



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with Limited Liability)

DTC “*Diamonds : Nature’s Miracle*”
International Design Competition

Hong Kong Award Winning Piece • Lava

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 2004 together with comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

		Unaudited Six months ended 30th September	
		2004	2003
		HK\$'000	HK\$'000
Turnover	2	869,058	622,482
Cost of sales		(687,946)	(489,024)
Gross profit		181,112	133,458
Other revenues	2	12,534	9,143
Selling and distribution costs		(120,345)	(109,822)
Administrative expenses		(12,726)	(11,353)
Other operating expenses		(1,851)	(1,420)
Gain on disposal of land and building		16,537	–
Operating profit	3	75,261	20,006
Finance costs		(132)	–
Profit before taxation		75,129	20,006
Taxation	4	(9,498)	(3,495)
Profit after taxation		65,631	16,511
Minority interests		(841)	(599)
Profit attributable to shareholders		64,790	15,912
Dividends	5	19,418	9,618
Earnings per share	6		
Basic		13.47 cents	3.34 cents
Diluted		13.23 cents	3.29 cents

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2004

	<i>Note</i>	Unaudited 30th September 2004 HK\$'000	Audited 31st March 2004 HK\$'000
Non-current assets			
Fixed assets	7	86,999	98,709
Other investments		3,220	3,220
Rental deposits paid		18,320	14,127
Deferred tax assets		7,532	7,159
		116,071	123,215
Current assets			
Property held for sale		37,975	–
Inventories		542,852	488,088
Trade receivables	8	21,540	16,606
Deposits, prepayments and other receivables		13,459	10,409
Bank balances and cash		102,879	73,126
		718,705	588,229
Current liabilities			
Trade and other payables	9	139,236	112,403
Taxation payable		18,331	7,916
Current portion of long-term bank loan, secured	10	5,040	–
Short-term bank loan		20,000	–
		182,607	120,319
Net current assets		536,098	467,910
Total assets less current liabilities		652,169	591,125
Financed by:			
Share capital	11	48,097	48,097
Reserves		556,465	511,011
Proposed final dividend	5	–	24,049
Proposed interim dividend	5	19,418	–
Shareholders' funds		623,980	583,157
Minority interests		9,167	7,836
Long-term bank loan, secured	10	18,900	–
Deferred tax liabilities		122	132
		652,169	591,125

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

**Unaudited
Six months ended
30th September**

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash inflow from operating activities	25,303	33,086
Net cash used in investing activities	(15,938)	(4,919)
Net cash generated from/(used in) financing activities	20,381	(15,393)
Increase in bank balances and cash	29,746	12,774
Bank balances and cash at 1st April	73,126	91,072
Effect of foreign exchange rate changes	7	(230)
Bank balances and cash at 30th September	102,879	103,616

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 2004	48,097	56,116	135,713	1,796	(143)	341,578	583,157
2003/2004 final dividend paid	-	-	-	-	-	(24,049)	(24,049)
Profit for the period	-	-	-	-	-	64,790	64,790
Exchange differences	-	-	-	-	82	-	82
	<u>48,097</u>	<u>56,116</u>	<u>135,713</u>	<u>1,796</u>	<u>(61)</u>	<u>382,319</u>	<u>623,980</u>
At 30th September 2004							
	Unaudited						
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Total HK\$'000	
At 1st April 2003	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)	
	<u>48,092</u>	<u>56,102</u>	<u>135,713</u>	<u>(158)</u>	<u>290,143</u>	<u>529,892</u>	
At 30th September 2003							

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and accounting policies

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 Institute of Certified Public Accountants ("HKICPA"). These interim accounts should be read in conjunction with the 2003/2004 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 2004.

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	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of goods	869,058	622,482
Other revenues		
Services income	6,465	4,064
Consultancy service income	2,795	1,720
Interest income	41	113
Web hosting service income	589	713
Others	2,644	2,533
	12,534	9,143
Total revenues	881,592	631,625

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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Sales to external customers	794,848	580,666	71,915	41,437	2,295	379	-	-	869,058	622,482
Inter-segment sales	7,088	6,605	188,861	125,257	-	-	(195,949)	(131,862)	-	-
Other revenues from external customers	85	289	9,894	5,794	2,514	2,947	-	-	12,493	9,030
Inter-segment other revenues	-	-	-	-	629	900	(629)	(900)	-	-
Total	802,021	587,560	270,670	172,488	5,438	4,226	(196,578)	(132,762)	881,551	631,512
Segment results	47,986	21,651	23,836	14,581	169	(1,732)	(660)	(4,162)	71,331	30,338
Interest income									41	113
Unallocated costs									(12,648)	(10,445)
Gain on disposal of land and building	16,537								16,537	-
Operating profit									75,261	20,006
Finance costs									(132)	-
Profit before taxation									75,129	20,006
Taxation									(9,498)	(3,495)
Profit after taxation									65,631	16,511
Minority interests									(841)	(599)
Profit attributable to shareholders									64,790	15,912

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 2003 and 2004.

3. Operating profit

Operating profit is stated after crediting and charging the following:

Crediting

Write-back of provision for slow-moving inventories

Charging

Cost of inventories sold

Provision for slow-moving inventories

Depreciation of fixed assets

Operating lease rentals in respect of land and buildings

**Six months ended
30th September**

	2004	2003
	HK\$'000	HK\$'000
	–	192
	687,127	489,216
	819	–
	5,651	5,787
	29,294	25,174

4. Taxation

Hong Kong profit tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

**Six months ended
30th September**

	2004	2003
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	9,881	4,278
Deferred taxation	(383)	(783)
	9,498	3,495

5. Dividends

	Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000
2003/2004 final, paid, of HK\$0.05 (2002/2003 final, paid: HK\$0.04) per ordinary share (note (i))	<u>24,049</u>	<u>18,987</u>
2004/2005 interim, proposed on 16th December 2004, of HK\$0.04 (2003/2004 interim, paid: HK\$0.02) per ordinary share (note (ii))	<u>19,418</u>	<u>9,618</u>

Note (i): At a meeting held on 23rd July 2004, the directors declared a final dividend of HK\$0.05 per ordinary share for the year ended 31st March 2004, which was paid on 15th September 2004 and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2004.

Note (ii): At a meeting held on 16th December 2004, the directors proposed an interim dividend of HK\$0.04 per ordinary share for the year ending 31st March 2005. 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 2005.

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$64,790,000 (2003: HK\$15,912,000) and the weighted average number of 480,974,850 (2003: 475,891,151) 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\$64,790,000 (2003: HK\$15,912,000) and the weighted average number of 489,798,890 (2003: 483,332,508) 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.

7. Capital expenditure

	Fixed assets HK\$'000
At 1st April 2004	98,709
Exchange adjustment	75
Additions	20,326
Disposals	(26,460)
Depreciation for the period	<u>(5,651)</u>
At 30th September 2004	<u>86,999</u>

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 2004 HK\$'000	31st March 2004 HK\$'000
0 – 30 days	20,765	16,488
31 – 60 days	18	61
61 – 90 days	432	7
91 – 120 days	24	–
Over 120 days	301	50
	<u>21,540</u>	<u>16,606</u>

9. Trade and other payables

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

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
0 – 30 days	56,888	42,439
31 – 60 days	28,023	27,866
61 – 90 days	7,603	3,781
91 – 120 days	3,706	3,619
Over 120 days	2,368	900
	<u>98,588</u>	<u>78,605</u>

10. Long-term bank loan, secured

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Bank loan, secured	23,940	–
Current portion of long-term bank loan, secured	(5,040)	–
	<u>18,900</u>	<u>–</u>

At 30th September 2004, the Group's bank loans were repayable as follows:

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Within one year	5,040	–
In the second year	5,040	–
In the third to fifth year	13,860	–
	<u>23,940</u>	<u>–</u>

At 30th September 2004, the long-term bank loan was secured by the Group's property held for sale with carrying amount of HK\$37,975,000.

11. Share capital

	30th September 2004 HK\$'000	31st March 2004 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:		
480,974,850 (31st March 2004: 480,974,850) ordinary shares of HK\$0.1 each	<u>48,097</u>	<u>48,097</u>

There were no options being exercised during the period.

At 30th September 2004, there were 11,533,000 (31st March 2004: 11,533,000) share options outstanding which are exercisable at HK\$0.34 per share at anytime prior to 13th June 2010.

12. Commitments

(a) Capital commitments

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Contracted but not provided for Property, plant and equipment	<u>19,038</u>	<u>59,704</u>

(b) Commitments under operating leases

At 30th September 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September 2004 HK\$'000	31st March 2004 HK\$'000
Within one year	67,897	52,313
In the second to fifth year	88,077	59,903
	155,974	112,216

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 one year expiring on 31st December 2004 (2003: one year expired on 31st December 2003). During the period, rental payable to Mr. Wong Kwai Sang amounted to HK\$720,000 (2003: HK\$720,000).
- (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 one year expiring on 31st March 2005 (2003: one year expired on 31st March 2004). 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 (2003: HK\$189,996).

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

14. Approval of interim accounts

The interim accounts were approved by the board of directors on 16th December 2004.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 4.0 HK cents (2003: 2.0 HK cents) per share for the financial year ending 31st March 2005. The interim dividend will be payable on 13th January 2005 to shareholders whose names appear on the Register of Members of the Company on 6th January 2005.

Operation Review

For the six months ended 30th September 2004, the Group recorded a turnover of approximately HK\$869,058,000, representing an increase of 39.6% from HK\$622,482,000 last year. Profit attributable to shareholders reached approximately HK\$64,790,000 (2003: HK\$15,912,000). Basic earnings per share were 13.47 HK cents (2003: 3.34 HK cents).

To fully capitalize on the enormous business opportunities arising from the gradual recovery of Hong Kong's economy and the high flow of mainland travelers in town, the Group has actively expanded its retail outlets in the PRC and Hong Kong for the period under review. Currently, the Group has 27 retail outlets under the brand name of Luk Fook and 5 under Ice g. in Hong Kong, Macau, the PRC and Canada.

Industry Review

First half of the financial year has been a fruitful period for the entire retail industry in Hong Kong. The gradual recovery of Hong Kong economy and dropped unemployment rate had revived the spending sentiment of the Hong Kong people, creating a favorable operational environment as a whole. Furthermore, the individual visit scheme continued to play its role as a major driving force to the jewellery industry. Jewellery is the all-time favorite of the mainland tourists. Such demand has presented enormous opportunities, as well as a competitive operation environment to the industry. Only those companies with a strong brand name, innovative and quality products and widespread market presence can survive in such market environment.

Business Review

Hong Kong

Continuously expanding its market share in the PRC market, the Group also eyes business opportunities in Hong Kong in light of its positive economic outlook and favorable traveling policies of the PRC. For the period under review, the Group opened a retail shop in Yuen Long and expanded its retail outlet in Causeway Bay, famous tourist site in Hong Kong, with total floor area doubled, so as to provide higher quality service and more diversify products to both local and foreign customers in town.

As per latest figure published, an expected 20 million visitors will visit Hong Kong through the airport during the year. The Group, thus, opened its retail outlet at the Hong Kong Chek Lap Kok International Airport in August. As one of the busiest airports in the world, the passenger terminal has long been regarded as the place for international brand name products. To open a retail outlet in such a location would significantly enhance the Group's profile and position in the industry.

For the period under review, the Group continues to promote its brand name of Ice g. for younger customers. The Group will keep on to promote this brand and will place Ice g. under the roof of Luk Fook shops to achieve economy of scale.

PRC

The Group has been actively developing the PRC market. In September, the Group opened its retail outlet at the Guangzhou Baiyun International Airport. It is located at new Passenger Terminal with total floor area of approximately 117.53 square meters. Being the top three busiest international airports in the PRC, the Guangzhou Baiyun International Airport has an average passenger throughput of approximately 40,000 per day with airlines connecting to 77 local cities and 22 cities overseas at present. The Group believes that this airport retail outlet would realize the Group's globalization strategy of development, facilitate the Group to further promote its brand name. In addition, for the period under review, the licensee shops of the Group increase to over 120 in 59 cities in the PRC. The Group believes this move would further enhance its brand name.

In addition, the Group's new jewellery manufacturing plant in Panyu, Guangdong has commenced operation in the fourth quarter of 2004, which will triple the existing production capacity. During the period under review, renovation work and the installation of machines and equipment were carried out.

Overseas Expansion

Eyeing the booming casino and tourist attractions in Macau, the Group is identifying suitable shop location. This year, the Group has opened a new shop at Aveida Almeida Riberio, the busiest tourism district in Macau.

Apart from its core operation in Hong Kong and an expanding reach to the PRC, the Group has successfully penetrated into overseas markets. Following the satisfactory penetration into the Canadian market with two retail outlets in Toronto and one shop in Vancouver, the Group is planning to open retail outlets in New York, Las Vegas and Southeast Asia in the future, aiming to augment Luk Fook as an international brand.

Awards and merits

The Group is renowned for its award-winning design. Its competitive advantage in the aspect has been further affirmed with the numerous awards and merits received in the review period.

The Group achieved outstanding results at the 5th Hong Kong Jewellery Design Competition. It has successfully won two "Best of Show" Awards and six Merit Awards, namely "Blissful Jump" – earrings and "Rebirth" – necklace.

In addition, the Group had been selected in the DTC "Diamond: Nature's Miracle" International Design Competition, organized by DTC. The competition has 1,300 designers from 16 countries participated. The design of Luk Fook, namely "Lava", wins Hong Kong Award winning piece, utilizes the glittering of brown diamond to present a graceful and distinctive image.

In "The 3rd Tahitian Pearl Trophy", the Group's necklace "Dragon" won the 2003-2004 International Winner – Regional; In "International Design Competition for Trendy Jadeite Jewellery", the Group was awarded 3 top prizes in the finished product division of Jadeite Jewellery; also, the Group's pieces named "Never – ending", "Contact", "Meteor", "Fire Diamond", "Gyration" and "Wishes" won seven prizes in "The 6th Buyers' Favorite Jewelry Design Competition".

The 6th Buyers' Favorite Jewelry Design Competition

Product	Award	Category
Never-ending	Gold Prize	Earrings
	The Best of The Best	
Contact	Gold Prize	Free Style Design
Meteor	Silver Prize	Earrings
Fire Diamond	Silver Prize	Ring
Gyration	Bronze Prize	Bracelet
Wishes	Bronze Prize	Necklace

For the period under review, the Group has participated different large-scale exhibitions namely the "China International Gold, Jewelry and Gem Fair 2004, Guangzhou", "Hong Kong Jewellery & Watch Fair 2004" and "Shenzhen International Jewellery Fair 2004". In addition, the Group has conducted a joint promotion with DTC to promote the DTC Forevermark "Love Statement Collection".

The Group was pleased to be the sponsor of the Diamond Crown and Jewellery Pieces for the Winners of the Miss Hong Kong Pageant 2004, which the Group has sponsored for seven consecutive years. In the review period, the Group has sponsored the Police Dragon Boat Club Charity Ride.

Employees

As at 30th September 2004, the number of employees of the Group was approximately 796 (31st March 2004: 724). 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

The continuous economic growth in the PRC boosts the demand for high-end consumer products like gold and jewellery. The Group has been actively developing the PRC market for years and has established more than 120 licensee shops in the country. With these licensee shops, the Group could further promote the brand name and consolidate its position as a renowned jewellery retailer in the PRC. From 1st to 4th October, the Group hosted ribbon-cutting ceremonies for 8 licensee shops in several major cities of the Guangdong province including Zhongshan, Jiangmen, Guangzhou and Foshan.

With the benefits accompanied the favorable traveling policies, the outlook for the jewellery industry in Hong Kong is expected to be rosy. Furthermore, starting from 1st January 2005, the maximum amount of RMB that PRC visitors are allowed to bring abroad will increase from RMB6,000 to RMB20,000, together with the wider use of China UnionPay Card, the Group believes that these measures will stimulate the consumption of Mainland China visitor. Under such an encouraging environment, the Group will continue its endeavors to identify suitable locations for more retail outlets. Leveraging on its brandname established among the mainland tourists, the Group will also keep on expanding its market share in the PRC by establishing more licensee shops.

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 30th September 2004, the Group's cash and bank balances reached approximately HK\$103,000,000 (31st March 2004: HK\$73,000,000). The Group's debt-to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$201,000,000 (31st March 2004: HK\$120,000,000) against total shareholders' equity of approximately HK\$624,000,000 (31st March 2004: HK\$583,000,000), was 32.2% (31st March 2004: 20.6%). During the period, the capital investment of the Group was approximately HK\$20,000,000 (2003: HK\$5,000,000). As at 30th September 2004, the Group had banking facilities amounted to approximately HK\$94,000,000 (31st March 2004: HK\$59,000,000) out of which HK\$45,000,000 (31st March 2004: Nil) was utilised. Certain facilities were secured by mortgage over the Group's land and building to the extent of HK\$25,000,000 (31st March 2004: Nil).

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 at 30th September 2004 (31st March 2004: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 5th January 2005 to 6th January 2005, 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 4th January 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September 2004, save as disclosed below, none of the director and chief executive of the Company had interests and short positions in the shares, underlying shares and debentures of the issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Exchange:

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

Name of Director	Beneficial Owner	Child		Beneficiary of Trust	Share Option	TOTAL INTEREST	% of Shares
		under 18 or Spouse	Controlled Corporation				
Mr. WONG Wai Sheung	412,878	-	245,144,176 <i>note (a) & (b)</i>	3,628,010 <i>note (c)</i>	7,064,000	256,249,064	53.28%
Mr. TSE Moon Chuen	23,344	-	245,144,176 <i>note (a) & (b)</i>	-	-	245,167,520	50.97%
Mr. LAW Tim Fuk, Paul	1,236,000	-	-	-	-	1,236,000	0.26%
Mr. WONG Koon Cheung	2,678,090	-	245,144,176 <i>note (a) & (b)</i>	-	-	247,822,266	51.52%
Mr. CHAN Wai	4,299,022	-	245,144,176 <i>note (a) & (b)</i>	-	-	249,443,198	51.86%
Mr. LEE Shu Kuan	5,634,579	735,650 <i>note (f)</i>	247,730,800 <i>note (a), (b), (d) & (e)</i>	-	-	254,101,029	52.83%

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 3,628,010 shares of the Company.

Note (d) 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 (e) 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 (f) Mr. LEE Shu Kuan's spouse, Ms. FONG Chi Ling, holds 735,650 shares of the Company.

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

Name of Director	Beneficial Owner	Child under 18 or Spouse	Controlled Corporation	Beneficiary of Trust	TOTAL INTEREST	% of Shares
Mr. WONG Wai Sheung	478,111	–	–	33,977,450 <i>note (a)</i>	34,455,561	34.46%
Mr. TSE Moon Chuen	–	82,853 <i>note (b)</i>	1,916,100 <i>note (c)</i>	–	1,998,953	2.00%
Mr. POON Kam Chi	162,435	–	–	–	162,435	0.16%
Mr. LAU Kwok Sum	1,600	–	–	–	1,600	0.002%
Mr. WONG Koon Cheung	4,553,433	–	–	–	4,553,433	4.55%
Mr. CHAN Wai	6,427,843	–	–	–	6,427,843	6.43%
Mr. LEE Shu Kuan	6,613,544	645,307 <i>note (d)</i>	1,093,575 <i>note (e)</i>	–	8,352,426	8.35%
Miss YEUNG Po Ling, Pauline	60,000	–	–	–	60,000	0.06%

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 33,977,450 shares of Luk Fook Control Limited.

Note (b) Mr. TSE Moon Chuen's spouse, Ms. FONG Anissa King, holds 82,853 shares of Luk Fook Control Limited.

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 Luk Fook Control Limited.

Note (d) Mr. LEE Shu Kuan's spouse, Ms. Fong Chi Ling, holds 645,307 shares of Luk Fook Control Limited.

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 Luk Fook Control Limited.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the directors' benefits from rights to acquire shares or debentures are set out in the following section regarding the Company's Share Option Scheme.

Apart from the above, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2004, save as disclosed below, so far as is known to any director or chief executive of the Company, no person, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance.

Name of Shareholder	Beneficial Owner	Controlled Corporation	TOTAL INTEREST	% of Shares
Luk Fook (Control) Limited	231,858,000	–	231,858,000	48.21%
Value Partners Limited	57,854,000 <i>Note(a)</i>	–	57,854,000	12.03%
Mr. CHEAH Ching Hye	–	57,854,000 <i>Note(a)</i>	57,854,000	12.03%
First State Investments (Hong Kong) Limited	29,384,000 <i>Note(b)</i>	–	29,384,000	6.11%
Commonwealth Bank of Australia	–	29,384,000 <i>Note(b)</i>	29,384,000	6.11%
First State Investment Management (UK) Limited	2,194,000 <i>Note(b)</i>	–	2,194,000	0.46%

Note(a) Mr. CHEAH is a 31.82% controlling shareholder of Value Partners Limited which in turn holds 57,854,000 shares of the Company in the capacity as investment manager. By virtue of the SFO, he is deemed to be interested in those shares of the Company and relevant disclosures are therefore duplicated.

Note(b) Commonwealth Bank of Australia is a 100% indirect controlling shareholder of First State Investments (Hong Kong) Limited ("FSHK") and First State Investment Management (UK) Limited ("FSUK"). In turn FSHK holds 29,384,000 shares, while FSHK and FSUK are deemed to jointly hold 2,194,000 shares, of the Company in the capacity as investment managers. By virtue of the SFO, Commonwealth Bank of Australia is deemed to be interested in those shares of the Company and relevant disclosures are therefore duplicated.

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 2004, the maximum number of shares available for issue was 20,626,000, representing approximately 4.29% of the issued share capital of the Company as at 30th September 2004.

(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 2004	Options exercised during the period	Options held at 30th September 2004
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Executive Directors

Mr. Wong Wai Sheung	7,064,000	–	7,064,000
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<i>Employees under continuous contract</i>	4,469,000	–	4,469,000
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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 closing market price of the Company's shares at 30th September 2004 was HK\$1.73 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. Since 1st April 2004, the audit committee has held several meetings to consider matters including the 2004 annual report of the Company, internal controls and the implications of the new accounting standards to the Group's financial reporting, the unaudited interim condensed consolidated accounts for the six months ended 30th September 2004, and the Group's IT control environment.

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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the six months ended 30th September 2004.

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, 16th December 2004

As at the date of this report, the Company's executive directors are Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul, Mr. POON Kam Chi and Mr. LAU Kwok Sum; the non-executive directors are Mr. WONG Koon Cheung, Mr. CHAN Wai, Mr. LEE Shu Kuan, Ms. YEUNG Po Ling, Pauline and Mr. HUI King Wai; the independent non-executive directors are Mr. HUI Chiu Chung, Mr. CHIU Wai Mo, and Mr. LO Mun Lam, Raymond.