



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with Limited Liability)

(於百慕達註冊成立之有限公司)



Interim Report
2000-2001

The Buyers' Favourite Diamond Jewelry
Design Competition 2000

Gold Prize

[*Lovers*]



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INTERIM RESULTS

The Board of Directors (the "Board") of Luk Fook Holdings (International) Limited (the "Company" or "Luk Fook") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2000 together with comparative figures for the corresponding period in 1999 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2000

	Note	Unaudited Six months ended 30 September	
		2000 HK\$'000	1999 HK\$'000
Turnover	2	747,248	781,098
Cost of sales		(597,577)	(638,163)
Gross profit		149,671	142,935
Other revenues	2	3,620	1,145
Selling and distribution costs		(108,299)	(95,210)
Administrative expenses		(9,995)	(10,850)
Other operating expenses		(567)	(615)
Operating profit	3	34,430	37,405
Finance costs	4	(55)	(9)
Profit before taxation		34,375	37,396
Taxation	5	(5,008)	(6,616)
Profit after taxation		29,367	30,780
Minority interests		80	(374)
Profit attributable to shareholders		29,447	30,406
Dividend	6	(11,582)	(11,400)
Profit for the period retained		17,865	19,006
Earnings per share	7		
Basic		6.45 cents	6.67 cents
Diluted		6.35 cents	N/A

The Group has no recognised gains or losses other than the profit for the period and therefore no separate consolidated statement of recognised gains and losses is presented.

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2000 and 31 March 2000

		Unaudited 30 September 2000	31 March 2000
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets		56,756	52,821
Other investments		2,219	1,080
Current assets			
Inventories		428,314	390,498
Trade receivables	8	7,606	6,330
Deposits, prepayments and other receivables		19,932	19,308
Bank balances and cash		73,476	70,408
		<u>529,328</u>	<u>486,544</u>
Current liabilities			
Trade and other payables	9	94,323	83,986
Taxation payable		15,591	12,358
Proposed dividend		34,382	22,800
		<u>144,296</u>	<u>119,144</u>
Net current assets		<u>385,032</u>	<u>367,400</u>
Total assets less current liabilities		<u>444,007</u>	<u>421,301</u>
Financed by:			
Share capital	10	46,327	45,600
Reserves		391,265	371,655
Shareholders' funds		437,592	417,255
Minority interests		6,022	3,653
Deferred taxation	11	393	393
		<u>444,007</u>	<u>421,301</u>



CONSENSUED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2000

	Unaudited	
	Six months ended	
	30 September	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	11,957	8,956
Net cash inflow/(outflow) from returns on investments and servicing of finance	2,472	(13,680)
Taxation paid	(1,775)	(1,480)
Net cash outflow from investing activities	(12,035)	(38,032)
	<hr/>	<hr/>
Net cash inflow/(outflow) before financing	619	(44,236)
Net cash inflow from financing	2,450	-
	<hr/>	<hr/>
Increase/(decrease) in bank balances and cash	3,069	(44,236)
Bank balances and cash at 1 April	70,408	95,542
	<hr/>	<hr/>
Bank balances and cash at 30 September	<u>73,477</u>	<u>51,306</u>



NOTES TO THE INTERIM ACCOUNTS

1. Accounting policies and basis of preparation

These unaudited consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2000.

Comparative figures have been reclassified and extended to conform with the requirements of SSAP No. 1 “Presentation of Financial Statements” which was adopted by the Group in preparing its annual accounts for the immediate preceding year.

2. Revenue and turnover

The Group is principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones, and other accessory items in Hong Kong. An analysis of the Group’s turnover and contribution to operating profit before finance costs by principal activity during the period is as follows:

	Turnover		Operating profit before finance costs	
	Six months ended 30 September 2000	1999	Six months ended 30 September 2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retailing	718,444	756,991	32,108	35,478
Wholesaling	28,804	24,107	2,322	1,927
	<u>747,248</u>	<u>781,098</u>	<u>34,430</u>	<u>37,405</u>



Other revenues recognised during the period are as follows:

	Six months ended	
	30 September	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1,909	1,145
Consultancy fee income	521	-
Commission income	785	-
Licence fee income	350	-
Others	55	-
	<u>3,620</u>	<u>1,145</u>

3. Operating profit

	Six months ended	
	30 September	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting and charging the following:		
Crediting		
Write-back of provision for slow-moving inventories	4,691	-
Net exchange gains	402	387
Charging		
Depreciation of fixed assets	6,961	5,853
Operating lease rentals in respect of land and buildings	27,588	26,335
Provision for slow-moving inventories	<u>-</u>	<u>1,107</u>



4. Finance costs

	Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans	<u>55</u>	<u>9</u>

5. Taxation

Taxation represents Hong Kong profits tax provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period.

6 Dividend

	Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
Interim, proposed, of 2.5 cents (1999: 2.5 cents) per ordinary share	<u>11,582</u>	<u>11,400</u>

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$29,447,000 (1999: HK\$30,406,000) and the weighted average number of 456,799,702 (1999: 456,000,743) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$29,447,000 and the weighted average number of 463,898,054 ordinary shares in issue during the period after adjusting for the effects of all potential dilutive ordinary shares deemed to be issued at no consideration if all outstanding share options granted under the share option scheme of the Company had been exercised. The Company had no potential dilutive ordinary shares that were outstanding during the period ended 30 September 1999.



8. Trade receivables

As at 30 September and 31 March 2000, all trade receivables were aged less than 30 days.

9. Trade and other payables

Included in trade and other payables are trade payables and their aging analysis is as follows:

	30 September 2000	31 March 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current - 30 days	45,156	38,788
31 - 60 days	26,413	22,486
61 - 90 days	5,845	4,427
91 - 120 days	925	1,113
Over 120 days	636	2,436
	<hr/>	<hr/>
	78,975	69,250
Other payables	15,348	14,736
	<hr/>	<hr/>
	<u>94,323</u>	<u>83,986</u>

10. Share capital

	30 September 2000	31 March 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
800,000,000 ordinary shares of HK\$0.1 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:		
463,267, 850 (1999: 456,000,850) ordinary shares of HK\$0.1 each	<u>46,327</u>	<u>45,600</u>



Options to subscribe for 7,267,000 ordinary shares in the Company were exercised at a price of HK\$0.34 per share during the period. The premium on the issue of the shares of HK\$1,744,080 was credited to the share premium account.

At 30 September 2000, 29,240,000 share options were outstanding. The options are exercisable at HK\$0.34 per share at anytime prior to 13 June 2010.

11. Deferred taxation

Deferred taxation represents provision of the tax effect of timing differences arising from accelerated depreciation allowances of fixed assets. At 30 September and 31 March 2000, there was no material unprovided deferred taxation liability.

12 Commitments under operating leases

At 30th September 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	30 September 2000 <i>HK\$'000</i>	31 March 2000 <i>HK\$'000</i>
Within one year	4,094	13,620
In the second to fifth year inclusive	<u>46,394</u>	<u>29,773</u>
	<u><u>50,488</u></u>	<u><u>43,393</u></u>

13 Related party transactions

- (a) A subsidiary of the Company entered into a tenancy agreement with Mr. Wong Kwai Sang, Mr. Wong Wai Sheung's father, on 3 June 1996 for the lease of the Group's retail shop for a period of 4 1/2 years. During the period, rental payable to Mr. Wong Kwai Sang amounted to HK\$1,590,000 (1999: HK\$1,590,000).



- (b) A subsidiary of the Company entered into a service contract (“Service Contract”) with Ms. Yeung Po Ling, Pauline and Topone Investments Limited (“Topone”) for a period of 1 year expiring on 31 March 2001. Pursuant to the Service Contract, Topone agreed to make available Ms. Yeung’s exclusive services for the promotion of the products and services of the Group during the period at a consideration of HK\$230,000 (1999: HK\$222,300).

The directors are of the opinion that the above transactions were entered into in the normal course of business and are on normal commercial terms. Both Mr. Wong Wai Sheung and Ms. Yeung Po Ling, Pauline are directors of the Company and have beneficial interests in the Company. Ms. Yeung Po Ling, Pauline also holds beneficial interests in Topone.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2.5 HK cents (1999: 2.5 HK cents) per share for the financial year ending 31 March 2001. The interim dividend will be payable on 11 January 2001 to shareholders whose names appear on the Register of Members of the Company on 5 January 2001.

REVIEW OF OPERATIONS AND PROSPECTS

Business Review

Financial Results

Turnover of the Group for the period ended 30 September 2000 was approximately HK\$747,248,000, representing a decrease of 4.3% when compared to the corresponding period in 1999. Profit attributable to shareholders amounted to about HK\$29,447,000, down 3.2% from that of the previous year. Earnings per share were 6.45 HK cents.

Gold and Jewellery Operation

Expansion of Retail Outlets

- At present, the Group has 19 retail outlets. During the period, Wan Chai outlet was relocated to Mong Kok (Rex House), and a new shop was opened in Telford Plaza, Kowloon Bay.



Product Development

- During the period, Luk Fook won 5 prizes comprising 1 gold prize, 1 silver prize, 2 bronze prizes and 1 award of merit at the reputable design competition “The Buyers’ Favorite Diamond Jewellery Design Competition 2000”. Moreover, 2 design items successfully won 2 creative idea awards at the “Grand Competition of 2000 Hong Kong & Taiwan Jade Jewellery Design”.
- During the period, the Group launched “2000 Hallmark Wedding Diamond Rings” to meet the demand of a boosted number of wedding couples who captured the opportunity to get married in the millennium year.

Portal and Securities Operations

- The Group’s jewellery trading portal arm, Jewellworld.com Limited (“Jewellworld.com”) has undergone an active development towards the final stage.
- The Group’s securities arm has been co-operating closely with its business partner OSK Asia Securities Limited (“OSK”). During the period, OSK provided technical support and shared the trading platform with Luk Fook Securities to optimize resources.

Development in the PRC

- In April 2000, a roadshow was conducted at Xin Dong An Plaza in Beijing where a catwalk was also held to enhance publicity and the Group’s brand awareness in the PRC.
- To be well-equipped in the high potential market, Luk Fook further expanded its technical support network through licensing to a number of reputable jewellery shops in the PRC.
- An office was set up in Shenzhen to strengthen its position in the PRC.



Prospects

The economy of Hong Kong is expected to grow gradually in the coming years, Gross Domestic Product (GDP) is forecasted to rise by 10% by the end of year 2000.

- The growing economy puts pressure on rental costs. When searching for prime locations for new retail outlets, reasonable rentals will be the priority.
- Following the PRC's accession to the World Trade Organization ("WTO"), deregulation of jewellery industry will lead to lower production cost when production base may be set up in the PRC directly where skilled labour cost is lower.
- It is expected that the wholesale demand will further boost after the PRC's accession to WTO, at that time, Hong Kong's jewellery companies are allowed to establish sales network in the PRC. The Group will continue to move aggressively to capture the vast market of the PRC by expanding its technical support consultancy services for the PRC jewellery retail shops.

Based on various desirable factors in Hong Kong and the PRC, the Group holds an optimistic view on the jewellery industry in the future, and hence a satisfactory business and financial results are expected in the coming future.

EMPLOYMENT, TRAINING, DEVELOPMENT AND REMUNERATION POLICY

As at 30 September 2000, the number of staff of the Group in Hong Kong was approximately 650. The Group remained committed to train its staff and conduct development programme.

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 financial performance of the Group and performance of individual employee. The policy is to encourage employees to optimize performance by providing financial incentives.

CAPITAL EXPENDITURE

During the period under review, the Group invested approximately HK\$10,000,000 in fixed assets. The expenditure was largely for the leasehold improvement of newly opened outlets which were financed by internal resources.



LIQUIDITY AND FINANCIAL RESOURCES

The Group's core business is jewellery retailing. As at 30 September 2000, the Group's cash on hand reached approximately HK\$73,477,000.

The Group's gearing ratio at the period end, being the proportion of total debts of approximately HK\$144,700,000 (31 March 2000: approximately HK\$119,500,000) against total shareholders' equity of approximately HK\$437,600,000 (31 March 2000: approximately HK\$417,300,000), was 33.1% (31 March 2000: 28.6%).

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 4 January 2001 to 5 January 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Central Registration Hong Kong Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 3 January 2001.



DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30 September 2000, the interests of the directors, chief executives and their associates in the issued share capital of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the company were as follows:

	Number of ordinary shares beneficially held				Total Interest
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Mr. Wong Wai Sheung	2,626,019	-	-	13,273,507	15,899,526 Note (a)
Mr. Tse Moon Chuen	1,429,344	37,781	-	-	1,467,125 Note (b)
Mr. Poon Kam Chi	74,070	-	-	-	74,070
Mr. Lau Kwok Sum	58,824	-	-	-	58,824
Mr. Wong Koon Cheung	2,965,589	-	-	-	2,965,589
Mr. Lee Shu Kuan	5,922,081	735,650	2,586,624	-	9,244,355 Note (e) Notes (c) & (d)
Mr. Chan Wai	3,333,022	-	-	-	3,333,022
Ms. Yeung Po Ling, Pauline	2,156,939	-	-	-	2,156,939

Note (a) Mr. Wong Wai Sheung and his family are discretionary beneficiaries of the Wong's family Trust (the "Trust"). The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Co., Ltd. which is the beneficial owner of 13,273,507 shares in the Company.

Note (b) Mr. Tse Moon Chuen's spouse, Ms. Fong Anissa King, holds 37,781 shares in the Company.



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

Note (d) Mr. Lee Shu Kuan holds 51% of the entire issued share capital of Wah Hang Kimon Holdings Limited which in turns holds 1,956,000 shares in the Company.

Note (e) Mr. Lee Shu Kuan's spouse, Ms. Fong Chi Ling, holds 735,650 shares in the Company.

Save as disclosed above and those disclosed under "Substantial shareholders' interests" below, as at 30 September 2000 none of the directors or their associates had any interests in the share capital of the Company or its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30 September 2000, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of shares held
Luk Fook (Control) Limited	231,858,000
Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. POON Kam Chi, Mr. LAU Kwok Sum, Mr. WONG Koon Cheung, Mr. CHAN Wai, Mr. LEE Shu Kuan and Ms. YEUNG Po Ling, Pauline have interests in Luk Fook (Control) Limited.	

Save as disclosed above, the Company is not aware of any other person having an interest in shares representing 10% or more of the issued share capital of the Company as at 30 September 2000.



DIRECTORS' RIGHTS TO SUBSCRIBE FOR SHARES

The Company has a share option scheme under which the directors may, at their discretion, grant employees, including any executive directors, of the Company and/or any of its subsidiaries options to subscribe for shares of the Company, subject to the terms and conditions stipulated. Movements of share options granted to certain directors of the Company during the period were as follows:

	Number of options granted on 14 June 2000	Number of options exercised during the period	Number of outstanding options as at 30 September 2000
Mr. Wong Wai Sheung	7,064,000	–	7,064,000
Mr. Tse Moon Chuen	2,561,000	(800,000)	1,761,000
Mr. Poon Kam Chi	1,305,000	–	1,305,000
Mr. Lau Kwok Sum	982,000	–	982,000
Mr. Law Tim Fuk, Paul	1,236,000	–	1,236,000

The options are exercisable at HK\$0.34 per share at anytime prior to 13 June 2010. The closing price at the date of exercise of the options by Mr. Tse Moon Chuen was HK\$0.57 per share.

AUDIT COMMITTEE

In compliance with paragraph 14 of the Code of Best Practice, 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.



COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

By Order of the Board
Wong Wai Sheung
Chairman

Hong Kong, 19 December 2000

The full text of the Company's Interim Report 2000-2001 can be accessed through internet at:

<http://www.irasia.com/listco/hk/lukfook>