>	<u>8,250,311</u>		8,250,311
Interests in an associate								7,046	7,046
Land and buildings								225,710	225,710
Investment properties								45,926	45,926
Deferred income tax assets								34,211	34,211
Other unallocated assets								<u>1,022,952</u>	<u>1,022,952</u>
Total assets									<u>9,586,156</u>
Segment liabilities	<u>(384,139)</u>	<u>(20,121)</u>	<u>(818,935)</u>	<u>(138,116)</u>	<u>(247,880)</u>	<u>730,514</u>	<u>(878,677)</u>		(878,677)
Deferred income tax liabilities								(54,793)	(54,793)
Current income tax liabilities								(248,797)	(248,797)
Bank borrowings								(568,000)	(568,000)
Other unallocated liabilities								<u>(136,734)</u>	<u>(136,734)</u>
Total liabilities									<u>(1,887,001)</u>

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	For the six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Cost of sales		
– cost of inventories sold (<i>Note</i>)	5,653,069	7,950,048
– cost of licensing business (<i>Note</i>)	90,348	93,154
Staff costs (including directors' emoluments)	359,683	344,639
Operating lease		
– minimum lease payments	278,650	187,370
– contingent rents	67,753	111,660
Commission expenses to credit card companies	60,833	89,294
Depreciation of investment properties	604	606
Depreciation of property, plant and equipment	65,504	50,914
Loss on disposal of property, plant and equipment	246	470
Amortisation of land use rights	4,866	3,552
	<u> </u>	<u> </u>

Note: Cost of inventories sold and cost of licensing business include staff cost (including directors' emoluments) of HK\$99,095,000 (2013: HK\$92,774,000).

7 OTHER INCOME

	For the six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Valued-added tax refund (<i>Note i</i>)	71,948	8,311
Government subsidies (<i>Note ii</i>)	16,328	15,188
Rental income	4,813	2,466
Others	5,646	2,891
	<u> </u>	<u> </u>
	<u>98,735</u>	<u>28,856</u>

Notes:

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

8 OTHER GAINS, NET

	For the six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Net realised gains on derivative financial instruments	7,572	45,222
Net unrealised gains on derivative financial instruments	–	5,558
Fair value gain on convertible bond	15,588	–
Net realised gain on gold loans	2,583	–
Net unrealised gains on gold loans	8,162	–
Net exchange gains	23,511	6,998
Others	(20)	(41)
	<hr/>	<hr/>
	57,396	57,737
	<hr/> <hr/>	<hr/> <hr/>

9 FINANCE INCOME AND FINANCE COSTS

	For the six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Finance income		
– Bank interest income	19,757	3,938
– Effective interest income on the loan to an associate	1,149	–
– Interest income on the convertible bond	551	–
	<hr/>	<hr/>
	21,457	3,938
	<hr/> <hr/>	<hr/> <hr/>
Finance costs		
– Interest expenses on bank borrowings and gold loans	(6,617)	(509)
	<hr/> <hr/>	<hr/> <hr/>

10 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (For the six months ended 30 September 2013: 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.

	For the six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	71,081	102,640
– Overseas taxation	95,865	76,631
– Under provision in prior years	–	4,465
Deferred taxation	13,276	4,178
	180,222	187,914

11 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\$804,637,000 (2013: HK\$965,040,000) and the weighted average number of 589,107,850 (2013: 589,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2014 and 2013 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

12 DIVIDENDS

At a meeting held on 25 June 2014, the directors recommended the payment of a final dividend of HK\$0.638 per ordinary share, totalling HK\$375,851,000, for the year ended 31 March 2014. Such dividend was approved by the shareholders at the Annual General Meeting on 20 August 2014, paid during the period ended 30 September 2014 and has been reflected as an appropriation of retained earnings for the period.

At a meeting held on 26 November 2014, the directors declared the payment of an interim dividend of HK\$0.550 per ordinary share, totalling HK\$324,009,000 for the year ending 31 March 2015. This dividend has not been reflected as a dividend payable in these condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2015.

13 INTERESTS IN ASSOCIATES

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Interests in associates	261,179	7,046
		For the six months ended 30 September 2014 HK\$'000
Beginning of the period as at 1 April 2014		7,046
Acquisition (<i>Note i</i>)		244,810
Subscription of CGS Share Option (<i>Note ii</i>)		(5,234)
Effect of shareholder's loan (<i>Note iii</i>)		19,793
Share of results of associates for the period		(5,195)
Share of reserve movement of associates for the period		(41)
End of the year		261,179

Notes:

- (i) On 6 June 2014, the Company purchased a 50% shareholding in China Gold Silver Group Company Limited ("CGS"), a wholly-owned subsidiary of Hong Kong Resources Holdings Limited ("HKRH") which engaged in the retailing and franchising operations of gold and jewellery products in Hong Kong, Macau and Mainland China under the brand name "3D-GOLD", at a consideration of approximately HK\$245 million (the "Acquisition").

The Group accounts for its holding of CGS as an associated company investment using equity accounting method.

- (ii) Prior to the Acquisition, CGS issued to a third party a convertible bond in the principal amount of US\$5 million (equivalent to HK\$39 million) (“the MGIL CGS CB”). If the MGIL CGS CB is exercised by its holder, the Company’s equity interest in CGS will be diluted.

In order to maintain at least 50% ownership of CGS, the Company subscribed for a CGS Share Option (“CGS Share Option”) for US\$1. The exercise price of the CGS Share Option is US\$5 million at a rate of US\$24,390 per CGS conversion share. The exercise period is from the date of issue to 3 months after (i) 15 January 2018 or (ii) the date as extended once by one year by mutual agreement.

As the CGS Share Option is negotiated as part of the Acquisition, the fair value of the CGS Share Option at its date of subscription is deducted from the initial investment consideration for the Acquisition at date of completion of the Acquisition.

The CGS Share Option was initially recognised at HK\$5,234,000 and no subsequent revaluation was performed at period end as the directors consider any change during the period is not material. The fair value at the date of completion of the Acquisition was assessed by an independent valuer by using the Trinomial Option Pricing Model.

- (iii) The amount of HK\$19,793,000 represents the difference between the nominal value of shareholder’s loan and its fair value as mentioned in Note 14.

14 LOAN TO AN ASSOCIATE

In connection with the Acquisition, both of the Company and HKRH agreed each to provide funding of HK\$100,000,000 to CGS by way of shareholder loan for general working capital and business expansion purpose.

The shareholder loan is unsecured, interest-free and has no fixed term of repayment.

The difference between the nominal value of the loan and its fair value of HK\$80,207,000 amounting to HK\$19,793,000 is regarded as part of the cost of the investment in CGS.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Non-current portion		
Convertible bond (<i>Note i</i>)	72,668	–
Current portion		
Gold future contracts	–	14,528
CGS Share Option	5,234	–
	5,234	14,528

Note (i): On 6 June 2014, the Company subscribed a convertible bond of HKRH of HK\$57,080,000 with 3% interest rate per annum and 5 years of maturity from the date of issuance. The conversion period commences on the 2nd anniversary of the issue date and expires on the date which is three days before its maturity.

The convertible bond comprises a loan receivable component and option component which together have been designated as derivative financial instrument by the Company. The convertible bond was initially recognised at HK\$57,080,000 and subsequently revalued to HK\$72,668,000 at period end.

The fair value as at year end was valued by an independent valuer by using the Trinomial Option Pricing Model. The key assumptions used are share price of HKRH of HK\$0.22, exercise price of HK\$0.18, dividend yield of 0%, effective interest rate of 20.9%, volatility of 47.6% and risk-free rate of 1.5%. The fair value gain of HK\$15,588,000 was included under “other gains, net” in the condensed consolidated interim financial information.

16 TRADE RECEIVABLES

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

The ageing of trade receivables is as follows:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
0–30 days	184,324	160,058
31–60 days	23,509	38,850
61–90 days	3,317	14,295
91–120 days	1,720	8,334
Over 120 days	5,041	4,401
	217,911	225,938

The carrying amounts of trade receivables approximate their fair values.

17 CASH AND BANK BALANCES

	As at 30 September 2014 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
Cash at bank and on hand	1,239,238	1,175,455
Short-term deposits	25,000	471,020
	<hr/>	<hr/>
Cash and cash equivalents	1,264,238	1,646,475
Short-term bank deposits, with maturities over 3 months	985,816	158,462
	<hr/>	<hr/>
Total cash and bank balances	2,250,054	1,804,937
	<hr/> <hr/>	<hr/> <hr/>

18 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$586,808,000 (31 March 2014: HK\$337,992,000) and the ageing is as follows:

	As at 30 September 2014 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
0–30 days	410,183	251,741
31–60 days	147,500	73,086
61–90 days	13,441	9,336
91–120 days	15,338	2,148
Over 120 days	346	1,681
	<hr/>	<hr/>
	586,808	337,992
	<hr/> <hr/>	<hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Results

For the six months ended 30 September 2014 (the “Period under review”), the revenue of the Group amounted to HK\$7,542,358,000 (2013: HK\$10,066,153,000), representing a decrease of 25.1% as compared with the corresponding period of last year. This was the second highest in interim record, only after last year’s record high with the “gold rush”. Total gross profit decreased by 11.1% to HK\$1,798,941,000 (2013: HK\$2,022,951,000). Operating profit decreased by 14.9% to HK\$978,260,000 (2013: HK\$1,150,173,000). Profits attributable to equity shareholders decreased by 16.6% to HK\$804,637,000 (2013: HK\$965,040,000), which was also the second highest in interim record and better than expected. Basic earnings per share amounted to HK\$1.37 (2013: HK\$1.64).

Overview

During the Period under review, the Group successfully boosted the sales of gem-set jewellery products which have higher gross margin than other products and resulted in a higher-than-last year’s mix, mitigating the impact of high base effect of gold products. The overall gross margin for the period thus increased from 20.1% to 23.9%. However, due to the decrease in revenue, the total operating expense to revenue ratio increased from 9.5% to 13.0%, partially offsetting the effect of the improvement in overall gross margin. As a result, the operating margin of 13.0% was recorded, which was higher than 11.4% of the corresponding period of last year. Net margin amounted to 10.7%, which was slightly better than 9.6% of the corresponding period of last year.

During the Period under review, the Group opened a net total of 64 shops in Mainland China (among which 65 new licensed shops were opened and 1 self-operated shop was closed), and 1 shop in Hong Kong. As at 30 September 2014, the Group has a total of 1,333 shops globally in Mainland China, Hong Kong, Macau, Singapore, the United States, Canada and Australia.

The retail business continued to be the primary source of revenue for the Group. Revenue from retail business decreased by 31.7% to HK\$5,899,664,000 (2013: HK\$8,639,697,000) year-on-year, representing 78.2% (2013: 85.8%) of the total revenue of the Group. In order to boost the sales of gem-set jewellery products, the Group enhanced the shop display of the gem-set jewellery products in Mainland China, so as to entice customers’ desire for consumption. With the completion of the acquisition of 50% interest in the issued share capital of China Gold Silver Group Company Limited, an operating company engaging in jewellery retailing and franchising under the brandname of “3D-GOLD”, the Group became one of its suppliers. The wholesale business therefore increased by 23.4% to HK\$1,361,887,000 (2013: HK\$1,103,467,000) as compared with the corresponding period of last year, accounting for 18.1% (2013: 11.0%) of the total revenue of the Group. Licensing income accounted for the remaining 3.7% (2013: 3.2%), representing a decrease of 13.1% to HK\$280,807,000 (2013: HK\$322,989,000) as the business of gold products returned to a relatively normal level.

Gold products remained the most favourite item among customers and together with platinum products contributed approximately 58.7% (2013: 71.8%) of the Group's total sales with a decrease in sales of 39.1% (2013: +95.7%). Gem-set jewellery products accounted for approximately 41.3% (2013: 28.2%) of the Group's total sales with 9.1% (2013: +29.0%) sales growth.

During the Period under review, the overall same store sales growth* ("SSSG") of the Group was -41.0% (2013: +64.4%), within expectation given the high base effect due to the "gold rush" last year. SSSG for the Hong Kong and Macau market and the Mainland China market were -40.7% (2013: +60.7%) and -44.1% (2013: +91.6%) respectively. SSSG for gold and platinum products was -50.1% (2013: +91.3%) and that for gem-set jewellery products was -12.9% (2013: +16.7%).

The Group has been striving to expand its product mix to offer customers with a wider selection of choices. Since 2010, the Group has been endeavouring to expand the mid-to-high-end watch business. As at 30 September 2014, the Group has become the authorised dealer of 33 watch brands, including AUDEMARS PIGUET, BALL and its BALL for BMW series, BULOVA, CERTINA, COINWATCH, CORUM, DOXA, ENICAR, ERNEST BOREL, GRONFELD, H. MOSER & CIE, HAMILTON, TONINO LAMBORGHINI, LONGINES, LUDOVIC BALLOUARD, MAURICE LACROIX, MEMORIGIN, MIDO, OMEGA, RADO, TAG HEUER, TISSOT, URWERK, EMILE CHOURIET, HUBLOT, ARNOLD & SON, ZENITH, ORIS, BALMAIN, BVLGARI, EMPORIO ARMANI, BURBERRY and VAN GOGH. During the Period under review, revenue generated from the watch business amounted to HK\$167,362,000 (2013: HK\$119,962,000), accounted for 2.2% (2013: 1.2%) of the Group's total revenue and represented an increase of 39.5% as compared to the previous year's level.

BUSINESS REVIEW

Hong Kong and Macau

The Hong Kong market continued to be the major source of revenue for the Group, contributing approximately 59.5% (2013: 64.1%) of the Group's total revenue. Given the high base effect, it decreased by 30.5% to HK\$4,488,665,000 (2013: HK\$6,456,317,000). As at 30 September 2014, the Group operated a total of 46 self-operated shops in Hong Kong, while one of which was newly opened during the Period under review.

As at 30 September 2014, the Group had a total of 10 self-operated shops in Macau. Given the high base effect as well, revenue generated from the Macau market decreased by 22.5% to HK\$1,098,274,000 (2013: HK\$1,417,173,000), representing 14.6% (2013: 14.1%) of the Group's total revenue.

The SSSG for gold and platinum products of Hong Kong and Macau was -50.2% (2013: +88.7%) and that for gem-set jewellery products was -14.0% (2013: +15.6%).

* Same store sales growth of the period represents a comparison of sales of the same self-operated shop having full day operations in the comparable periods and such data does not include sales of licensed shops.

Mainland China

During the Period under review, the Group benefited from the success in the increased sales of gem-set jewellery products. Revenue from the Mainland China market reached HK\$1,886,471,000 (2013: HK\$2,112,604,000), representing a slight decrease of 10.7% over last year only given the high base effect. This accounted for 25.0% of the Group's total revenue which was better than last year's 21.0%. The percentage share of retail business of gem-set jewellery products grew substantially from 10.5% over the same period of last year to 20.2% and the growth of wholesale business of gem-set jewellery products reached 33.7%.

The SSSG for gold and platinum products of Mainland China was -50.0% (2013: +101.4%) and that for gem-set jewellery products was +8.8% (2013: +35.3%).

The Group has taken further steps to develop the Mainland China market in order to reduce its overall business reliance on the Hong Kong and Macau market. Retail network was expanded to relatively lower-tier cities to increase brand coverage. As at 30 September 2014, the Group had 82 self-operated shops and 1,190 licensed shops in Mainland China, adding up to a total of 1,272 shops.

Overseas Development

With "Brand of Hong Kong, Sparkling the World" as its motto, the Group is looking for opportunities all over the world. As at 30 September 2014, the Group operated 5 overseas shops, including 1 shop in Singapore, 2 shops in the United States, 1 shop in Canada and 1 shop in Australia.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2014, the Group's cash and bank balances were approximately HK\$2,250 million (31 March 2014: approximately HK\$1,805 million). The Group's gearing ratio being proportion of total bank borrowings and gold loans of HK\$1,317 million (31 March 2014: HK\$568 million) against total shareholders' equity of approximately HK\$8,083 million (31 March 2014: approximately HK\$7,641 million), was 16.3% (31 March 2014: 7.4%). Net cash was HK\$933 million (31 March 2014: HK\$1,237 million) and the debt-to-equity ratio was 37.5% (2013: 24.7%), being proportion of total liabilities of HK\$3,034 million (31 March 2014: HK\$1,887 million) against total shareholders' equity of approximately HK\$8,083 million (31 March 2014: approximately HK\$7,641 million).

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

Capital Expenditure

During the Period under review, the Group incurred capital expenditures of approximately HK\$187 million (2013: HK\$74 million), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipments.

As at 30 September 2014, the Group's inventory balance was HK\$6,932 million (31 March 2014: HK\$6,225 million), with average inventory turnover days of 213 days (2013: 121 days).

Capital Commitments

As at 30 September 2014, the Group had total capital commitments of approximately HK\$17 million (31 March 2014: HK\$414 million).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2014.

Human Capital Policy

As at 30 September 2014, the number of employees of the Group was approximately 6,700 (31 March 2014: 6,600). Remuneration policies were reviewed and approved by the management regularly to ensure fair rewards and compensation for our employees. Remuneration packages were structured to be comparable to the market while bonuses and other merit payments were correlated to the performances of the Group and the employees. Such a reward system aims to motivate employees to act in alignment with the Group's objective to optimise business performance by offering financial incentives.

BRANDING

In order to align with the branding theme of "Love is Beauty", the Group has been building a brand image that is sincere and friendly, and strengthening customers' emotional attachment to the brand through outstanding marketing campaigns and excellent service programmes. In addition to delivering the core values of the brand to the target customers through mass media, the Group has also placed advertisements on major social platforms, portals and video websites and has organized different types of interactive network games in light of the increased number of global netizens and the growing popularity of smartphones. By stepping up promotional efforts and information dissemination through the Internet, and getting in touch with customers of the younger generation, a distinctive image of the Group will be planted deeply in the hearts and minds of the people.

The Group's tireless efforts in brand building have been well-received by the industry and market. During the Period under review, the Group received a number of awards in branding, corporate management, service quality, community welfare and environmental protection, which are testimonies to the excellent achievements of the Group.

OUTLOOK

During the Period under review, the high base effect as a result of the "gold rush" last year has started to abate. International gold price became low again recently, which benefited the sales of gold products. GDP growth will continue to be driven by various economic measures imposed in Mainland China and the consumption power of the Mainland Chinese remains to be high. The Group holds a cautiously optimistic view on the overall business for the second half of this financial year and in the mid- to long-term.

International gold price dropped recently, touching a four-year low in early October and November. Coupled with the “double spring” and a “leap month” in Chinese calendar this year, a good season for wedding will benefit the sales of gold products and in turn likely trigger another round of small scale “gold rush”. The Group will proactively utilise cross-selling techniques to enhance the sales of gem-set jewellery products. With the “Occupy Central” movement going on in Hong Kong and the lowered spending power of customers, both the SSSG and the year-on-year retail sales of the Hong Kong market experienced a single digit drop in October 2014. Nevertheless, with the continuously low gold price, November 2014’s sales was picking up with its growth momentum.

As the Mainland Chinese government actively pushes forward the urbanisation, the population of the middle class will keep on growing. The rising per capita disposable income will help elevate the overall desire for consumption of the Mainland Chinese. Furthermore, Mainland Chinese’s demand for gold remains strong. According to a recent report released by World Gold Council, the yearly demand for gold of individuals in Mainland China will increase steadily from 1,132 tons to 1,350 tons in 2017. As such, there is a great potential for growth in the Mainland China market, particularly in third-tier and lower-tier cities, and the prospects of the gold and gem-set jewellery market will remain to be good.

Looking forward, the Group will continue to optimise the retail network in Hong Kong and search for better locations in the prime areas for setting up new shops to further strengthen the Group’s leading position in the Hong Kong market. The Group will also continue its all-out effort in developing the market in Mainland China. Market penetration will be enhanced by strategically deploying flagship stores in major cities in Mainland China. The Group will make full use of the market growth potentials in the third-tier and lower-tier cities in Mainland China by expanding our retail network through new licensed shops at an annual growth rate of approximately 15%. In addition to physical shops, the Group is actively developing e-commerce business, which has an immense market potential. The Group will keep on developing more on-line sales platforms. The goal is to increase from last year’s four online stores, including Tmall, to eight in order to drive the growth of the e-commerce business.

On 6 June 2014, the Group completed the acquisition of 50% interest in the issued share capital of China Gold Silver Group Company Limited and kicked off the dual brand strategy. The Group looks forward to the contribution to the Group’s revenue, especially its wholesale business revenue, brought about by the acquisition.

In conclusion, the Group will take a pragmatic and prudent approach in the course of developing our business, and will also take an active role to seize business opportunities in face of the challenges in the market, thereby uplifting its competitive advantage and strengthening its leading position in the international jewellery retail market.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.55 (2013: HK\$0.63 per share) per ordinary share for the six months ended 30 September 2014 to shareholders whose names appear on the register of members of the Company on 11 December 2014. The interim dividend will be paid on or around 19 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the interim dividend will be closed on 11 December 2014 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 10 December 2014.

CORPORATE GOVERNANCE

The Board 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 Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2014 (the "Interim Period"), except for the following deviation:

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

In view of the increasing trend of business deriving from the Mainland China market, it is believed that Mr. WONG Wai Sheung being the Chairman and Chief Executive of the Company will further enhance the business development of the Group in the Mainland China market due to the norms in the Mainland China market on "status parity" when future business negotiations are conducted in Mainland China. Besides, members of the Board also include qualified professionals and other prominent and experienced individuals from our community. The Board considers that the existing Board composition, with the support of Board Committees and two Deputy Chairmen, can ensure a balance of power and authority.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the six months ended 30 September 2014. PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim results of the Group for the Period under review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2014/2015

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the “HKEx”) (www.hkexnews.hk) and the Company (lukfook.com). The Interim Report 2014/2015 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

APPRECIATION

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

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

Hong Kong, 26 November 2014

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