



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 2001-2002

19th. Floor, Sino Centre, 582-592 Nathan Road, Kowloon, Hong Kong
Tel : (852) 2308 1218 Fax : (852) 2782 6016
Website : <http://www.lukfook.com.hk> E-mail : group@lukfook.com.hk

INTERIM REPORT

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 30th September 2001 together with comparative figures for the corresponding period in 2000 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001

	Note	Unaudited Six months ended 30th September	
		2001 HK\$'000	2000 HK\$'000
Turnover	2	690,754	747,248
Cost of sales		(541,669)	(597,577)
Gross profit		149,085	149,671
Other revenues	2	6,583	3,620
Selling and distribution costs		(106,189)	(107,626)
Administrative expenses		(12,115)	(10,058)
Other operating expenses		(2,412)	(1,177)
Operating profit	3	34,952	34,430
Finance costs	4	(10)	(55)
Profit before taxation		34,942	34,375
Taxation	5	(5,771)	(5,008)
Profit after taxation		29,171	29,367
Minority interests		(410)	80
Profit attributable to shareholders		28,761	29,447
Dividends	6	11,663	11,582
Earnings per share	7		
Basic		6.18 cents	6.45 cents
Fully diluted		6.07 cents	6.35 cents

No separate consolidated statement of recognised gains and losses is presented as the profit attributable to shareholders of HK\$28,761,000 (2000: HK\$29,447,000) is the only component.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2001 AND 31ST MARCH 2001

	<i>Note</i>	Unaudited 30th September 2001 HK\$'000	(Restated) 31st March 2001 HK\$'000
Fixed assets		61,788	52,095
Other investments		6,821	1,782
Current assets			
Inventories		376,746	391,597
Trade receivables	8	10,275	6,452
Deposits, prepayments and other receivables		22,656	24,745
Bank balances and cash		113,433	94,635
		523,110	517,429
Current liabilities			
Trade and other payables	9	91,255	74,311
Taxation payable		11,030	14,869
		102,285	89,180
Net current assets		420,825	428,249
Total assets less current liabilities		489,434	482,126
Financed by:			
Share capital	10	46,613	46,477
Reserves		188,266	187,939
Retained earnings	11	238,935	221,867
Proposed dividend		11,663	23,276
Shareholders' funds		485,477	479,559
Minority interests		3,957	2,567
		489,434	482,126

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001

	Unaudited	
	Six months ended	
	30th September	
	2001	2000
	HK\$'000	HK\$'000
Net cash inflow from operating activities	66,302	11,957
Net cash (outflow)/ inflow from returns on investments and servicing of finance	(21,767)	2,472
Taxation paid	(9,610)	(1,775)
Net cash outflow from investing activities	(17,570)	(12,035)
Net cash inflow before financing	17,355	619
Net cash inflow from financing	1,443	2,450
Increase in bank balances and cash	18,798	3,069
Bank balances and cash at 1st April	94,635	70,408
Bank balances and cash at 30th September	113,433	73,477

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”) 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.

These interim accounts should be read in conjunction with the 2000-2001 annual accounts.

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 31st March 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are, unless otherwise stated, effective for accounting periods commencing on or after 1st January 2001:

- SSAP 9 (revised): Events after the balance sheet date
- SSAP 14 (revised): Leases (effective for periods commencing on or after 1 July 2000)
- SSAP 26: Segment reporting
- SSAP 28: Provisions, contingent liabilities and contingent assets
- SSAP 29: Intangible assets
- SSAP 30: Business combinations
- SSAP 31: Impairment of assets
- SSAP 32: Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised) Events after balance sheet date

In accordance with the SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 11, opening retained earnings at 1st April 2000 have increased by HK\$22,800,000 which is the reversal of the provision for the 1999/2000 proposed final dividend previously recorded as a liability as at 31st March 2000 although not approved until after the balance sheet date. Opening retained earnings at 1st April 2001 have increased by HK\$23,276,000 which is the reversal of the provision for 2000/2001 proposed final dividend previously recorded as a liability as at 31st March 2001 although not approved until after the balance sheet date.

This adjustment has resulted in a decrease in current liabilities at 30th September 2001 by HK\$11,663,000 (31st March 2001: HK\$23,276,000) for provision for proposed dividends that is no longer required.

Changes to headings used in the previously reported 31st March 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 14 (revised) Leases

In note 12(b) to the interim report the Group has disclosed lease commitments as defined under SSAP 14 (revised). The revised standard requires the aggregate future minimum lease payments analysed into the following periods:

- (i) not later than one year
- (ii) later than one year and not later than five years
- (iii) later than five years

This is a change from the previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires within that year, in the second to fifth year inclusive and over five years from the balance sheet date.

Apart from the SSAP 9 (revised), there are no changes in accounting policy that affect profit or shareholders' funds resulting from the adoption of the other new standards mentioned above.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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 by principal activity during the period is as follows:

	Turnover		Operating profit/(loss)	
	Six months ended 30th September		Six months ended 30th September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retailing	661,285	718,444	32,056	32,108
Wholesaling	29,469	28,804	5,366	4,808
Others	—	—	(2,470)	(2,486)
	<u>690,754</u>	<u>747,248</u>	<u>34,952</u>	<u>34,430</u>

No geographical analysis is provided as less than 10% of the turnover and operating profit of the Group are attributable to markets outside Hong Kong.

Other revenues recognised during the period were as follows:

	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Interest income	1,549	1,909
Consultancy fee income	4,391	871
Commission income	341	785
Dividend income	56	—
Others	246	55
	<u>6,583</u>	<u>3,620</u>

3 OPERATING PROFIT

Six months ended
30th September
2001 2000
HK\$'000 HK\$'000

Operating profit is stated after crediting and charging the following:

Crediting

Write back of stock provision	3,577	4,691
Net exchange gains	962	402
	3,577	4,691

Charging

Depreciation of fixed assets	7,840	6,961
Operating lease rentals in respect of land and buildings	25,255	27,588
	25,255	27,588

4 FINANCE COSTS

Six months ended
30th September
2001 2000
HK\$'000 HK\$'000

Interest on bank loans	10	55
	10	55

5 TAXATION

Taxation represents Hong Kong profits tax provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

6 DIVIDENDS

	Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
2000/2001 final, paid, of HK\$0.05 (1999/2000 final paid: HK\$0.05) per ordinary share (note (i))	23,306	22,800
2001/2002 interim, proposed on 17th December 2001, of HK\$0.025 (2000/2001: HK\$0.025) per ordinary share (note (ii))	11,663	11,983
	34,969	34,783

Note:

- (i) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st March 2000 and 2001 were HK\$22,800,000 and HK\$23,276,000 respectively. The additional amounts of approximately HK\$30,000 paid in respect of the final dividends for the year ended 31st March 2001 were as a result of the exercise of share options prior to approval in the annual general meeting. Under the Group's new accounting policy as described in Note 1(a), these have been written back against opening reserves as at 1st April 2000 and 2001 (note 11) and are now charged in the period in which they were proposed.
- (ii) At a meeting held on 17th December 2001 the directors declared an interim dividend of HK\$0.025 per share. This proposed dividend is not reflected as a dividend payable in these interim accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2002.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$28,761,000 (2000: HK\$29,447,000) and the weighted average number of 465,593,659 (2000: 456,799,702) 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\$28,761,000 (2000: HK\$29,447,000) and the weighted average number of 473,448,336 (2000: 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.

8 TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30th September 2001 HK\$'000	31st March 2001 HK\$'000
Current – 30 days	9,444	1,885
31 – 60 days	666	700
61 – 90 days	42	689
91 – 120 days	–	339
Over 120 days	123	2,839
	<u>10,275</u>	<u>6,452</u>

9 TRADE AND OTHER PAYABLES

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

	30th September 2001 HK\$'000	31st March 2001 HK\$'000
Current – 30 days	41,882	25,909
31 – 60 days	13,830	20,062
61 – 90 days	6,204	5,035
91 – 120 days	1,171	431
Over 120 days	576	292
	<u>63,663</u>	<u>51,729</u>

10 SHARE CAPITAL

	30th September 2001 HK\$'000	31st March 2001 HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.1 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:		
466,128,850 (31st March 2001: 464,771,850) ordinary shares of HK\$0.1 each	<u>46,613</u>	<u>46,477</u>

Options to subscribe for 1,357,000 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\$325,680 was credited to the share premium account.

At 30th September 2001, 26,379,000 share options were outstanding. The options are exercisable at HK\$0.34 per share at anytime prior to 13th June 2010.

Subsequent to the period end, options to subscribe for 400,000 shares in the Company were exercised at a price of HK\$0.34 per share.

11 RETAINED EARNINGS

	<i>Note</i>	HK\$'000
At 1st April 2000 as previously reported		185,821
Effect of adopting SSAP 9 (revised)	<i>1(a)</i>	<u>22,800</u>
At 1st April 2000 as restated		208,621
1999/2000 final dividend paid		(22,800)
Profit for the year		71,305
2000/2001 interim dividend paid	6	<u>(11,983)</u>
At 31st March 2001 as restated		<u>245,143</u>
Representing:		
Retained earnings		221,867
2000/2001 final dividend proposed	6	<u>23,276</u>
		<u>245,143</u>
At 1st April 2001 as previously reported		221,867
Effect of adopting SSAP 9 (revised)	<i>1(a)</i>	<u>23,276</u>
At 1st April 2001 as restated		245,143
2000/2001 final dividend paid	6	(23,306)
Profit for the period		<u>28,761</u>
		<u>250,598</u>
Representing:		
Retained earnings		238,935
2001/2002 interim dividend proposed	6	<u>11,663</u>
		<u>250,598</u>

12 COMMITMENTS**(a) Capital commitments**

	30th September 2001 HK\$'000	31st March 2001 HK\$'000
Authorised but not contracted for Property, plant and equipment	–	8,800
Contracted but not provided for Property, plant and equipment	1,308	1,953

(b) Commitments under operating leases

At 30th September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September 2001 HK\$'000	(Restated) 31st March 2001 HK\$'000
Within one year	37,930	41,417
In the second to fifth year inclusive	14,917	21,442
	52,847	62,859

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, for the lease of the Group's retail shop for a period of 2 years expiring on 31st December 2002. During the period, rental payable to Mr Wong Kwai Sang amounted to HK\$1,080,000 (2000: HK\$1,590,000).
- (b) A subsidiary of the Company entered into a service contract ("Service Contract") with Miss Yeung Po Ling, Pauline and Topone Investments Limited ("Topone") for a period of 1 year expiring on 31st March 2002. Pursuant to the Service Contract, Topone agreed to make available Miss 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 (2000: HK\$230,000).

Both Mr Wong Wai Sheung and Miss Yeung Po Ling, Pauline are directors of the Company and have beneficial interests in the Company. Miss Yeung Po Ling, Pauline also holds beneficial interests in Topone.

14 COMPARATIVE FIGURES

Certain comparative figures in the condensed profit and loss account have been reclassified to conform with the current period's presentation. The changes included the reclassification of expenses previously classified as administrative and other operating expenses to selling and distribution costs. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's operating result.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2.5 HK cents (2000: 2.5 HK cents) per share for the financial year ending 31st March 2002. The interim dividend will be payable on 10th January 2002 to shareholders whose names appear on the Register of Members of the Company on 4th January 2002.

Operating Review

Results for the Six Months Ended 30 September 2001

For the six months ended 30th September 2001, the Group has achieved a turnover of approximately HK\$690,754,000 representing a decrease of 7.6% from HK\$747,248,000 over the same period last year. Profit before taxation recorded approximately HK\$34,942,000 (2000: HK\$34,375,000). As at 30th September 2001, cash on hand reached approximately HK\$113,433,000 and earnings per share was 6.18 HK cents.

Market sentiment during the period suffered from global economic uncertainty which has affected the results of the Group.

Industry Overview

During the period under review, the local retail industry in Hong Kong was hampered by the weak economic conditions and the unstable political conditions in the U.S. The retail market for luxury goods, like jewellery, recorded a 9.4% decrease in sales in September 2001. Since consumer confidence remained weak, the jewellery industry has thus been heavily influenced.

As the China Jewellery market will be deregulated and the import tariffs will be lowered after the World Trade Organization ("WTO") accession, many Hong Kong jewellery retailers eyed this opportunity and have been building up contacts and establishing their brand images in China during the year through partnerships with local wholesalers or retailers.

Business Overview

– *Gold and Jewellery Operation*

Hong Kong

- For the period under review, the Group has 18 retail shops.
- To celebrate Luk Fook's 10th anniversary, the Group has launched a lucky draw campaign “六福10週年擦出卡裝美鑽旅遊獎上獎” as a token of appreciation to its customers.

China

- The Group provided technical support and consultancy services to over 60 jewellery retailers in China with an objective to gather market intelligence in China.
- The Group had attended the 2001 Shenzhen International Jewellery Fair during the period under review. Responses received were positive.

– *Jewellery Portal Operation*

- The Group, through its subsidiary, Jewellworld.com Limited develops an online trading platform known as jewellworld.com for suppliers, wholesalers and retailers of the gold and jewellery industry worldwide.
- The Group believes that jewellers will use jewellery portal more frequently to view product samples and to order jewellery in order to streamline their operation procedures. It would undoubtedly become a trend in Hong Kong as well as the China jewellery industry.

– *Securities Operation*

- Currently, Luk Fook Securities Limited has established two outlets. In the period under review, the Group has been working closely with OSK Asia Securities Limited. Periodical seminars and reports are distributed to customers.

– *Awards and Merits*

“2001 Grand Competition of Taiwan & Hong Kong Jade Jewelry Design”

- Finished Product Section: Best Creative Award – 「心花怒放」
- Finished Product Section: Best Craftsmanship Award and Fine Design Award – 「生命」
- Finished Product Section: Finalist Award – 「飛龍」
- Finished Product Section: Fine Design Award – 「天鵝湖」

“4th The Buyers’ Favorite Diamond Jewelry Design Competition 2001”

- Jewelry Sets Section: Silver Award – “Thinker”
- Brooch Section: Award of Merit – “Freedom”

“2001 Tahitian Pearl Trophy Design Competition”

- Ring Section: Gold Award – “PII US5.5”
- Bracelet Section: Gold Award – “Knot”
- Bracelet Section: Silver Award – “Native”
- Parure Section: Silver Award – “Harpist”
- Earring Section: Bronze Award – “Surround”

Employees

As at 30th September 2001, the total number of staff of the Group in Hong Kong was approximately 580 as compared with 650 of last year. In the period under review, the Group has continued to provide training for its staff.

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

Prospects

Hong Kong Market

- As the quota system which restricts the daily number of mainland visitors would be abolished in January 2002, it was believed that this would draw a substantial number of mainland visitors to Hong Kong. This would undoubtedly bring about positive influences to the Group's business.

Ice g. Collection

- To cater for the growing younger generation market, the Group would open a series of retail chains to launch its new Ice g. Collection in the coming year. A retail shop situated in Olympic City of West Kowloon with about 690 sq. feet is targeted to open by end of December.
- The new young line specializes in innovative European style quality products, providing caring and professional image styling.

China Market

- China's accession to the WTO will undoubtedly bring in substantial business opportunities for the Hong Kong jewellery retailers. The Group will therefore continue to expand its network in order to capture the vast jewellery retail market in China.
- The databank for culture and taste of customers throughout China which cultivated in the past few years start to yield promising results for the Group when the jewellery retailing in China is deregulated and beneficial policy for Hong Kong investors are stipulated.

Export Business

- Due to the "911 Incident" happened in the U.S., the Group has postponed its exploration to the Southeast Asia export market as planned.

Liquidity and Financial Resources

The Group's gearing ratio at the period end, being the proportion of total trade debts of approximately HK\$91,255,000 (31st March 2001: HK\$74,311,000) against total shareholders' equity of approximately HK\$485,477,000 (31st March 2001: HK\$479,559,000), was 18.8% (31st March 2001:15.5%).

Contingent Liabilities

The Group did not have any significant contingent liabilities at 30th September 2001 (31st March 2001: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 3rd January 2002 to 4th January 2002, 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 2nd January 2002.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30th September 2001, 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 INTERESTS
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Mr. Wong Wai Sheung	3,276,019	–	–	12,446,821 <i>Note (a)</i>	15,722,840
Mr. Tse Moon Chuen	1,395,344	37,781 <i>Note (b)</i>	–	–	1,433,125
Mr. Poon Kam Chi	74,070	–	–	–	74,070
Mr. Lau kwok Sum	35,294	–	–	–	35,294
Mr. Wong Koon Cheung	2,965,589	–	–	–	2,965,589
Mr. Chan Wai	3,333,022	–	–	–	3,333,022
Mr. Lee Shu Kuan	5,922,081	735,650 <i>Note (e)</i>	2,586,624 <i>Notes (c)&(d)</i>	–	9,244,355
Ms. Yeung Po Ling, Pauline	2,156,939	–	–	–	2,156,939
Mr. Hui Chiu Chung, Stephen	–	500,000 <i>Note (f)</i>	–	–	500,000

- 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 12,446,821 shares of the Company.
- Note (b)* Mr. Tse Moon Chuen's spouse, Ms. Fong Anissa King, holds 37,781 shares of 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 of 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 of the Company.
- Note (e)* Mr Lee Shu Kuan's spouse, Ms Fong Chi Ling, holds 735,650 shares of the Company.
- Note (f)* Mr. Hui Chiu Chung's spouse, Ms. Shek Milly, holds 500,000 shares of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30th September 2001, 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 30th September 2001.

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 in the Company, subject to the terms and conditions stipulated. The share options granted to certain directors of the Company were as follows:

	Number of outstanding options as at 31st March and 30th September 2001
Mr. Wong Wai Sheung	7,064,000
Mr. Tse Moon Chuen	1,761,000
Mr. Law Tim Fuk, Paul	1,236,000
Mr. Poon Kam Chi	1,305,000
Mr. Lau Kwok Sum	<u>982,000</u>
	<u>12,348,000</u>

The options were granted on 14th June 2000 under the share option scheme approved at a special general meeting of the Company on 17th April 1997. The options are exercisable at HK\$0.34 per share at anytime prior to 13th June 2010.

The closing market price of the Company's shares at 28th September 2001, the last trading date prior to the balance sheet date of 30th September 2001, was HK\$0.49 per share.

No option was granted to or exercised by the Directors during the period.

Subsequent to the balance sheet date of 30th September 2001, Mr. Lau Kwok Sum exercised options to subscribe for 400,000 shares in the Company at a price of HK\$0.34 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.

On 20th July 2001, an audit committee meeting was held to consider matters including the 2000/2001 annual report of the Company, internal controls and the implications of the new accounting standards to the Group's financial reporting in 2001/2002.

The audit committee has engaged the Company's external auditors to perform an independent review of the interim condensed consolidated accounts for the six months ended 30th September 2001 in accordance with statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants.

On 12th December 2001, an audit committee meeting was held to update on internal control matters and to review financial reporting with the directors in respect of the unaudited interim condensed consolidated accounts for the six months ended 30th September 2001.'

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, 17th December 2001

The full text of the Company's Interim Report 2001-2002 can be accessed through internet at: <http://www.irasia.com/listco/hk/lukfook>