

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011

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 2011 together with comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2011

		Unaudited	
		for the six months ended	
		30th September	
		2011	2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	5,511,437	3,264,477
Cost of sales	5	<u>(4,158,846)</u>	<u>(2,497,220)</u>
Gross profit		1,352,591	767,257
Other income	6	32,872	28,332
Selling and distribution costs	5	(464,430)	(357,253)
Administrative expenses	5	(55,474)	(38,304)
Other losses, net	7	<u>(23,567)</u>	<u>(23,455)</u>
Operating profit		<u>841,992</u>	376,577
Finance income		3,398	2,978
Finance costs		<u>—</u>	<u>(2,548)</u>
Finance income, net	8	<u>3,398</u>	430
Share of results of an associate		<u>2,623</u>	831
Profit before income tax		848,013	377,838
Income tax expenses	9	<u>(119,993)</u>	<u>(53,605)</u>
Profit for the period		<u><u>728,020</u></u>	<u><u>324,233</u></u>

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)*For the six months ended 30th September 2011*

		Unaudited	
		for the six months ended	
		30th September	
		2011	2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:			
Equity holders of the Company		719,630	319,770
Non-controlling interests		8,390	4,463
		<u>728,020</u>	<u>324,233</u>
Earnings per share for profit attributable to equity holders of the Company during the period	<i>10</i>		
— Basic		HK\$1.33	HK\$0.65
— Diluted		HK\$1.33	HK\$0.65

Details of dividend payable to equity holders of the Company attributable to the profit for the period are set out in Note 11.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30th September 2011*

	Unaudited	
	for the six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period	728,020	324,233
Other comprehensive income:		
Currency translation differences	18,150	11,370
Revaluation surplus of property, plant and equipment upon transfer to investment properties, net of tax	—	16,114
Other comprehensive income for the period, net of tax	18,150	27,484
Total comprehensive income for the period	746,170	351,717
Attributable to:		
— Equity holders of the Company	737,285	346,909
— Non-controlling interests	8,885	4,808
Total comprehensive income for the period	746,170	351,717

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30th September 2011*

	Unaudited	Audited
	As at	As at
	30th September	31st March
	2011	2011
<i>Note</i>	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	385,361	369,942
Land use rights	40,494	15,188
Investment properties	90,207	80,638
Interests in an associate	7,943	5,219
Trading licence	1,080	1,080
Rental deposits	35,437	39,540
Deferred income tax assets	31,325	19,016
	591,847	530,623
Current assets		
Inventories	3,926,971	2,630,824
Trade receivables	145,031	108,591
Deposits, prepayments and other receivables	81,216	40,717
Amount due from an associate	—	5,052
Cash and cash equivalents	413,206	965,892
	4,566,424	3,751,076
Total assets	5,158,271	4,281,699

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30th September 2011

		Unaudited As at 30th September 2011 <i>HK\$'000</i>	Audited As at 31st March 2011 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		54,250	54,250
Share premium		1,187,933	1,187,933
Reserves		2,690,930	2,181,498
		<u>3,933,113</u>	<u>3,423,681</u>
Non-controlling interests		43,592	34,707
Total equity		<u>3,976,705</u>	<u>3,458,388</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		27,017	18,503
Employee benefit obligations		27,966	27,966
		<u>54,983</u>	<u>46,469</u>
Current liabilities			
Trade payables, other payables and accruals	13	865,333	686,400
Amount due to an associate		710	—
Bank borrowings, unsecured		95,000	—
Current income tax liabilities		165,540	90,442
		<u>1,126,583</u>	<u>776,842</u>
Total liabilities		<u>1,181,566</u>	<u>823,311</u>
Total equity and liabilities		<u>5,158,271</u>	<u>4,281,699</u>
Net current assets		<u>3,439,841</u>	<u>2,974,234</u>
Total assets less current liabilities		<u>4,031,688</u>	<u>3,504,857</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2011

	Attributable to equity holders of the Company				Non-controlling 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 2011						
As at 1st April 2011	54,250	1,187,933	2,181,498	3,423,681	34,707	3,458,388
Comprehensive income						
Profit for the period	—	—	719,630	719,630	8,390	728,020
Other comprehensive income						
Currency translation differences	—	—	17,655	17,655	495	18,150
Total other comprehensive income	—	—	17,655	17,655	495	18,150
Total comprehensive income	—	—	737,285	737,285	8,885	746,170
Transaction with owners						
Dividends paid	—	—	(227,853)	(227,853)	—	(227,853)
As at 30th September 2011	54,250	1,187,933	2,690,930	3,933,113	43,592	3,976,705

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30th September 2011

	Attributable to equity holders of the Company				Non-controlling 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 2010						
As at 1st April 2010	49,250	58,884	1,552,408	1,660,542	22,945	1,683,487
Comprehensive income						
Profit for the period	—	—	319,770	319,770	4,463	324,233
Other comprehensive income						
Currency translation differences	—	—	11,025	11,025	345	11,370
Revaluation surplus of property, plant and equipment upon transfer to investment properties, net of tax	—	—	16,114	16,114	—	16,114
Total other comprehensive income	—	—	27,139	27,139	345	27,484
Total comprehensive income	—	—	346,909	346,909	4,808	351,717
Transaction with owners						
Dividends paid	—	—	(137,902)	(137,902)	—	(137,902)
As at 30th September 2010	49,250	58,884	1,761,415	1,869,549	27,753	1,897,302

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30th September 2011*

	Unaudited	
	for the six months ended	
	30th September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(347,432)	(140,853)
Net cash used in investing activities	(78,449)	(31,596)
Net cash (used in)/generated from financing activities	(132,853)	153,807
Decrease in cash and cash equivalents	(558,734)	(18,642)
Cash and cash equivalents at 1st April	965,892	286,946
Exchange differences	6,048	5,449
Cash and cash equivalents at 30th September	<u>413,206</u>	<u>273,753</u>

NOTES:

1 GENERAL INFORMATION

Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the retailing and wholesaling of a variety of platinum and gold jewellery, gold ornaments, gem-set jewellery, natural jadeite, gemstones and other accessory items and licensing business.

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

The condensed consolidated interim financial information is presented in Hong Kong dollar (“HK\$”), unless otherwise stated. The condensed consolidated interim financial information has not been audited and was approved by Board of Directors for issue on 28th November 2011.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30th September 2011 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 31st March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March 2011, as described in those annual financial statements.

The following new/revised standards, amendments to existing standards and interpretation are mandatory for the financial year beginning 1st April 2011. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

Effective on or after 1st April 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

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 2011 and have not been early adopted.

Not yet effective

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters ⁽¹⁾
HKFRS 7 (Amendment)	Transfers of financial assets ⁽¹⁾
HKFRS 9 (Revised)	Financial instruments ⁽²⁾
Addition to HKFRS 9	Financial instruments — financial liabilities ⁽²⁾
HKFRS 10	Consolidated financial statements ⁽²⁾
HKFRS 11	Joint arrangements ⁽²⁾
HKFRS 12	Disclosure of interests in other entities ⁽²⁾
HKFRS 13	Fair value measurement ⁽²⁾
HKAS 1 (Amendment)	Presentation of financial statements — presentation of items of other comprehensive income ⁽²⁾
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets ⁽¹⁾
HKAS 19 (2011)	Employee benefits ⁽²⁾
HKAS 27 (2011)	Separate financial statements ⁽²⁾
HKAS 28 (2011)	Investments in associates and joint ventures ⁽²⁾

(1) Effective for the Group for annual period beginning on 1st April 2012

(2) Effective for the Group for annual period beginning on 1st April 2013

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

4 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as Executive Directors of the Company. 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

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 condensed consolidated interim financial information.

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

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.

For the six months ended 30th September 2011

	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	4,467,861	278,793	1,887,040	—	6,633,694
Inter-segment sales	(277,936)	(259)	(1,423,394)	—	(1,701,589)
	<u>4,189,925</u>	<u>278,534</u>	<u>463,646</u>	<u>—</u>	<u>4,932,105</u>
Sales of scrap gold and platinum and gold bullion	—	—	381,252	—	381,252
Sales to external customers	4,189,925	278,534	844,898	—	5,313,357
Royalty income	—	—	—	182,165	182,165
Consultancy fee income	—	—	—	15,915	15,915
Revenue from external customers	<u>4,189,925</u>	<u>278,534</u>	<u>844,898</u>	<u>198,080</u>	<u>5,511,437</u>
Results of reportable segments	<u>538,359</u>	<u>42,186</u>	<u>200,953</u>	<u>139,945</u>	<u>921,443</u>
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					921,443
Unallocated income					3,340
Unallocated expenses					<u>(82,791)</u>
Operating profit					841,992
Finance income					3,398
Share of results of an associate					<u>2,623</u>
Profit before income tax					848,013
Income tax expenses					<u>(119,993)</u>
Profit for the period					728,020
Non-controlling interests					<u>(8,390)</u>
Profit attributable to equity holders of the Company					<u>719,630</u>

For the six months ended 30th September 2011

	Retailing — Hong Kong, Macau and overseas		Retailing — The PRC Wholesaling	Licensing	Inter- segment elimination	Reportable segments		Total
	HK\$'000	HK\$'000				HK\$'000	HK\$'000	
Depreciation of property, plant and equipment	12,929	5,133	5,140	578	—	23,780	7,622	31,402
Amortisation of land use rights	—	—	80	582	—	662	6	668
Depreciation of investment properties	—	—	—	—	—	—	1,098	1,098

As at 30th September 2011

	Retailing — Hong Kong, Macau and overseas		Retailing — The PRC Wholesaling	Licensing	Inter- segment elimination	Reportable segments		Total
	HK\$'000	HK\$'000				HK\$'000	HK\$'000	
Segment assets	<u>2,723,510</u>	<u>663,969</u>	<u>2,104,325</u>	<u>171,381</u>	<u>(971,146)</u>	<u>4,692,039</u>	—	4,692,039
Interests in an associate							7,943	7,943
Land and buildings							198,089	198,089
Investment properties							90,207	90,207
Deferred income tax assets							31,325	31,325
Other unallocated assets							138,668	138,668
Total assets per condensed consolidated balance sheet								<u>5,158,271</u>

As at 30th September 2011

	Retailing — Hong Kong, Macau and overseas		Retailing — The PRC Wholesaling	Licensing	Inter- segment elimination	Reportable segments		Total
	HK\$'000	HK\$'000				HK\$'000	HK\$'000	
Segment liabilities	<u>(787,300)</u>	<u>(528,654)</u>	<u>(275,109)</u>	<u>(184,090)</u>	<u>971,146</u>	<u>(804,007)</u>	—	(804,007)
Deferred income tax liabilities							(27,017)	(27,017)
Bank borrowings, unsecured							(95,000)	(95,000)
Current income tax liabilities							(165,540)	(165,540)
Other unallocated liabilities							(90,002)	(90,002)
Total liabilities per condensed consolidated balance sheet								<u>(1,181,566)</u>

For the six months ended 30th September 2010

	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	2,447,058	170,558	1,240,542	—	3,858,158
Inter-segment sales	(103,601)	(139)	(933,051)	—	(1,036,791)
	<u>2,343,457</u>	<u>170,419</u>	<u>307,491</u>	<u>—</u>	<u>2,821,367</u>
Sales of scrap gold and platinum and gold bullion	—	—	316,282	—	316,282
Sales to external customers	2,343,457	170,419	623,773	—	3,137,649
Royalty income	—	—	—	110,562	110,562
Consultancy fee income	—	—	—	16,266	16,266
	<u>2,343,457</u>	<u>170,419</u>	<u>623,773</u>	<u>126,828</u>	<u>3,264,477</u>
Revenue from external customers	<u>2,343,457</u>	<u>170,419</u>	<u>623,773</u>	<u>126,828</u>	<u>3,264,477</u>
Results of reportable segments	<u>229,113</u>	<u>25,804</u>	<u>83,719</u>	<u>77,292</u>	<u>415,928</u>
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					415,928
Unallocated income					1,779
Unallocated expenses					(41,130)
Operating profit					<u>376,577</u>
Finance income					2,978
Finance costs					(2,548)
Share of results of an associate					831
Profit before income tax					<u>377,838</u>
Income tax expenses					(53,605)
Profit for the period					<u>324,233</u>
Non-controlling interests					(4,463)
Profit attributable to equity holders of the Company					<u><u>319,770</u></u>

For the six months ended 30th September 2010

	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>	Inter- segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	11,325	4,180	4,702	—	—	20,207	3,805	24,012
Amortisation of land use rights	—	—	76	—	—	76	—	76

As at 31st March 2011

	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>	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	2,068,987	414,841	1,702,170	135,470	(892,896)	3,428,572	—	3,428,572
Interests in an associate							5,219	5,219
Land and buildings							194,307	194,307
Investment properties							80,638	80,638
Deferred income tax assets							19,016	19,016
Other unallocated assets							553,947	553,947
Total assets per condensed consolidated balance sheet								4,281,699

As at 31st March 2011

	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>	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 liabilities	(813,317)	(339,560)	(192,799)	(165,794)	892,896	(618,574)	—	(618,574)
Deferred income tax liabilities							(18,503)	(18,503)
Current income tax liabilities							(90,442)	(90,442)
Other unallocated liabilities							(95,792)	(95,792)
Total liabilities per condensed consolidated balance sheet								(823,311)

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	
	2011	2010
	HK\$'000	HK\$'000
Revenue		
Hong Kong	3,965,523	2,351,883
The PRC	912,838	584,896
Other locations	633,076	327,698
	5,511,437	3,264,477

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

	As at 30th September 2011				As at 31st March 2011			
	Hong Kong	The PRC	Other	Total	Hong Kong	The PRC	Other	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets								
Property, plant and equipment	273,639	98,422	13,300	385,361	270,646	88,604	10,692	369,942
Land use rights	—	40,494	—	40,494	—	15,188	—	15,188
Investment properties	79,717	10,490	—	90,207	80,638	—	—	80,638
Interests in an associate	7,943	—	—	7,943	5,219	—	—	5,219
Trading licence	1,080	—	—	1,080	1,080	—	—	1,080
Rental deposits	27,247	30	8,160	35,437	33,300	470	5,770	39,540
	389,626	149,436	21,460	560,522	390,883	104,262	16,462	511,607

5 EXPENSES BY NATURE

	For the six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
Cost of sales		
— cost of inventories sold (<i>note (i)</i>)	4,038,426	2,451,041
— write-down of inventories to net realisable value	64,017	—
— cost of licensing business (<i>note (i)</i>)	56,403	46,179
	4,158,846	2,497,220
Staff costs (including the directors' emoluments)	211,323	149,013
Operating lease rentals in respect of land and buildings	133,062	119,797
Advertising and promotion expenses	22,566	18,761
Commission expenses to credit card companies	46,420	26,175
Depreciation of investment properties	1,098	—
Depreciation of property, plant and equipment	31,402	24,012
Amortisation of land use rights	668	76
Others	73,365	57,723
Total	4,678,750	2,892,777
Representing:		
Cost of sales	4,158,846	2,497,220
Selling and distribution costs	464,430	357,253
Administrative expenses	55,474	38,304
	4,678,750	2,892,777

Note (i): Cost of inventories sold and cost of licensing business include staff cost (including the directors' emoluments) of HK\$35,956,000 (2010: HK\$29,363,000).

6 OTHER INCOME

	For the six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
Valued-added tax refund	27,277	21,290
Rental income	2,726	2,462
Others	2,869	4,580
	32,872	28,332

7 OTHER LOSSES, NET

	For the six months ended	
	30th September	
	2011	2010
	HK\$'000	HK\$'000
Losses on derivative financial instruments		
— trading of gold	(23,114)	(23,562)
(Provision for)/write back of provision for slow-moving inventories	(453)	107
	(23,567)	(23,455)

8 FINANCE INCOME, NET

For the six months ended
30th September

2011 2010
HK\$'000 *HK\$'000*

Interest income	1,344	207
Net exchange gain	2,054	2,771
	<u>3,398</u>	<u>2,978</u>
Interest expenses on bank borrowings	—	(2,548)
Finance income, net	<u>3,398</u>	<u>430</u>

9 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (For the six months ended 30th September 2010: 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.

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

For the six months ended
30th September

2011 2010
HK\$'000 *HK\$'000*

Current taxation:		
— Hong Kong profit tax	81,252	28,080
— PRC corporate income tax	35,634	18,557
— Overseas taxation	10,663	5,104
Over-provision in prior years	(3,761)	—
Deferred taxation	(3,795)	1,864
	<u>119,993</u>	<u>53,605</u>

Certain subsidiaries of the Group are qualified as foreign investment production enterprise in the PRC and are entitled to two years exemption from income taxes followed by a 50% reduction in income taxes for the ensuing three years from its first profit-making year. These subsidiaries are subject to tax rate at 12.5% in 2011, which will increase to 25% commencing 2012.

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$719,630,000 (2010: HK\$319,770,000) and the weighted average number of 542,507,850 (2010: 492,507,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September 2011 and 2010 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

11 DIVIDENDS

At a meeting held on 28th June 2011, the directors recommended the payment of a final dividend of HK\$0.42 per ordinary share, totalling HK\$227,853,000 for the year ended 31st March 2011. Such dividend was approved by the shareholders at the Annual General Meeting on 29th August 2011, paid during the period and had been reflected as an appropriation of retained earnings for the period ended 30th September 2011.

At a meeting held on 28th November 2011, the directors declared the payment of an interim dividend of HK\$0.53 per ordinary share, totalling HK\$287,529,000, for the year ending 31st March 2012. This dividend is not 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 31st March 2012.

12 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 analysis of trade receivables is as follows:

	As at 30th September 2011 <i>HK\$'000</i>	As at 31st March 2011 <i>HK\$'000</i>
0–30 days	129,218	86,473
31–60 days	14,480	17,789
61–90 days	414	2,953
91–120 days	319	40
Over 120 days	600	1,336
	<u>145,031</u>	<u>108,591</u>

The carrying amounts of trade receivables approximate their fair values.

During the six months ended 30th September 2011, no trade receivables were impaired (2010: Nil).

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$492,757,000 (31st March 2011: HK\$332,845,000) and the ageing analysis is as follows:

	As at 30th September 2011 <i>HK\$'000</i>	As at 31st March 2011 <i>HK\$'000</i>
0–30 days	314,410	193,330
31–60 days	91,816	78,973
61–90 days	40,050	15,720
91–120 days	12,268	26,702
Over 120 days	34,213	18,120
	<u>492,757</u>	<u>332,845</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 HK\$0.53 (2010: HK\$0.26) per share for the six months ended 30th September 2011. The interim dividend will be payable on 22nd December 2011 to shareholders whose names appear on the Register of Members of the Company on 13th December 2011.

INTERIM RESULTS

The revenue of the Group for the six months ended 30th September 2011 grew 68.8% from HK\$3,264,477,000 last year to approximately HK\$5,511,437,000. Profit attributable to shareholders was approximately HK\$719,630,000, which represented a 125.0% growth as compared to HK\$319,770,000 in the previous year. Basic earnings per share were HK\$1.33 (2010: HK\$0.65).

The Group's overall performance was very encouraging during the period under review. The surging numbers of visitors coupled with the stimuli of appreciation of Renminbi to boost the spending contribute to the stunning results of the Group. Our strategic distribution of our retail outlets at the prime tourist locations also makes an effort to contribute. The Group's retail business accounted for 81.1% of total revenue, amounted to HK\$4,468,459,000, representing an increase of 77.8% from the same period last year. Meanwhile, revenue from wholesale business accounted for 15.3% of total revenue, reached HK\$844,898,000, representing a growth of 35.4% from the same period last year.

The Group has been putting increasing efforts to maximize its penetration in the PRC market in recent years. During the period, the Group opened 81 new retail outlets (including 68 licensee shops and 13 self-operated shops) in the PRC. As at 30th September 2011, the Group had a total of 780 retail outlets (including licensee shops) globally with 738 in the PRC, 31 in Hong Kong, 6 in Macau, 1 in Singapore, 2 in the United States and 2 in Canada.

Demand for gold continues to increase even though the gold price volatiled. Compared to the corresponding period of last year, the Group's revenue from the ordinary gold business (excluding sales of scrap gold and gold bullion) recorded a 98.1% growth.

INDUSTRY REVIEW

Visitors from the PRC continue to become the key contributor to the Group. According to the figures from the Hong Kong Tourism Board, in the first nine months of 2011, tourist arrivals from the PRC reached 20,383,966, an increase of 23.6% compared to the same period last year. The Group continued to benefit from the growing numbers of the PRC tourists who spent a great deal of money on luxury goods (including gold and jewellery items) in Hong Kong.

BUSINESS REVIEW

Hong Kong Market

For the period ended 30th September 2011, revenue from the Hong Kong market was HK\$3,965,523,000 (2010: HK\$2,351,883,000), representing a 68.6% increase from the same period last year.

As at 30th September 2011, the Group operated 31 shops in Hong Kong.

During the period, the Group strived to reinforce its trusted brand image and enhance its superior brand popularity in the market through a range of joint promotions, sponsorship and exhibition, and received satisfactory results.

PRC Market

The Group actively strengthened and optimized its retail network in the PRC's jewellery market.

During the period, the Group opened 81 new retail outlets in the PRC, accumulating its total number to 686 licensee shops and 52 self-operated shops in the PRC.

Attributable to the strong growth of economy in the PRC and our high penetration of retail network, revenue from wholesale, retail and licensing business in the PRC market, which accounted for 16.6% of the Group's total revenue, increased 56.1% to HK\$912,838,000 (2010: HK\$584,896,000).

Macau Market

As at 30th September 2011, the Group operated 6 shops in Macau.

The Group was benefited by the flourishing tourism in Macau. In the first nine months of 2011, tourist arrivals from the PRC achieved a significant growth. During the period under review, revenue from Macau shops amounted to HK\$584,466,000, which registered an increase of 85.3% from the same period last year.

In May, the Group opened its sixth shop in Macau at Galaxy Macau Resort, a latest hot tourist destination with integrated gaming and entertainment facilities. The excellent location of the new shop is expected to further improve the Group's retail business in Macau.

OVERSEAS DEVELOPMENT

The Group is committed to develop its business and to enhance its corporate motto of "Brand of Hong Kong, Sparkling the World". During the period, the Group operated 5 shops in the overseas markets, including 2 shops (1 self-operated and 1 licensed) in Canada, 2 self-operated shops in the United States and 1 self-operated shop in Singapore.

MARKETING AND PROMOTION

The Group participated in a wide spectrum of marketing activities and publicity campaigns to strengthen its brand positioning.

During the period, the Group continued to actively design and execute various marketing activities. Below were some highlights:

- Sponsored the diamond crown and precious jewellery pieces to "Miss Hong Kong Pageant" for the 14th consecutive year
- Being the exclusive sponsor of the crown in "2011 Miss Universe China Reignwood Pageant"
- Acted as the exclusive jewellery sponsor in "TVS New Silk Road Model Contest" and invited the champion, first runner-up, second runner-up and nine finalists to attend the "Xifu Collection New Product Launch 2011" event
- Invited celebrity Mr. Raymond Lam as the spokesperson of "Love Forever" Collection in the PRC
- Sponsored Mr. Raymond Lam's "Light Up My' Live Raymond Lam Live Concert 2011"

- Invited Mr. Raymond Lam and renowned actress and model Ms. Lynn Xiong to attend the PR event in Wuhan and Beijing respectively
- Launched new TV commercial series “Love is Beauty”
- Broadcasted large volume of TV commercials through mainstream TV channels in Hong Kong and the PRC, and sponsored products for TV programmes and key dramas
- Sponsored “Logo key-up with Date/Time Check” inside TVB Jade prime time programme, TV drama “Men with No Shadows” by Mr. Raymond Lam and “Come2me Raymond Lam Live Concert”
- Sponsored the “2011 Summer Pop — Live in HK” concert held by Hong Kong Tourism Board
- Sponsored “Faye Wong 2011 Concert Tour — Wuhan” by top singer Ms. Faye Wong
- Introduced new products and key items in festivals including Labour Day, Mother’s Day and National Day, stimulating consumers’ demand through publicity programmes in order to achieve better sales results
- Collaborated with radio stations in different provinces in order to enhance brand impact and sales promotion effectiveness
- Kept broadcasting Jewellery Gold Price information in all branches of China Travel Service, Home Return Permit Service Centres and Bank of China Credit Card Centres in Hong Kong
- Carried out joint promotion campaign with UnionPay China, Sasa Cosmetic and Fortress during National Day
- Placed lightbox advertisement at MTR and bus-stops in major cities of the PRC
- Enhanced the advertising impact by strategically placed outdoor advertisement at the back of buses of different routes throughout Hong Kong
- Firstly launched the online game on facebook, to tie-in with Mother’s Day promotion
- “Lukfook Jewellery — Jewellery Gold Price Express” iPhone App allowed customers to keep track of up-to-date jewellery gold price anywhere at anytime
- Kept running the Gold Price Index and placing online advertisement & advertorial write-up on the wedding portal “wedding.esdlife.com”
- Kept operating “Lukfook Jewellery Official Flagship Store” on the “Taobao Mall” and organized a variety of promotion activities to maximizing the browsing rate
- Promoted corporate culture, company’s move, product recommendations and promotional message of the Group by its online platform “Lukfook Jewellery Official Microblog” on sina.com and QQ.com

- Actively explored online promotion channels by banner advertisement, advertorial write-up, online games and social platform
- Participated in “Hong Kong Wedding & Wedding Gifts Expo 2011” held in Hong Kong Convention and Exhibition Centre
- Placed advertisement in well-known travel guide such as Hong Kong Guide and Hong Kong Map
- Sponsored the first prize for online game of 163.com
- Sponsored “The Peak of Love” event by ESDlife and online game for Mother’s Day promotion by Eu Yan Sang
- Sponsored the prizes and souvenirs for “The Bun Carnival 2011” annually held in Cheung Chau
- Sponsored “The Jewelleries and Watches Culture Week” event by Van’s Department Store in the PRC

PRODUCTS

During the period, the Group diversified its portfolio by launching a series of new products with exclusive designs and craftsmanship featuring different occasions. Promotional series are as follows:

- “Beauty of Love” Collection for Mother’s Day Promotion
- “Whimsical Fairyland”, “Dramatic Romance”, “Vibrant Heart” and “Simple Sensation” Series of “K-gold elite” 18K Gold Collection jointly promoted with World Gold Council
- “Wedding” Collection for wedding couples
- Pure Gold “Xifu” Collection jointly promoted with World Gold Council
- “Love Forever” Collection with celebrity Mr. Raymond Lam as the spokesperson in the PRC
- Wedding and non-wedding Platinum Collection jointly promoted with Platinum Guild International
- “Gold Charisma” Collection
- “Love is Beauty” Collection

AWARDS

Devotion to quality products and excellence services are always the core competences of the Group. During the period, the Group won the “2011 Outstanding Quality Tourism Service Merchant Award — Merit” and “A Recognised Quality Shop For Ten Years” recognition from Hong Kong Tourism Board, and the “2011 Hong Kong Awards for Industries: Customer Service Award” organized by the Hong Kong Retail Management Association, in recognition of the Group’s outstanding quality in customer service. The Group has also won the “Corporate Strategy Excellence Award 2011” from Eastweek Magazine, in recognition of the Group’s excellence in business development, strategies and brand management.

The Group is committed to maintain the highest quality standard, during the period, the Group Human Resource and Administration Department and Design Department passed the principles of ISO 9001: 2008 Quality Management Systems — Requirement, demonstrating the professional quality assurance system of the Group.

Besides, the Group has placed effort in manpower training and development. The Group was awarded “Manpower Developer” in the “ERB Manpower Developer Award Scheme” hosted by the Employees Retraining Board. Having been supportive to charity activities, the Group was awarded the first place in the Organization Category for Ordering Oxfam Rice in “Oxfam Rice Sales 2011” and obtained “Caring Company 2010/11 Logo” from the Hong Kong Council of Social Service for consecutive years.

DESIGN

The Group is committed to provide the finest products with the stylish designs to customers. With our outstanding and award-winning design teams, the Group has designed over 20,000 fashionable jewellery products for customers. The Group was also keen on participating in various local and international jewellery design competitions.

PROSPECTS

Looking ahead, the Group will continue to delicate efforts on brand building and brand recognition. Posited on our core competencies, the Group will accelerate its expansion of retail network in the PRC and explore overseas markets, diversify its product lines and intensify its marketing strategies.

The customers from the PRC continue to become the key contributor for the Group. Both the surging number of the PRC tourists visits to Hong Kong and the trend of appreciation of Reminbi favour the growth of the Group’s business. We hold an optimistic view on the retail market in Hong Kong and the PRC.

The Group is determined to further increase its market share by accelerating its expansion of retail network in the PRC. The Group believes that the PRC market is the growing engine for the Group’s business development. Besides, the Group remains committed in seeking suitable locations to expand its distribution network in the overseas market.

The Group diversifies its product lines to provide more varieties to potential customers. It taps the watch market through cooperation with prestigious watch brands. At present, 15 brands of watches are sold in the Group’s retail network, including BALL, CERTINA, CORUM, DOXA, ENICAR, HAMILTON, HARRY WINSTON, LONGINES, MAURICE LACROIX, MIDO, OMEGA, PHILIP STEIN, RADO, TAG HEUER and TISSOT.

To strengthen the Group’s leading position in the industry, the Group would endeavor to provide high quality jewelleries and make a lasting commitment to upholding excellent services to customers. Meanwhile, the Group also adopts intensive & strategic marketing planning to publicize its revamped brand image to customers.

APPOINTMENT OF NEW DIRECTORS

The Group is pleased to appoint Mr. IP Shu Kwan, Stephen, *GBS, JP* as Independent Non-Executive Director, Mr. LI Hon Hung, *MH, JP* as Non-Executive Director, Miss WONG Hau Yeung and Miss CHUNG Vai Ping as Executive Directors, and has re-designated Mr. HUI Chiu Chung, *JP* as Non-Executive Director on 1st October 2011.

Mr. IP Shu Kwan, Stephen, *GBS, JP* was the Secretary for Economic Development and Labour in the Hong Kong Special Administrative Region Government from 2002 to 2007. Mr. LI Hon Hung, *MH, JP*, is a Fellow of Hong Kong Institute of Architects and a Member of Architect Registration Board and Royal Institute of British Architects. Miss WONG Hau Yeung and Miss CHUNG Vai Ping have 17 years and 23 years of experiences in the jewellery industry respectively. Mr. HUI Chiu Chung, *JP* has been re-designated from Independent Non-Executive Director to Non-Executive Director of the Group.

EMPLOYEES

As at 30th September 2011, the Group had approximately 3,560 employees (31st March 2011: 3,366 employees). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured to take into account the comparable level of the market. Bonus and other merit payments are linked to the performance of the Group and the performance of individual employees. The policy is to encourage employees to optimize business performance by providing them with financial incentives.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's core business is gold and jewellery retailing and wholesaling. As at 30th September 2011, the Group's cash on hand reached approximately HK\$413 million (31st March 2011: approximately HK\$966 million). The Group's bank borrowings-to-equity ratio at the period-end, being the proportion of total bank borrowings of approximately HK\$95 million (31st March 2011: HK\$NIL) against total shareholders' equity of approximately HK\$3,933 million (31st March 2011: approximately HK\$3,424 million), was 2.4% (31st March 2011: NIL).

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th September 2011 and 31st March 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on 13th December 2011 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 Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12th December 2011.

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 2011, the audit committee has held several meetings to consider matters including the 2010/11 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 2011, 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 2011.

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 2011.

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

28th November 2011

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. WONG Ho Lung, Danny, Miss WONG Lan Sze, Nancy, Miss WONG Hau Yeung and Miss CHUNG Vai Ping; the non-executive directors are Mr. WONG Koon Cheung, Mr. Chan Wai, Miss YEUNG Po Ling, Pauline, Mr. HUI King Wai, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, MH, JP; the independent non-executive directors are Mr. LO Mun Lam, Raymond (Chairman), Mr. TAI Kwok Leung, Alexander, and Mr. IP Shu Kwan, Stephen, GBS, JP.