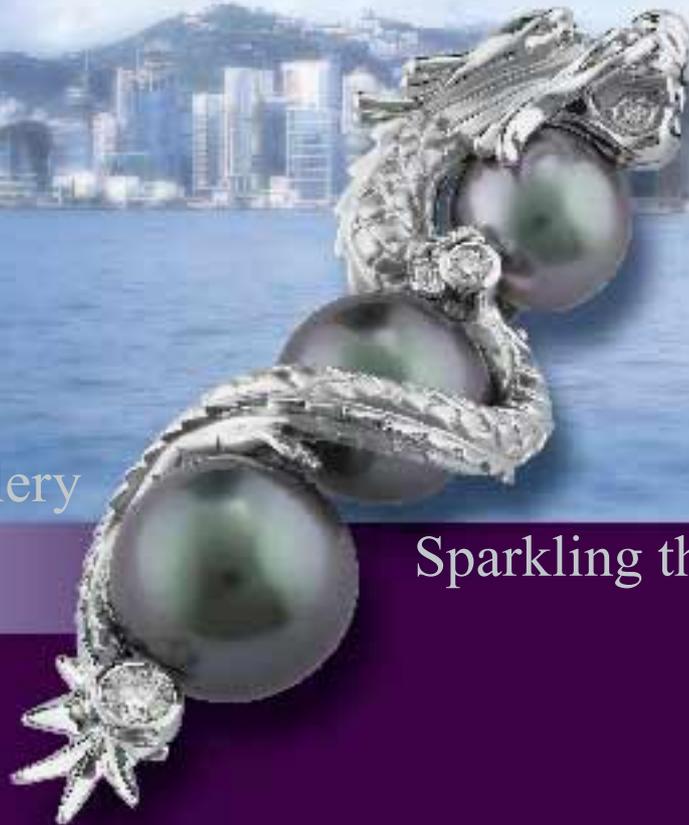


Luk Fook Jewellery

Sparkling the World

Cultural Fusion • Dragon



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with Limited Liability)

Website : <http://www.lukfook.com.hk>

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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 30th September 2003 together with comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

**Unaudited
Six months ended
30th September**

	<i>Note</i>	2003 <i>HK\$'000</i>	As restated 2002 <i>HK\$'000</i>
Turnover	2	622,482	658,740
Cost of sales		(489,024)	(522,869)
Gross profit		133,458	135,871
Other revenues	2	9,143	6,242
Selling and distribution costs		(109,822)	(105,262)
Administrative expenses		(11,353)	(12,324)
Other operating expenses		(1,420)	(1,783)
Operating profit	3	20,006	22,744
Finance costs	4	-	(1)
Profit before taxation		20,006	22,743
Taxation	5	(3,495)	(3,340)
Profit after taxation		16,511	19,403
Minority interests		(599)	(94)
Profit attributable to shareholders		15,912	19,309
Dividends	6	9,618	9,493
Earnings per share	7		
Basic		3.34 cents	4.08 cents
Diluted		3.29 cents	3.99 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2003 AND 31ST MARCH 2003

	<i>Note</i>	Unaudited 30th September 2003 HK\$'000	As restated Audited 31st March 2003 HK\$'000
Fixed assets		62,177	63,010
Other investments		3,080	3,080
Rental deposits paid		13,276	13,898
Deferred tax assets		7,302	6,473
Current assets			
Inventories		449,539	433,974
Trade receivables	8	11,605	10,317
Deposits, prepayments and other receivables		14,373	11,793
Bank balances and cash		103,616	91,072
		579,133	547,156
Current liabilities			
Trade and other payables	9	118,024	92,154
Taxation payable		10,277	5,802
		128,301	97,956
Net current assets		450,832	449,200
Total assets less current liabilities		536,667	535,661
Financed by:			
Share capital	10	48,092	47,467
Reserves		472,182	464,548
Proposed final dividend	6	-	18,987
Proposed interim dividend	6	9,618	-
Shareholders' funds		529,892	531,002
Minority interests		6,538	4,468
Deferred tax liabilities		237	191
		536,667	535,661

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

Unaudited
Six months ended
30th September

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash inflow from operating activities	33,086	8,652
Net cash used in investing activities	(4,919)	(4,801)
Net cash used in financing activities	(15,393)	(22,550)
Increase/(decrease) in bank balances and cash	12,774	(18,699)
Bank balances and cash at 1st April	91,072	135,542
Effect of foreign exchange rate changes	(230)	–
Bank balances and cash at 30th September	103,616	116,843

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Share capital	Share premium	Capital reserve	Exchange difference	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2003, as previously reported	47,467	54,604	135,713	-	286,936	524,720
Changes in accounting policy in respect of deferred taxation (note 1)	-	-	-	-	6,282	6,282
At 1st April 2003, as restated	47,467	54,604	135,713	-	293,218	531,002
2002/2003 final dividend paid	-	-	-	-	(18,987)	(18,987)
Exercise of share options	625	1,498	-	-	-	2,123
Profit for the period	-	-	-	-	15,912	15,912
Exchange differences	-	-	-	(158)	-	(158)
At 30th September 2003	48,092	56,102	135,713	(158)	290,143	529,892
At 1st April 2002, as previously reported	47,040	53,577	135,713	-	274,350	510,680
Changes in accounting policy in respect of deferred taxation (note 1)	-	-	-	-	4,708	4,708
As 1st April 2002, as restated	47,040	53,577	135,713	-	279,058	515,388
2001/2002 final dividend paid	-	-	-	-	(23,704)	(23,704)
Exercise of share options	427	1,027	-	-	-	1,454
Profit for the period	-	-	-	-	19,309	19,309
At 30th September 2002	<u>47,467</u>	<u>54,604</u>	<u>135,713</u>	<u>-</u>	<u>274,663</u>	<u>512,447</u>

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed 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 ("HKSA").

These interim accounts should be read in conjunction with the 2002/2003 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 2003, except that the Group has changed certain of its accounting policies following its adoption of revised SSAP 12 "Income Taxes" issued by the HKSA to account for deferred taxation which is effective for accounting periods commencing on or after 1st January 2003.

In previous years, deferred taxation was accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Pursuant to the revised SSAP 12, deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly. This change in accounting policy has resulted in increase of HK\$783,000 and HK\$658,000 in the profit attributable to shareholders for the six months ended 30th September 2003 and 2002 respectively. The opening retained earnings at 1st April 2003 and 2002 have been increased by HK\$6,282,000 and HK\$4,708,000 respectively.

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	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods	622,482	658,740
Other revenues		
Quality control service income	4,064	2,398
Consultancy service income	1,720	1,359
Commission income	631	925
Interest income	113	630
Web hosting service income	713	510
Others	1,902	420
	9,143	6,242
Total revenues	631,625	664,982

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Sales to external customers	580,666	613,977	41,437	44,763	379	-	-	-	622,482	658,740
Inter-segment sales	6,605	2,070	125,257	126,792	-	-	(131,862)	(128,862)	-	-
Other revenues from external customers	289	50	5,794	3,880	2,947	1,682	-	-	9,030	5,612
Inter-segment other revenues	-	-	-	-	900	236	(900)	(236)	-	-
Total	587,560	616,097	172,488	175,435	4,226	1,918	(132,762)	(129,098)	631,512	664,352
Segment results	21,651	31,382	14,581	5,905	(1,732)	(1,926)	(4,162)	(2,217)	30,338	33,144
Interest income									113	630
Unallocated costs									(10,445)	(11,030)
Operating profit									20,006	22,744
Finance costs									-	(1)
Profit before taxation									20,006	22,743
Taxation									(3,495)	(3,340)
Profit after taxation									16,511	19,403
Minority interests									(599)	(94)
Profit attributable to shareholders									15,912	19,309

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 2002 and 2003.

3. Operating profit

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Write-back of provision for slow-moving inventories	<u>192</u>	<u>2,159</u>
Charging		
Cost of inventories sold	489,216	525,028
Depreciation of fixed assets	5,787	6,876
Operating lease rentals in respect of land and buildings	25,174	23,635

4. Finance costs

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans	<u>-</u>	<u>1</u>

5. Taxation

Hong Kong profit tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profit tax rate from 16% to 17.5% for the fiscal year 2003/2004.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Current taxation		
– Hong Kong profits tax	4,278	3,998
Deferred taxation	<u>(783)</u>	<u>(658)</u>
	3,495	3,340

6. Dividends

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
2002/2003 final, paid, of HK\$0.04 (2001/2002 final, paid: HK\$0.05) per ordinary share (note (i))	18,987	23,704
2003/2004 interim, proposed on 18th December 2003, of HK\$0.02 (2002/2003 interim, paid: HK\$0.02) per ordinary share (note (ii))	9,618	9,493

Note (i): At a meeting held on 23rd July 2003, the directors declared a final dividend of HK\$0.04 per ordinary share for the year ended 31st March 2003, which was paid on 2nd September 2003 and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2003.

Note (ii): At a meeting held on 18th December 2003, the directors declared an interim dividend of HK\$0.02 per ordinary share for the year ending 31st March 2004. 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 2004.

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,912,000 (2002: HK\$19,309,000) and the weighted average number of 475,891,151 (2002: 472,960,271) 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\$15,912,000 (2002: HK\$19,309,000) and the weighted average number of 483,332,508 (2002: 484,012,410) 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 terms of 30 to 90 days.

The ageing analysis of trade receivables is as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 – 30 days	11,605	10,209
31 – 60 days	-	85
61 – 90 days	-	8
91 – 120 days	-	-
Over 120 days	-	15
	11,605	10,317

9. Trade and other payables

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

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 – 30 days	58,811	36,662
31 – 60 days	19,954	14,074
61 – 90 days	4,721	4,539
91 – 120 days	1,443	3,989
Over 120 days	555	39
	85,484	59,303

10. Share capital

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.1 each	80,000	80,000
Issued and fully paid:		
480,918,850 (31st March 2003: 474,674,850) ordinary shares of HK\$0.1 each	48,092	47,467

Options to subscribe for 6,244,000 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 shares of HK\$1,498,000 was credited to the share premium account.

At 30th September 2003, 11,589,000 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 2003 HK\$'000	31st March 2003 HK\$'000
Contracted but not provided for Property, plant and equipment	<u>45,192</u>	<u>2,751</u>
Authorised but not contracted for Property, plant and equipment	<u>-</u>	<u>2,380</u>

(b) Commitments under operating leases

At 30th September 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Within one year	<u>47,900</u>	46,449
In the second to fifth year inclusive	<u>43,759</u>	<u>43,860</u>
	<u>91,659</u>	<u>90,309</u>

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 1 year expiring on 31st December 2003 (2002: 2 years expired on 31st December 2002). During the period, rental payable to Mr. Wong Kwai Sang amounted to HK\$720,000 (2002: 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 2004 (2002: 1 year expired 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\$189,996 (2002: 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2.0 HK cents (2002: 2.0 HK cents) per share for the financial year ending 31st March 2004. The interim dividend will be payable on 15th January 2004 to shareholders whose names appear on the Register of Members of the Company on 6th January 2004.

Operating Review

For the six months ended 30th September 2003, the Group recorded a turnover of approximately HK\$622,482,000, representing a decrease of 5.5% from HK\$658,740,000 over the corresponding period in last year. Profit before taxation reached approximately HK\$20,006,000 (2002: HK\$22,743,000). Earnings per share were 3.34 HK cents (2002: 4.08 HK cents).

Benefited from the increasing number of visitors from the PRC, the Group revived and has successfully narrowed down the loss in sales during the Severe Acute Respiratory Syndrome ("SARS") period. The proportion of local and PRC customers became more even, each accounted for approximately half of the sales.

Industry Review

During the period under review, the number of mainland visitors dropped significantly due to the adverse impact of SARS and the cancellation of the PRC "Golden Week" holidays in May. The sluggish retail market was thus further hampered. According to Government statistics, the sales of luxury goods, like jewellery, recorded a 47% decrease in April 2003.

The situation turnaround remarkably during the period between June to September. The lifting of the travel advisory on Hong Kong and Guangdong Province by the World Health Organization and the relaxation of the travel restrictions by the PRC Government, have both stimulated the local retail market and brought the stagnant retail industry back to life.

Business Review

Gold and Jewellery Operation

Hong Kong

As at 30th September 2003, the Group has a total of 29 retail outlets, with 23 under the brand name of Luk Fook and 6 under the brand name of Ice g. In the period, the shop located in Good Hope Building, Mongkok was relocated to Hanford House, Jordan. And another retail outlet in Mongkok was renovated with a fresh look.

To enhance the corporate profile of the Group and to respond to the influx of visitors from the PRC, the Group has organized, participated and sponsored various marketing promotion activities, including:

- Participated in the "荃灣珠寶金飾坊" scheme and offered cash coupon rebate;
- Launched the "六福珠寶旅遊貴賓卡" offer with an aim to encourage the PRC visitors and their relatives to spend in Luk Fook and they will have the chance of winning jewellery pieces worth HK\$30,000;
- Sponsored the Diamond Crown and some jewellery pieces for the winners of the 2003 Miss Hong Kong Pageant;

- Participated in the "Hong Kong Jewellery & Watch Fair 2003", displaying the Group's award-winning designs at various jewellery design competitions;
- To celebrate Luk Fook's 12th anniversary, the Group has launched "六福珠寶即買即賞無限獎" during the period under review with overwhelming responses received. With purchase of up to a certain amount, customers will receive cash coupon rebate and gifts. Rewards would be doubled if customers choose to pay their bills with EPS.

Being a Hong Kong local brand, the Group has entered into an agreement with the American Chamber of Commerce in October 2003 to sponsor tickets worth HK\$1 million for three of the Hong Kong Harbour Fest's shows. The sponsorship signifies the Group's support and concern for the revival of the local economy. In addition, through rewarding customers with the tickets on complimentary basis, individual tourists from the PRC had the chance to participate and share the excitement of this major Hong Kong event.

The PRC

During the period under review, the Group has obtained the sole-proprietorship license to retail and distribute gold jewellery in the PRC. It planned to open flagship stores in Shenzhen, Guangzhou, Beijing and Shanghai. Together with the 80 jewellery retailers in the PRC being authorized to operate under the brand name of Luk Fook. The sales network is expected to expand further so as to reinforce the brand awareness of Luk Fook in the PRC.

Securities Operation

During the period, the Group ceased its securities operation, with a target to re-engineer its resources and to focus on the development of its major jewellery operation.

Awards and Merits

"Tahitian Pearl Trophy 2003"

Cultural Fusion Award: Pendant "Dragon"

Brooch Category: Winner – "Chopsticks"

Pendant Category: Winner – "Shimmer"

Earrings Category: Winner – "Water Screen"

Earrings Category: 1st runner up – "Flow"

Parure Category: 2nd runner up – "Wavelet"

Employees

As at 30th September 2003, the number of staff of the Group in Hong Kong was approximately 683 (2002: 640). 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 success 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

Leveraged on the relaxation of the travel restrictions by the PRC Government, the launching of the RMB credit card and debit card in Hong Kong next year and RMB being freely convertible, the spending power of PRC tourists is expected to enhance further, thus boosting the turnover growth of the Group. In addition, the Group has also opened a retail outlet of approximately 488 sq.ft. in the Shatin railway station, New Territories. It commenced operation in mid-December.

The PRC Market

The continuous growth of the PRC economy boosted the demand for luxury products. It is expected to create enormous business opportunity for jewellery brands. Having obtained the sole-proprietorship license, the Group is actively in search of appropriate locations to set up retail outlets and to develop its wholesales business in the PRC.

After obtaining the sole-proprietorship license, the Group could manufacture gold jewellery in the PRC. The construction of the large-scale jewellery processing plant in Panyu is in stable progress and the Group has celebrated the topping-up of the new plant on 5th December 2003. The production facility is expected to commence operation in July next year with a total investment reaching approximately HK\$60 million.

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 30th September 2003, the Group's cash on hand reached approximately HK\$104,000,000 (31st March 2003: HK\$91,000,000). The Group's debt-to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$128,000,000 (31st March 2003: HK\$98,000,000) against total shareholders' equity of approximately HK\$530,000,000 (31st March 2003: HK\$531,000,000), was 24.2% (31st March 2003: 18.5%). During the period, the capital investment of the Group was approximately HK\$5,000,000 (2002: HK\$4,931,000).

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 2003 (31st March 2003: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 5th January 2004 to 6th January 2004, 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 2004.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September 2003, the register maintained under Section 352 of the Securities and Futures Ordinance ("SFO") showed that the following directors (including the chief executive officer) had interests and short positions in the securities and underlying securities in the Company and its associated corporations:

I. Long positions in shares and underlying shares of the Company:

	Beneficial Owner	Child under 18 or Spouse	Controlled Corporation	Beneficiary of Trust	Share Option	TOTAL INTEREST	% of Shares in Issue
Mr. Wong Wai Sheung <i>Luk Fook (Control) Limited* Note (a)</i> <i>Dragon King Investment Limited* Note (b)</i> <i>Kwai Kee Cheung Jewellery & Goldsmith Company Limited* Note (c)</i>	8,776,878	-	245,144,176 231,858,000 13,286,176	4,915,177 4,915,177	7,064,000	265,900,231	55.29%
Mr. Tse Moon Chuen <i>Luk Fook (Control) Limited* Note (a)</i> <i>Dragon King Investment Limited* Note (b)</i>	224,344	-	245,144,176 231,858,000 13,286,176	-	-	245,368,520	51.02%
Mr. Law Tim Fuk, Paul	1,236,000	-	-	-	-	1,236,000	0.26%
Mr. Poon Kam Chi	600,000	-	-	-	-	600,000	0.12%
Mr. Wong Koon Cheung <i>Luk Fook (Control) Limited* Note (a)</i> <i>Dragon King Investment Limited* Note (b)</i>	2,965,589	-	245,144,176 231,858,000 13,286,176	-	-	248,109,765	51.59%
Mr. Chan Wai <i>Luk Fook (Control) Limited* Note (a)</i> <i>Dragon King Investment Limited* Note (b)</i>	4,299,022	-	245,144,176 231,858,000 13,286,176	-	-	249,443,198	51.87%
Mr. Lee Shu Kuan <i>Luk Fook (Control) Limited* Note (a)</i> <i>Dragon King Investment Limited* Note (b)</i> <i>Ms. Fong Chi Ling* Note (d)</i> <i>Wah Hang Kimon Investments Limited* Note (e)</i> <i>Wah Hang Kimon Holdings Ltd.* Note (f)</i>	5,922,081	735,650	247,730,800 231,858,000 13,286,176 735,650 630,624 1,956,000	-	-	254,388,531	52.90%
Mr. Hui Chiu Chung, Stephen <i>Ms. Shek Milly* Note (g)</i>	-	400,000	-	-	-	400,000	0.08%



- Note (a)* 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 their associates collectively control over one-half of the voting power, of Luk Fook (Control) Ltd. which holds 231,858,000 shares in the Company. These directors were deemed to be interested in the same shares, relevant disclosures were therefore duplicated for the purpose of SFO.
- Note (b)* 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 their associates collectively control over one-third of the voting power, of Dragon King Investment Ltd. which holds 13,286,176 shares in the Company. These directors were deemed to be interested in the same shares, relevant disclosures were therefore duplicated for the purpose of SFO.
- Note (c)* 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 4,915,177 shares of the Company.
- Note (d)* Mr. Lee Shu Kuan's spouse, Ms. Fong Chi Ling, holds 735,650 shares of the Company.
- Note (e)* 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 (f)* 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.
- Note (g)* Mr. Hui Chiu Chung's spouse, Ms. Shek Milly, holds 400,000 shares of the Company.

II. Long positions in shares and underlying shares of Luk Fook (Control) Limited (“LFC”), the ultimate holding company:

	Beneficial Owner	Child under 18 or Spouse	Controlled Corporation	Beneficiary of Trust	TOTAL INTEREST	% of Shares in Issue
Mr. Wong Wai Sheung <i>Kwai Kee Cheung Jewellery & Goldsmith Company Limited* Note (a)</i>	478,111	–	–	33,525,577	34,003,688	34.00%
				33,525,577		
Mr. Tse Moon Chuen <i>Ms. Fong Anissa King* Note (b)</i> <i>Moon Chuen Investment Limited* Note (c)</i>	–	82,853 82,853	1,916,100	–	1,998,953	2.00%
			1,916,100			
Mr. Poon Kam Chi	162,435	–	–	–	162,435	0.16%
Mr. Lau Kwok Sum	1,600	–	–	–	1,600	0.002%
Mr. Wong Koon Cheung	3,934,147	–	–	–	3,934,147	3.93%
Mr. Chan Wai	6,427,843	–	–	–	6,427,843	6.43%
Mr. Lee Shu Kuan <i>Ms. Fong Chi Ling* Note (d)</i> <i>Wah Hang Kimon Investments Limited * Note (e)</i>	6,489,545	645,307 645,307	1,093,575	–	8,228,427	8.23%
			1,093,575			

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 33,525,577 shares of LFC.

Note (b) Mr. Tse Moon Chuen’s spouse, Ms. Fong Anissa King, holds 82,853 shares of the Company.

Note (c) Mr. Tse Moon Chuen holds 100% of the entire issued share capital of Moon Chuen Investment Limited which in turn holds 1,916,100 shares of LFC.

Note (d) Mr. Lee Shu Kuan’s spouse, Ms. Fong Chi Ling, holds 645,307 shares of LFC.

Note (e) Mr. Lee Shu Kuan holds 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn holds 1,093,575 shares of LFC.

Under the SFO, other than those interests disclosed above, as at 30th September 2003, none of the directors (including the chief executive officer), nor their respective associates, had any other interests (nor any short positions) in any securities (nor in any underlying securities) in the Company and its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September 2003, the register maintained under Section 336 of the SFO showed that the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares held	Percentage of issued share capital
Luk Fook (Control) Limited	231,858,000	48.2%

Other than those interests and short positions in the securities and underlying securities in the Company as disclosed above under Section 336 of the SFO, the Company had not been notified of any other interests and short positions in its securities and underlying securities as of 30th September 2003.

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 issue

At 30th September 2003, the maximum number of shares available for issue is 20,682,000, representing approximately 4.3% of the issued share capital of the Company as at 30th September 2003.

(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 5:01 p.m. 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 (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 period:

Eligible persons	Options held at 1st April 2003	Options Exercised During period	Options held at 30th September 2003
<i>Executive Directors</i>			
Mr. Wong Wai Sheung	7,064,000	–	7,064,000
Mr. Tse Moon Chuen	1,761,000	(1,761,000)	–
Mr. Law Tim Fuk, Paul	1,236,000	(1,236,000)	–
Mr. Poon Kam Chi	1,305,000	(1,305,000)	–
<i>Employees under continuous contract</i>	6,467,000	(1,942,000)	4,525,000

All the above options were granted on 14th June 2000 and are exercisable at anytime 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 prices of the shares immediately before the dates on which options were exercised were HK\$1.343 and HK\$1.370 respectively in relation to the options exercised by the directors and employees under continuous contract.

The closing market price of the Company's shares at 30th September 2003 was HK\$1.39 per share.

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 2003, an audit committee meeting was held to consider matters including the 2002/2003 annual report of the Company and internal controls.

On 30th September 2003 and 6th November 2003, audit committee meetings were held to discuss the Group's IT controls environment.

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30th September 2003 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 2003.

On 17th December 2003, 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 2003 and the implications of the new accounting standards to the Group's financial reporting in 2003/2004.

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 2003.

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 2003