



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
2002-2003

Ice g • Diamond Bracelet

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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 2002 together with the comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

		Unaudited	
		Six months ended	
		30th September	
	<i>Note</i>	2002	2001
		HK\$'000	HK\$'000
Turnover	2	658,740	690,754
Cost of sales		(522,869)	(541,669)
Gross profit		135,871	149,085
Other revenues	2	6,242	6,583
Selling and distribution costs		(105,262)	(106,189)
Administrative expenses		(12,324)	(12,115)
Other operating expenses		(1,783)	(2,412)
Operating profit	3	22,744	34,952
Finance costs	4	(1)	(10)
Profit before taxation		22,743	34,942
Taxation	5	(3,998)	(5,771)
Profit after taxation		18,745	29,171
Minority interests		(94)	(410)
Profit attributable to shareholders		18,651	28,761
Dividends	6	9,493	11,663
Earnings per share	7		
Basic		3.94 cents	6.18 cents
Diluted		3.85 cents	6.07 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2002 AND 31ST MARCH 2002

		Unaudited 30th September	Audited 31st March
	<i>Note</i>	2002 HK\$'000	2002 HK\$'000
Fixed assets		56,327	59,094
Other investments		3,080	2,703
Rental deposits paid		13,292	12,429
Current assets			
Inventories		385,764	372,174
Trade receivables	8	14,998	13,267
Deposits, prepayments and other receivables		13,772	11,287
Bank balances and cash		116,843	135,542
		531,377	532,270
Current liabilities			
Trade and other payables	9	84,478	87,049
Taxation payable		8,774	4,818
		93,252	91,867
Net current assets		438,125	440,403
Total assets less current liabilities		510,824	514,629
Financed by:			
Share capital	10	47,467	47,040
Reserves		450,121	439,936
Proposed final dividend	6	–	23,704
Proposed interim dividend	6	9,493	–
Shareholders' funds		507,081	510,680
Minority interests		3,743	3,949
		510,824	514,629

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow from operating activities	8,652	58,231
Net cash used in investing activities	(4,801)	(17,570)
Net cash used in financing activities	(22,550)	(21,863)
(Decrease)/increase in bank balances and cash	(18,699)	18,798
Bank balances and cash at 1st April	135,542	94,635
Bank balances and cash at 30th September	116,843	113,433

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 2002	47,040	53,577	135,713	274,350	510,680
2001/2002 final dividend paid	-	-	-	(23,704)	(23,704)
Exercise of share options	427	1,027	-	-	1,454
Profit for the period	-	-	-	18,651	18,651
At 30th September 2002	47,467	54,604	135,713	269,297	507,081

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 2001	46,477	52,226	135,713	245,143	479,559
2000/2001 final dividend paid	-	-	-	(23,306)	(23,306)
Exercise of share options	136	327	-	-	463
Profit for the period	-	-	-	28,761	28,761
At 30th September 2001	46,613	52,553	135,713	250,598	485,477

NOTES TO CONDENSED ACCOUNTS

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited consolidated condensed 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 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

These condensed accounts should be read in conjunction with the 2001/2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2002 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 effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The changes to the Group’s accounting policies are set out below and the effect of adopting these new policies is not material to the Group’s results.

(a) SSAP 11 (revised): Foreign currency translation

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(b) SSAP 34: Employee benefits

(1) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(2) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(3) Pension obligations

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. When the contributions do not fall due wholly within twelve months after the end of period in which the employees render the related service, the contributions should be discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality investments.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(4) Equity compensation benefits

Share options are granted to directors and to employees at the discretion of directors. The costs are not recognised in profit and loss account. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

2 REVENUE, TURNOVER 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. The Group also provides technical support, consultancy and quality control services to certain licensees.

Revenues recognised during the period are as follows:

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of goods	658,740	690,754
Other revenues		
Quality control service income	2,398	2,328
Consultancy service income	1,359	2,063
Commission income	925	341
Interest income	630	1,549
Web hosting service income	510	132
Dividend income	-	56
Others	420	114
	6,242	6,583
Total revenues	664,982	697,337

An analysis of the Group's revenue and results for the period by business segment is as follows:

	Six months ended 30th September									
	Retailing		Wholesaling		Other operations		Eliminations		Group	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Sales to external customers	613,977	661,285	44,763	29,469	-	-	-	-	658,740	690,754
Inter-segment sales	2,070	1,371	126,792	130,000	-	-	(128,862)	(131,371)	-	-
Other revenues from external customers	50	33	3,880	4,440	1,682	561	-	-	5,612	5,034
Inter-segment other revenues	-	-	-	-	236	236	(236)	(236)	-	-
Total	616,097	662,689	175,435	163,909	1,918	797	(129,098)	(131,607)	664,352	695,788
Segment results	31,382	39,550	5,905	5,313	(1,926)	(2,486)	-	-	35,361	42,377
Inter-segment transactions	116	124	(2,097)	1,953	(236)	(236)	-	-	(2,217)	1,841
Contribution from operations	31,498	39,674	3,808	7,266	(2,162)	(2,722)	-	-	33,144	44,218
Interest income									630	1,549
Unallocated costs									(11,030)	(10,815)
Operating profit									22,744	34,952
Finance costs									(1)	(10)
Profit before taxation									22,743	34,942
Taxation									(3,998)	(5,771)
Profit after taxation									18,745	29,171
Minority interests									(94)	(410)
Profit attributable to shareholders									18,651	28,761

No geographical analysis is presented as over 90% of the Group's revenues and results are derived from activities in Hong Kong during the periods ended 30th September 2001 and 2002.

3 OPERATING PROFIT

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Write-back of provision for slow-moving inventories	2,159	3,577
Charging		
Cost of inventories sold	525,028	545,246
Depreciation of fixed assets	6,876	7,840
Operating lease rentals in respect of land and buildings	23,635	25,255

4 FINANCE COSTS

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans	1	10

5 TAXATION

Taxation represents Hong Kong profits tax provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

6 DIVIDENDS

	Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
2001/2002 final, paid, of HK\$0.05 (2000/2001 final paid: HK\$0.05) per ordinary share (note (i))	23,704	23,306
2002/2003 interim, proposed on 18th December 2002, of HK\$0.02 (2001/2002: HK\$0.025) per ordinary share (note (ii))	9,493	11,663

Note (i): At a meeting held on 23rd July 2002, the directors proposed a final dividend of HK\$0.05 per ordinary share for the year ended 31st March 2002, which was paid on 30th August 2002 and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2002.

Note (ii): At a meeting held on 18th December 2002, the directors declared an interim dividend of HK\$0.02 per ordinary 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 2003.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$18,651,000 (2001: HK\$28,761,000) and the weighted average number of 472,960,271 (2001: 465,593,659) 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\$18,651,000 (2001: HK\$28,761,000) and the weighted average number of 484,012,410 (2001: 473,448,336) 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 majority of the Group's sales are on cash basis. Credit sales are mainly for the Group's wholesale customers with term of 30 to 90 days.

The ageing analysis of trade receivables is as follows:

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
0 – 30 days	14,989	12,756
31 – 60 days	6	475
61 – 90 days	–	34
91 – 120 days	–	–
Over 120 days	3	2
	14,998	13,267

9 TRADE AND OTHER PAYABLES

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

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
0 – 30 days	37,253	36,180
31 – 60 days	13,196	12,261
61 – 90 days	2,011	3,933
91 – 120 days	1,185	941
Over 120 days	273	296
	53,918	53,611

10 SHARE CAPITAL

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
<i>Authorised:</i>		
800,000,000 ordinary shares of HK\$0.1 each	80,000	80,000
<i>Issued and fully paid:</i>		
474,674,850 (31st March 2002: 470,398,850) ordinary shares of HK\$0.1 each	47,467	47,040

Options to subscribe for 4,276,000 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\$1,027,000 was credited to the share premium account.

At 30th September 2002, 17,833,000 share options were outstanding. The options are exercisable at HK\$0.34 per share at anytime prior to 13th June 2010.

11 COMMITMENTS

(a) Capital commitments

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Authorised but not contracted for Property, plant and equipment	–	1,739
Contracted but not provided for Land and buildings	5,155	–
Property, plant and equipment	–	1,893
	5,155	1,893

(b) Commitments under operating leases

At 30th September 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September 2002 HK\$'000	31st March 2002 HK\$'000
Within one year	34,120	35,746
In the second to fifth year inclusive	30,261	15,363
	64,381	51,109

12 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 (2001: HK\$1,080,000).
- (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 2003. 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 (2001: 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.

13 COMPARATIVE FIGURES

Certain comparative figures in the cash flow statement have been reclassified to conform with the current presentation as required under revised SSAP 15.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2.0 HK cents (2001: 2.5 HK cents) per share for the financial year ending 31st March 2003. The interim dividend will be payable on 15th January 2003 to shareholders whose names appear on the Register of Members of the Company on 6th January 2003.

Operating Review

Results for the Six Months Ended 30th September 2002

For the six months ended 30th September 2002, the Group has recorded a turnover of approximately HK\$658,740,000 representing a decrease of 4.6% from HK\$690,754,000 over the corresponding period last year. Profit before taxation reached approximately HK\$22,743,000 (2001: HK\$34,942,000). Earnings per share were 3.94 HK cents (2001: 6.18 HK cents).

During the period, although tourists from the People's Republic of China ("PRC") stimulated the consumption market of Hong Kong, this could not counteract the negative influences brought by the overall weak sentiment of the consumption market, as well as other external factors.

Industry Review

During the period under review, Hong Kong's retail market has been hampered by the continuous deflation, the high unemployment rate and the global uncertain political situation. Although there was a surge in the number of tourists visiting Hong Kong during the period, the total sales value of the overall retail market in September 2002 recorded a drop of 4.6% over the corresponding period last year. This reflected the continuous shrank in local internal demand. The sales quantity of luxury goods, like jewellery, recorded a 15.4% decrease as compared with the same period last year. As the public remained prudent in their consumption attitude, it is expected that the Hong Kong retail market would remain competitive in the short run.

After PRC's accession to the World Trade Organization ("WTO"), the tariff on jewellery will be lowered progressively and the import system of gold jewellery will also be liberated gradually. These would undoubtedly be favourable for the foreign investors to tap into the PRC jewellery market. Besides, with the enormous demand for overseas advanced facilities, technology, design and management model by the PRC jewellery refining enterprises, this provides substantial business opportunities for Hong Kong and overseas jewellery operators.

Business Review

– Gold and Jewellery Operation

Hong Kong

- For the period ended 30 September 2002, the Group has a total of 22 retail outlets with 20 under the brand name of Luk Fook and 2 under the brand name of Ice g. During the period, the Group has opened two outlets at the Peak Galleria and the Landmark North in Sheung Shui with a total floor area of 2,100 square feet. To project a fresh look to the customers, the new shops have incorporated the innovative design concept of Ice g.
- To celebrate Luk Fook's 11th anniversary and as a token of appreciation to customers' support, the Group has launched a contest named "六福珠寶閃亮11週年大獎賞" during the period under review, which includes "揭揭卡即揭即中獎", a lucky draw and a gift redemption of Winnie the Pooh jewellery cleansing machine and Tigger jewellery box. The lucky draw received overwhelming responses with over 30,000 participants. Besides, the Group has placed advertisements in several popular newspapers, magazines, MTR light boxes, TV, public vehicles' TV channels and on the body of buses, to promote the Group's brandname and the aforementioned celebration activities.
- During the period, the Group sponsored various public activities, which include:
 - The concert of Louie Castro in April;
 - The "Elva Live 2002" in August; and
 - The Diamond Crown and some jewellery pieces for the winners of the 2002 Miss Hong Kong Pageant.
- The Group has organized various sales promotion activities during the period as follows:
 - A large-scale roadshow, the 「六福珠寶至愛媽咪靚靚珠寶首飾展」 at UNY, Taikoo Shing
 - Roadshows at the Jusco Store in Tseung Kwan O and the New Jade Shopping Arcade in Chai Wan
 - A roadshow 「重燃愛火魅力」 at the Jusco Store in Lok Fu Shopping Centre
 - A roadshow at the basement of the Jusco Store in Tai Po
- During the period, the Group launched a pearl and jade collection, specially catered for Mother's Day, and has actively promoted the Hiru-Padparadscha collection.
- To play a part in the boost up of Hong Kong's tourism, the Group has participated in the "Mega Hong Kong Sale" organized by the Hong Kong Tourism Board during the period.
- Mainland tourists are fond of purchasing jewellery in Hong Kong and with the increasing number of PRC tours, the Group therefore benefited from the Labour Day holidays' Golden Week. During the first week of May 2002, the sales value of gold and other kinds of jewellery have risen approximately 30% and 50% respectively as compared with that in the first week of April 2002 which in turn enhanced the sales volume of the Group.

China

- The Group provided technical support and consultancy services to over 70 jewellery retailers in the PRC, in order to be better prepared for the opening up of the PRC jewellery market.
- During the period under review, the Group bought a land with an area of 35,000 square meters in Panyu for the construction of a large-scale jewellery-refining factory to further expand the production scale.
- During the period, the Group participated in the 1st Guangzhou (Panyu) International Jewellery Fair with overwhelming responses received.

– *Jewellery Portal Operation*

- The Group has established the portal “jewellworld.com” to provide a gateway for the global jewellery industry. It serves the purpose of providing a business-to-business trading platform among jewellery manufacturers, wholesalers and retailers around the world, as well as an additional promotion channel for the Group.
- The Group believes that jewellers will use the jewellery portal more frequently to view samples and purchase jewellery in order to streamline their operation procedures. It would undoubtedly become a trend in Hong Kong as well as the PRC’s jewellery industry.

– *Securities Operation*

- Currently, Luk Fook Securities Limited has established two outlets. During the period under review, the Group worked closely with REXCAPITAL Securities Limited (formerly OSK Asia Securities Limited) in organizing periodical seminars and distributing reports to the clients. However, the business suffered from the drying up of securities turnover in financial markets during the period.

– *Awards and Merits*

“The 1st Greater China Trophy for International Jadeite Jewellery Design Competition”

Finished Product Category	:	Premium Award – necklace “Leaves”
Finished Product Category	:	Silver Medal Award – head accessory “Great Pagoda”
Finished Product Category	:	Bronco Medal Award – bracelet “Maze”
Finished Product Category	:	Bronco Medal Award – necklace “Butterfly”
Finished Product Category	:	Bronco Medal Award – earrings “Together”
Finished Product Category	:	Creative Idea Award – necklace “The Green Fairy”
Finished Product Category	:	Creative Idea Award – necklace “Snowflakes”
Drawing Category	:	Silver Medal Award – “Break”

“5th The Buyers’ Favorite Diamond Jewellery Design Competition”

Necklace Section	:	Gold Award – “打開心扉”
Earring Section	:	Gold Award – “落葉”
Bracelet & Brooch Section	:	Gold Award – “異度”
Bracelet & Brooch Section	:	Silver Award – “Catching Life”
Creative Section	:	Bronze Award – “襯衣”

Employees

As at 30th September 2002, the number of staff of the Group in Hong Kong was approximately 640 (2001: 580). Remuneration policies are reviewed and approved by management on 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 success of the Group and performance of individual employee. The policy is to encourage employees to optimize business performance by providing them financial incentives.

Prospects

Hong Kong Market

- As the quota system that restricted the daily number of mainland visitors had abolished in January 2002, the long public holidays in the mainland would become a golden week for the retail industry of Hong Kong. The influx of mainland visitors coupled with their huge spending volume (especially in purchasing gold and diamond jewellery), would probably bring forth great business opportunities for the Group.

Ice g. Collection

- To capture the constantly growing youth market, the Group will continue to open more Ice g. retail chains, so as to promote and project a younger Group's image. More new Ice g. shops will be opened, in addition to those opened in Tuen Mun, Mongkok and Tsuen Wan subsequent to September 2002, and the Group expects to increase the number of Ice g. retail chains to 7.

PRC Market

- The abolishment of import tariff on diamonds in the PRC since this year, and the opening of the PRC gold market after the commencement of operation of Shanghai Gold Exchange, would bring forth greater opportunities for the investment and development in the PRC market. It is also expected that the Group's business in the PRC would be further consolidated.
- As the living standard of the people in the PRC is rising continuously, gold and jewellery have become their daily commodities, which leads to a rapid growth in the demand for gold and jewellery in the PRC. The Group will grasp this enormous opportunity and continue to develop its jewellery franchise business in the PRC.

Macau Market

- In order to develop the jewellery retail market in Macau, the Group has opened two retail shops in Macau.

Overseas Market

- The Group planned to explore the overseas market in the short run and the first retail shop in Canada is expected to be opened in Ontario province.

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 30th September 2002, the Group's cash on hand reached approximately HK\$116,843,000 (31st March 2002: HK\$135,542,000). The Group's debt-to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$93,252,000 (31st March 2002: HK\$91,867,000) against total shareholders' equity of approximately HK\$507,081,000 (31st March 2002: HK\$510,680,000), was 18.4% (31st March 2002: 18.0%). During the period, the Group invested approximately HK\$4,931,000 (2001: approximately HK\$17,593,000) in capital expenditures.

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30th September 2002 (31st March 2002: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 6th January 2003 to 7th January 2003, 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, Computershare Hong Kong Investor Services Company 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 3rd January 2003.

DIRECTORS' INTERESTS EQUITY OR DEBT SECURITIES

	Number of ordinary shares beneficially held				TOTAL INTEREST
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Mr. Wong Wai Sheung * Note (g)	2,626,019	–	–	6,623,177 Note (a)	9,249,196
Mr. Tse Moon Chuen * Note (g)	523,344	37,781 Note (b)	–	–	561,125
Mr. Poon Kam Chi	74,070	–	–	–	74,070
Mr. Wong Koon Cheung *Note (g)	2,965,589	–	–	–	2,965,589
Mr. Chan Wai *Note (g)	3,933,022	–	–	–	3,933,022
Mr. Lee Shu Kuan *Note (g)	5,922,081	735,650 Note (e)	2,586,624 Note (c) & (d)	–	9,244,355
Mr. Hui Chiu Chung, Stephen	–	500,000 Note (f)	–	–	500,000

Notes:

- (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. ("KKC") which is the beneficial owner of 6,623,177 shares of the Company.
- (b) Mr. Tse Moon Chuen's spouse, Ms. Fong Anissa King, holds 37,781 shares of the Company.
- (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.
- (d) Mr. Lee Shu Kuan holds 51% of the entire issued share capital of Wah Hang Kimon Holdings Limited which in turn holds 1,956,000 shares of the Company.
- (e) Mr. Lee Shu Kuan's spouse, Ms. Fong Chi Ling, holds 735,650 shares of the Company.
- (f) Mr. Hui Chiu Chung's spouse, Ms. Shek Milly, holds 500,000 shares of the Company.
- (g) Mr. Wong Wai Sheung, Mr. Tse Moon Chuen, Mr. Chan Wai, Mr. Lee Shu Kuan and Mr. Wong Koon Cheung are also directors, and together with KKC collectively control over one-third of the voting power, of Dragon King Investment Ltd. which holds 13,286,176 shares in 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 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholders	Number of ordinary 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 Miss Yeung Po Ling, Pauline have interests in Luk Fook (Control) Limited.

These interests are in addition to those disclosed above in respect of the directors and chief executives.

SHARE OPTION SCHEME

On 17th April 1997, a share option scheme ("the Scheme") was approved at a special general meeting of the Company under which the directors may, at their discretion, grant employees, including any executive directors, of the Company and any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide an employee incentive compensation plan that is based on corporate performance and is tied to the Company's share value with the goal of increasing shareholders' wealth.

(2) Eligible persons

Any employees, including any executive directors, of the Company and any of its subsidiaries.

(3) Number of shares available for grant

At 30th September 2002, the maximum number of shares available for grant is 9,093,000, representing approximately 1.9% of the issued share capital of the Company as at 30th September 2002.

(4) Maximum entitlement of each eligible person

No option shall be granted to an eligible person which would cause, at the date of grant, the aggregate number of shares over which that options is granted, together with the aggregate number of shares the subject of any other options granted to that eligible person under the scheme (whether such options have or have not been exercised at the date of grant) to exceed 25% of the aggregate number of shares already issued and issuable under the scheme.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during a period commencing on the date of grant of an option and expiring at 5:01pm on the business day preceding the tenth anniversary of the date of grant.

(6) Exercise price

The option price per share payable on the exercise of an option:

- (a) granted before 1st September 2001 was determined by the directors as being in no event less than the higher of:
 - (i) the nominal value of the shares; and
 - (ii) 80% of the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of an option.
- (b) granted on or after 1st September 2001 is determined by the directors, in compliance with the requirements of Chapter 17 of the Listing Rules, as being at least the higher of:
 - (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
 - (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

(7) Remaining life of the Scheme

The Scheme will remain in force until 16th April 2007.

The following table discloses movements in the Company's share options during the year:

	Options held at 1st April 2002	Options exercised during the period	Options held at 30th September 2002
Eligible persons			
<i>Executive Directors</i>			
Wong Wai Sheung	7,064,000	–	7,064,000
Tse Moon Chuen	1,761,000	–	1,761,000
Law Tim Fuk, Paul	1,236,000	–	1,236,000
Poon Kam Chi	1,305,000	–	1,305,000
<i>Employees under continuous contract</i>	10,743,000	4,276,000	6,467,000

All the options above were granted on 14th June 2000 and are exercisable at any time during the period from 14th June 2000 to 13th June 2010 at an exercise price of HK\$0.34 per share.

The weighted average closing price of the shares immediately before the dates on which options were exercised was HK\$0.913 in relation to the options exercised by employees under continuous contract.

During the period, no options were granted, cancelled or lapsed.

The share options granted are not recognised in the accounts until they are exercised.

Apart from the share option scheme mentioned above, none of the directors or chief executives (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares in the Company or any other body corporate.

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 22nd July 2002, an audit committee meeting was held to consider matters including the 2001/2002 annual report of the Company and internal controls.

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30th September 2002 and the Group's auditors, PricewaterhouseCoopers, have carried out a review on the relevant unaudited condensed consolidated accounts for the six months ended 30th September 2002.

On 13th December 2002, 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 condensed consolidated accounts for the six months ended 30th September 2002 and the implications of the new accounting standards to the Group's financial reporting in 2002/2003.

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 six months ended 30th September 2002.

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, 18th December 2002

The full text of the Company's Interim Report 2002-2003 can be accessed through internet at: <http://www.irasia.com/listco/hk/lukfook>