



2005-2006 國際大溪地珍珠首飾設計比賽
2005-2006 Tahiti Pearl Trophy International

亞洲區 Asia

珍珠串 Pearl Row 冠軍 Champion

國際賽 International

珍珠串 Pearl Row 季軍 Third Prize

囍 Banquet



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)

Stock Code 股份代號 : 590

Interim Report 中期報告
2006/2007



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 interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2006 together with comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

Unaudited
Six months ended
30th September

		2006	2005
	Note	HK\$'000	HK\$'000
Turnover	4	1,403,982	816,355
Cost of sales		(1,139,600)	(630,757)
Gross profit		264,382	185,598
Other income	4	21,762	11,460
Selling and distribution costs		(163,444)	(149,144)
Administrative expenses		(16,532)	(15,440)
Other operating expenses		(1,569)	(1,677)
Operating profit	10	104,599	30,797
Finance costs		(110)	(30)
Profit before income tax		104,489	30,767
Income tax expense	11	(18,969)	(1,108)
Profit for the period		85,520	29,659
Profit attributable to:			
Equity holders of the Company		84,776	29,441
Minority interest		744	218
		85,520	29,659
Earnings per share for profit attributable to the equity holders of the Company, expressed in Hong Kong cents per share	12		
– Basic		17.29 cents	6.06 cents
– Diluted		17.29 cents	6.02 cents
Dividends	13	34,476	14,638

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2006

	<i>Note</i>	Unaudited 30th September 2006 HK\$'000	Audited 31st March 2006 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	114,312	105,107
Leasehold land and land use rights	5	7,657	12,835
Trading licence		1,080	1,080
Rental deposits		18,465	19,575
Deferred income tax assets		7,153	6,257
		<u>148,667</u>	<u>144,854</u>
Current assets			
Inventories		678,568	611,986
Trade receivables	6	18,148	12,144
Deposits, prepayments and other receivables		36,256	20,369
Property held for sale	7	7,390	850
Bank balances and cash		153,428	108,738
		<u>893,790</u>	<u>754,087</u>
Total assets		<u>1,042,457</u>	<u>898,941</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	49,251	48,794
Share premium		58,884	57,789
Reserves		144,724	143,477
Retained earnings			
– Proposed dividends	13	34,476	34,156
– Others		480,928	430,948
		<u>768,263</u>	<u>715,164</u>
Minority interest		11,322	13,028
Total equity		<u>779,585</u>	<u>728,192</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		558	623
Current liabilities			
Trade and other payables	8	193,988	161,641
Taxation payable		28,326	8,485
Short-term bank loans, unsecured		40,000	–
		<u>262,314</u>	<u>170,126</u>
Total equity and liabilities		<u>1,042,457</u>	<u>898,941</u>
Net current assets		<u>631,476</u>	<u>583,961</u>
Total assets less current liabilities		<u>780,143</u>	<u>728,815</u>


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

	Unaudited								
	Attributable to equity holders of the Company							Minority interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000			
At 1st April 2006	48,794	57,789	135,713	6,158	1,606	465,104	13,028		
2005/2006 final dividend paid	-	-	-	-	-	(34,476)	-	(34,476)	
Profit for the period	-	-	-	-	-	84,776	744	85,520	
Repayment of advance from minority interest	-	-	-	-	-	-	(980)	(980)	
Advance to minority interest in proportion to their interests in subsidiary	-	-	-	-	-	-	(1,470)	(1,470)	
Exchange differences	-	-	-	-	1,247	-	-	1,247	
Issue of shares	457	1,095	-	-	-	-	-	1,552	
At 30th September 2006	<u>49,251</u>	<u>58,884</u>	<u>135,713</u>	<u>6,158</u>	<u>2,853</u>	<u>515,404</u>	<u>11,322</u>	<u>779,585</u>	
At 1st April 2005, as previously reported as equity	48,544	57,189	135,713	8,752	(269)	424,099	-	674,028	
At 1st April 2005, as previously reported as minority interest	-	-	-	-	-	-	9,249	9,249	
	48,544	57,189	135,713	8,752	(269)	424,099	9,249	683,277	
Reversal of revaluation reserve for leasehold land and land use rights	-	-	-	(8,752)	-	-	-	(8,752)	
Opening adjustment for the adoption of HKAS 17	-	-	-	-	-	(1,216)	-	(1,216)	
At 1st April 2005, as restated	48,544	57,189	135,713	-	(269)	422,883	9,249	673,309	
2004/2005 final dividend paid	-	-	-	-	-	(38,836)	-	(38,836)	
Profit for the period	-	-	-	-	-	29,441	218	29,659	
Exchange differences	-	-	-	-	(183)	-	-	(183)	
Issue of shares	250	600	-	-	-	-	-	850	
At 30th September 2005	<u>48,794</u>	<u>57,789</u>	<u>135,713</u>	<u>-</u>	<u>(452)</u>	<u>413,488</u>	<u>9,467</u>	<u>664,799</u>	

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

Unaudited
Six months ended
30th September

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net cash generated from operating activities	58,166	6,421
Net cash used in investing activities	(20,727)	(7,716)
Net cash generated from/(used in) financing activities	6,096	(39,406)
Increase/(decrease) in bank balances and cash	43,535	(40,701)
Bank balances and cash at 1st April	108,738	131,406
Effect of foreign exchange rate changes	1,155	–
Bank balances and cash at 30th September	153,428	90,705
Analysis of balances of bank balances and cash		
Cash at bank and in hand	153,428	90,705



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones and other accessory items.

The Company was incorporated in Bermuda on 3rd September 1996 as a company with limited liability under the Companies Act of Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street Hamilton HM 12 Bermuda.

This condensed consolidated interim financial information (“Interim Financial Information”) is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2. Basis of preparation

This Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the 2005/2006 annual financial statements for the year ended 31st March 2006.

3. Accounting policies

The accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those of the annual financial statements for the year ended 31st March 2006, as described in the annual financial statements for the year ended 31st March 2006.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31st March 2007.

- Amendment to HKAS 19 “Actuarial gains and losses, group plans and disclosures” is effective for annual periods beginning on or after 1st January 2006. The Group decided to retain its former accounting policy regarding the recognition of actuarial gains and losses;
- Amendment to HKAS 39 “The fair value option” is effective for annual periods beginning on or after 1st January 2006. This amendment does not have any impact on the classification and valuation of the Group’s financial instruments classified as at fair value through profit and loss prior to 1st January 2006;
- Amendment to HKAS 21 “Net investment in a foreign operation” is effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39 “Cash flow hedge accounting of forecast intragroup transactions” is effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39 and HKFRS 4 “Financial guarantee contracts” is effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- HKFRS 6 “Exploration for and evaluation of mineral resources” is effective for annual periods beginning on or after 1st January 2006. This standard is not relevant to the Group;
- HK(IFRIC) – Int 4 “Determining whether an arrangement contains a lease” is effective for annual periods beginning on or after 1st January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with HKAS 17 “Leases”. The adoption of this interpretation has no financial impact to the Group’s financial statements;

- HK(IFRIC) – Int 5 “Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds” is effective for annual periods beginning on or after 1st January 2006. This interpretation is not relevant to the Group;
- HK(IFRIC) – Int 6 “Liabilities arising from participating in a specific market – waste electrical and electronic equipment” is effective for annual periods beginning on or after 1st December 2005. This interpretation is not relevant to the Group; and
- HK(IFRIC) – Int 7 “Applying the Restatement Approach under HKFRS 29” is effective for annual periods beginning on or after 1st March 2006. This interpretation is not relevant to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for 2006/2007 and have not been early adopted:

- HK(IFRIC) – Int 8 “Scope of HKFRS 2” is effective for annual periods beginning on or after 1st May 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group’s operations;
- HK(IFRIC) – Int 9 “Reassessment of Embedded Derivatives” is effective for annual periods beginning on or after 1st June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group has already assessed if embedded derivative should be separated using principles consistent with HK(IFRIC) – Int 9; and
- HKFRS 7 “Financial instruments: Disclosures” is effective for annual periods beginning on or after 1st January 2007. HKAS 1 “Amendments to capital disclosures” is effective for annual periods beginning on or after 1st January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning on or after 1st January 2007.

4. Turnover, other income and segment information

	Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
Turnover		
Sales of goods (<i>note</i>)	<u>1,403,982</u>	<u>816,355</u>
Other income		
Quality control service income	11,164	6,799
Consultancy service income	6,196	3,335
Interest income	893	167
Web hosting service income	–	48
Others	<u>3,509</u>	<u>1,111</u>
	<u>21,762</u>	<u>11,460</u>
Turnover and other income	<u>1,425,744</u>	<u>827,815</u>

Note:

Included in total sales of goods is sales of HK\$381,013,000 (For the six months ended 30th September 2005: HK\$143,418,000) which was settled by the receipt of gold bullion. This gold bullion was in turn used for settlement of trade payables.



Primary reporting format – business segments

	Six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Sales to external customers	751,111	619,573	652,521	196,442	350	340	-	-	1,403,982	816,355
Inter-segment sales	24,534	14,172	247,698	205,806	-	-	(272,232)	(219,978)	-	-
Other income from external customers	67	83	17,693	10,296	3,105	914	-	-	20,865	11,293
Inter-segment other income	-	-	-	-	287	459	(287)	(459)	-	-
Total	775,712	633,828	917,912	412,544	3,742	1,713	(272,519)	(220,437)	1,424,847	827,648
Segment results	61,664	25,090	58,380	22,251	2,651	(592)	(4,264)	(823)	118,431	45,926
Interest income									893	167
Unallocated costs									(14,725)	(15,296)
Operating profit									104,599	30,797
Finance costs									(110)	(30)
Profit before income tax									104,489	30,767
Income tax expense									(18,969)	(1,108)
Profit for the period									85,520	29,659

Other segment items included in the condensed consolidated interim income statement are as follows:

	Six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Depreciation										
– allocated	5,838	3,743	2,848	1,724	94	332	-	-	8,780	5,799
– unallocated									1,945	2,414
									10,725	8,213
Amortisation										
– allocated	-	11	61	68	11	63	-	-	72	142
– unallocated									6	16
									78	158

The segment assets and liabilities at 30th September 2006 and 31st March 2006 and capital expenditure of each of the six months ended 30th September 2006 and 2005 are as follows:

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	633,563	550,222	623,745	579,997	16,407	15,370	(328,187)	(313,009)	945,528	832,580
Unallocated assets	-	-	-	-	-	-	-	-	96,929	66,361
Total assets									1,042,457	898,941
Segment liabilities	(433,263)	(396,872)	(91,615)	(64,790)	(4,911)	(2,575)	328,187	313,009	(201,602)	(151,228)
Unallocated liabilities	-	-	-	-	-	-	-	-	(61,270)	(19,521)
Total liabilities									(262,872)	(170,749)

Six months ended 30th September

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure										
– allocated	11,915	4,938	9,568	3,984	-	367	-	-	21,483	9,289
– unallocated									1,071	696
									22,554	9,985

Secondary reporting format – geographical segments

The geographical analysis is divided into three regions:

- Hong Kong
- The People's Republic of China ("PRC")
- Other countries



Total assets and capital expenditures, allocated based on where the assets are located, are as follows:

	Total assets		Capital expenditure	
	At	At	For the six months	
	30th September	31st March	ended 30th September	
	2006	2006	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	795,540	653,202	9,899	4,525
The PRC	187,251	195,084	10,453	3,983
Other countries	59,666	50,655	2,202	1,477
	<u>1,042,457</u>	<u>898,941</u>	<u>22,554</u>	<u>9,985</u>

No geographical analysis on segment revenue and result is presented as less than 10% of the Group's turnover and less than 10% of the Group's consolidated results were attributable to markets outside Hong Kong during the six months ended 30th September 2005 and 2006.

5. Capital expenditure

	Leasehold land and land use rights HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Net book value, at 1st April 2005	14,309	85,972	100,281
Exchange adjustment	–	59	59
Additions	–	9,985	9,985
Disposals	–	(425)	(425)
Amortisation/depreciation for the period	<u>(158)</u>	<u>(8,213)</u>	<u>(8,371)</u>
Net book value, at 30th September 2005	14,151	87,378	101,529
Exchange adjustment	–	49	49
Revaluation adjustment	–	6,136	6,136
Additions	–	23,818	23,818
Disposals	–	(1,411)	(1,411)
Transferred to property held for sale	(1,292)	(220)	(1,512)
Amortisation/depreciation for the period	<u>(24)</u>	<u>(10,643)</u>	<u>(10,667)</u>
Net book value, at 31st March 2006	12,835	105,107	117,942
Exchange adjustment	–	92	92
Additions	–	22,554	22,554
Disposals	–	(426)	(426)
Transferred to property held for sale	(5,100)	(2,290)	(7,390)
Amortisation/depreciation for the period	<u>(78)</u>	<u>(10,725)</u>	<u>(10,803)</u>
Net book value, at 30th September 2006	<u>7,657</u>	<u>114,312</u>	<u>121,969</u>

6. 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 0 to 90 days.

The ageing analysis of trade receivables is as follows:

	At 30th September 2006 HK\$'000	At 31st March 2006 HK\$'000
0 – 30 days	17,375	11,885
31 – 60 days	541	–
61 – 90 days	1	–
91 – 120 days	–	6
Over 120 days	231	253
	<u>18,148</u>	<u>12,144</u>

The carrying amounts of trade receivables approximate their fair values.

7. Property held for sale

Pursuant to a sale and purchase agreement entered into between Great Cyber Limited, a wholly owned subsidiary of the Group, and a third party on 9th August 2006, Great Cyber Limited sold a property to the third party at a consideration of HK\$18,000,000. The transaction was completed in October 2006.

8. Trade and other payables

Trade payables included in the trade and other payables account amounting to HK\$108,035,000 (At 31st March 2006: HK\$92,460,000) and their ageing analysis is as follows:

	At 30th September 2006 HK\$'000	At 31st March 2006 HK\$'000
0 – 30 days	71,852	50,000
31 – 60 days	25,917	29,486
61 – 90 days	6,646	8,066
91 – 120 days	3,084	4,186
Over 120 days	536	722
	<u>108,035</u>	<u>92,460</u>

The carrying amounts of trade and other payables approximate their fair values.


9. Share capital

	At 30th September 2006 HK\$'000	At 31st March 2006 HK\$'000
<i>Authorised:</i>		
800,000,000 (At 31st March 2006: 800,000,000) ordinary shares of HK\$0.1 each	<u>80,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>		
492,507,850 (At 31st March 2006: 487,943,850) ordinary shares of HK\$0.1 each	<u>49,251</u>	<u>48,794</u>

Options to subscribe for 4,564,000 (For the six months ended 30th September 2005: 2,500,000) ordinary shares in the Company were exercised at a price of HK\$0.34 (For the six months ended 30th September 2005: HK\$0.34) per share during the period. The premium on the issue of the shares of HK\$1,095,360 (For the six months ended 30th September 2005: HK\$600,000) was credited to the share premium account.

There were no share options granted or lapsed during the period (For the six months ended 30th September 2005: Nil).

There were no share options outstanding as at 30th September 2006 (At 31st March 2006: 4,564,000).

10. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
Crediting		
Write back of provision for slow-moving inventories	<u>1,282</u>	<u>3,941</u>
Charging		
Amortisation of leasehold land and land use rights	78	158
Cost of inventories sold	1,140,882	634,698
Depreciation of property, plant and equipment	10,725	8,213
Operating lease rentals in respect of land and buildings	<u>49,514</u>	<u>42,776</u>

11. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (For the six months ended 30th September 2005: 17.5%) on the estimated assessable profit for the period.

The amount of taxation charged to the condensed consolidated interim income statement represents:

	Six months ended 30th September	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong profits tax		
– current	15,306	5,189
– over-provision in prior year	(872)	(3,725)
Overseas taxation	5,497	1,261
Deferred taxation	(962)	(1,617)
	<u>18,969</u>	<u>1,108</u>

12. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$84,776,000 (2005: HK\$29,441,000) and the weighted average number of 490,238,320 (2005: 485,539,478) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$84,776,000 (2005: HK\$29,441,000) and the weighted average number of 490,238,320 (2005: 489,438,082) 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.


13. Dividends

	Six months ended 30th September	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
2005/2006 final, paid, of HK\$0.07 (2004/2005 final, paid, of HK\$0.06) per ordinary share (<i>note (i)</i>)	<u>34,476</u>	<u>38,836</u>
2006/2007 interim, proposed, of HK\$0.07 (2005/2006 interim, paid: HK\$0.03) per ordinary share (<i>note (ii)</i>)	<u>34,476</u>	<u>14,638</u>

Note (i): At a meeting held on 24th July 2006, the directors declared a final dividend of HK\$ 0.07 per ordinary share for the year ended 31st March 2006, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2006.

Note (ii): At a meeting held on 18th December 2006, the directors proposed an interim dividend of HK\$0.07 per ordinary share for the year ending 31st March 2007. This proposed dividend is not reflected as a dividend payable in these Interim Financial Information, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2007.

14. Commitments
(a) Capital commitments

	At 30th September 2006 <i>HK\$'000</i>	At 31st March 2006 <i>HK\$'000</i>
	Contracted but not provided for – property, plant and equipment	<u>6,056</u>

(b) Commitments under operating leases

At 30th September 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	At 30th September 2006 <i>HK\$'000</i>	At 31st March 2006 <i>HK\$'000</i>
Not later than one year	<u>91,071</u>	87,315
Later than one year and not later than five years	<u>84,145</u>	<u>97,073</u>
	<u>175,216</u>	<u>184,388</u>

15. Related party transactions

The Group is controlled by Luk Fook (Control) Limited, the ultimate parent of the Group, incorporated in the British Virgin Islands, which owns 47.08% of the Company's shares. The remaining shares are widely held.

Set out below are the significant related party transactions during the period.

- (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 a retail shop of the Group for a period of one year expiring on 31st December 2006 (2005: one year expired on 31st December 2005). During the period, rental payable to Mr. WONG Kwai Sang amounted to HK\$900,000 (2005: HK\$900,000).
- (b) A subsidiary of the Company entered into a service contract ("Service Contract") with Ms. YEUNG Po Ling, Pauline and Topone Investments Limited ("Topone") for a period of one year expiring on 31st March 2007 (2005: one year expired on 31st March 2006). Pursuant to the Service Contract, Topone agreed to make available Ms. Yeung's exclusive services for the promotion of the products and services of the Group during the period at a consideration of HK\$201,498 (2005: HK\$197,598).

Both Mr. WONG Wai Sheung and Ms. YEUNG Po Ling, Pauline are directors of the Company.

- (c) Key management compensation

	For the six months ended 30th September	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Directors' fees	453	468
Basic salaries, commissions, housing allowances, other allowances and benefits-in-kind	6,750	5,770
Performance/discretionary bonuses	28	32
Contributions to pension plan	148	163
Benefit from exercise of share options	3,286	3,650
	<u>10,665</u>	<u>10,083</u>

16. Seasonality

The retail sales for gold jewellery and gold ornaments, gem-set jewellery and gemstones and other accessory items are subject to seasonal fluctuations, with peak demand in the third and fourth quarters of the year. This is due to more public holidays in these periods.

17. Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information was approved for issuance by the board of directors on 18th December 2006.



INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 7.0 HK cents (2006: 3.0 HK cents) per share for the year ended 31st March 2007. The interim dividend will be payable on 12th January 2007 to shareholders whose names appear on the Register of Members of the Company on 5th January 2007.

OPERATION REVIEW

The turnover of the Group for the six months ended 30th September 2006 increased to HK\$1,403,982,000 (six months ended 30th September 2005: HK\$816,355,000), representing an increase of 72% as compared to the same period of last year. In particular, turnover in the retail sector increased by approximately 21% mainly because of i) the strong growth in the Hong Kong economy and rising income of consumers; ii) sales of gold products stimulated by the traditional good-for-marriage year; and iii) the satisfactory growth in sales performance during the Golden Week in May 2006. Besides, turnover in the wholesale sector increased by approximately 232% due to the substantial increase in the quantity of gold jewellery items purchased by the Group from retail customers and then resold to gold merchants in bulk quantities, as a result of drastic surges in gold prices during the financial period.

Profit attributable to shareholders reached approximately HK\$84,776,000 (six months ended 30th September 2005: HK\$29,441,000). Basic earnings per share were 17.29 HK cents (six months ended 30th September 2005: 6.06 HK cents).

INDUSTRY REVIEW

Boosting tourism is often favorable to retail business because of the huge spending brought by visitors, especially from PRC visitors in recent years. According to the statistics of the HKSAR government for the first 3 quarters of 2006, the overall number of visitors to Hong Kong has increased by 9.5% as compared to that of last year, of which about 55% is from the PRC. Also, the total number of PRC visitors has also increased by 11%, compared with the same period of last year. Thus, with half of the Group's customer source from the PRC, the increase in visitor number has undoubtedly benefited the Group's business.

BUSINESS REVIEW

Hong Kong Market

With the gradual recovery in the Hong Kong economy, consumer spending has been on the rebound. Consumers' purchasing appetite generally improved. Therefore, the Group has been actively expanding its sales network during the period under review. In view of the good business performance in our Mongkok branches, we opened the Group's 7th branch on Nathan Road in August 2006 to cope with the higher demand from customers.

Since September 2005, the Group has invested in shop renovation projects in a bid to boost the shop image, as well as to give our customers a brand new shopping experience and a more comfortable shopping time. Till now, the Group has already renovated most shops. The new shop image is well received by the customers.

In line with the new shop image, the Group launched a new series of TV commercial featuring awarded products of Luk Fook in a trendy and classy mood.

During the period, the Group continued to sponsor beauty contests such as “Miss Hong Kong Pageant” for the 9th consecutive years and “Miss Asia Pageant” for a few years. The marketing strategies, which included launching new TV and print advertisements, were also proved effective in arousing the Group’s brand awareness among customers.

PRC Market

The Group’s expansion in the PRC has been going on in a satisfactory progress. As at 30th September 2006, the Group has set up more than 220 Luk Fook brand shops, reaching farther areas such as Xinjiang, Inner Mongolia, etc. Apart from the sales network in the first-tier cities such as Beijing, Shanghai and Guangzhou, the Group has further enlarged its sales network into the PRC, penetrating deeper into second-tier cities with good development potential, for example, Harbin, Wuhan and Chengdu.

In view of the booming China’s economy, the PRC consumers’ demand for high-quality and fashionable jewellery continues to increase. To cope with the large consumer spending on luxuries in the PRC in recent years, we have also opened 2 new shops in Beijing in an attempt to seize business opportunities arisen from the Beijing Olympics.

During the period under review, the Group’s jewellery manufacturing plant in Panyu, Guangdong was running in good condition. Meanwhile, the newly built diamond processing factory has also started operation during the period.

Furthermore, as different world-famous product brands are developing rapidly in the PRC, we believe it is the excellent time to further expand in the fast-growing PRC market and secure our position by broadening our points of sales. For that reason, in the next few years, our target is to increase the number of Luk Fook brand shops in the PRC by 20% per year to capture larger market share and raise Luk Fook’s brand awareness in the PRC.

Macau Market

With the booming economic development of Macau facilitated by the flourishing gaming business and the entrance of new casinos supported by giant financial group, the Group’s two shops on the main street of Macau successfully captured a great number of customers, especially tourists who took up almost 60% of the turnover in the Macau shops. According to the figures from the Hong Kong Tourism Board, in the first 9 months of 2006, visitors to Macau rose by 15.4% compared to the same period of last year. Hence, the Group will soon be expanding its network to one of the shopping arcades of the newly built casinos and keeps watching closely at the market conditions and search for any appropriate spots for opening branches to grasp the opportunities driven by the enormous consumption from visitors.

OVERSEAS DEVELOPMENT

The Group is at all times devoted to expediting new business developments in various regions. The Group’s first U.S. shop, “Luvina Jewelers”, located in San Jose of California has started business since July of this year. The opening of a new branch in the U.S. signifies the first move of the Group to step into the U.S. mainstream community.



REWARDS AND HONORS

Luk Fook's persistent efforts on improving and enhancing product quality and design have never stopped. During the period under review, the Group was ranked one of the top 10 retailers for "Other Retailers" category in the Third Retail Asia Pacific Top 500 in 14 economies, basing on the performance in total sales turnover. The award truly reflects the Group's continual efforts in enhancing its sales performance.

Apart from the remarkable sales performance, the Group continues to gain various awards for its innovative and trendy designs. For example, the Group was awarded "Jewelry Design Excellence Award ("JDE Award"): Overall Beauty Award", "JDE Award: Craftmanship Award" and Merit Award under "Professional Category" for Jewelry Designs "Layers", "Dandelion" and "Born Gifts" respectively in "2006 International Jewelry Design Innovation Competition". The Group's Jewelry Design "Banquet" also gained the Third Prize under "Pearl Row Category" in "2005/06 Tahitian Pearl Trophy International".

PROSPECTS

Looking forward, the Group aims at increasing its penetration not only in Hong Kong, Macau and the PRC markets, but also the overseas markets. With the new shop "Luvina Jewelers" set up in the U.S. mainstream community in August this year, the Group is working hard to set up more shops in other locations such as South-East Asia.

Starting from 1st January 2007, the further relaxation of 5 more cities for the "Individual Visit Scheme" will allow a total number of 250 million populations from 49 cities traveling to Hong Kong. Hence, the support from the PRC consumers will be significant. We believe, together with the new tourist attractions and projects of the Hong Kong Government, the sales brought by the tourists will continue to contribute to the Group's good sales performance in the foreseeable future.

EMPLOYEES

As at 30th September 2006, the Group had approximately 1,757 employees (including staff and workers) (31st March 2006: 1,726). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured taking into account factors of comparable markets. Bonus and others merit payments are linked to performance of the Group and individual employees.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's core business is gold and jewellery retailing and wholesaling. As at 30th September 2006, the Group's cash and bank balances reached approximately HK\$153,000,000 (31st March 2006: HK\$109,000,000). The Group's debt to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$263,000,000 (31st March 2006: HK\$171,000,000) against total equity of approximately HK\$768,000,000 (31st March 2006: HK\$715,000,000), was 34.2% (31st March 2006: 23.9%). During the period, the capital investment of the Group was approximately HK\$23,000,000 (2005: HK\$10,000,000).

As at 30th September 2006, the Group had banking facilities amounted to approximately HK\$94,540,000 (31st March 2006: HK\$125,740,000) out of which HK\$40,000,000 (31st March 2006: Nil) was utilised. 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 2006 and 31st March 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4th January 2007 to 5th January 2007, 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 Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 3rd January 2007.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September 2006, 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 under 18 or Spouse	Controlled Corporation	Beneficiary of Trust	Share Option	Total Interest	% of Shares
Mr. WONG Wai Sheung	7,604,878	–	245,144,176 <i>note (a) & (b)</i>	2,511,050 <i>note (c)</i>	–	255,260,104	51.83%
Mr. TSE Moon Chuen	723,344	–	245,144,176 <i>note (a) & (b)</i>	–	–	245,867,520	49.92%
Mr. WONG Koon Cheung	2,736,090	–	245,144,176 <i>note (a) & (b)</i>	–	–	247,880,266	50.33%
Mr. CHAN Wai	4,299,022	–	245,144,176 <i>note (a) & (b)</i>	–	–	249,443,198	50.65%
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	51.59%



- Note (a)* Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. CHAN Wai, Mr. LEE Shu Kuan and Mr. WONG Koon Cheung were also directors, and together with their associates collectively controlled over one-half of the voting power, of Luk Fook (Control) Limited which held 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 were also directors, and together with their associates collectively controlled over one-third of the voting power, of Dragon King Investment Ltd. which held 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 were discretionary beneficiaries of the WONG's family Trust (the "Trust"). The Trust was the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited, which was the beneficial owner of 2,511,050 shares of the Company.
- Note (d)* Mr. LEE Shu Kuan held 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn held 630,624 shares of the Company.
- Note (e)* Mr. LEE Shu Kuan held 51% of the entire issued share capital of Wah Hang Kimon Holdings Limited which in turn held 1,956,000 shares of the Company.
- Note (f)* The estate of Ms. FONG Chi Ling (deceased) held 735,650 shares of the Company. Ms. Fong was the spouse of Mr. LEE Shu Kuan.

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	1,556,357	–	–	35,263,052 <i>note (a)</i>	36,819,409	36.82%
Mr. TSE Moon Chuen	837,854	82,853 <i>note (b)</i>	–	–	920,707	0.92%
Mr. LAU Kwok Sum	1,600	–	–	–	1,600	0.002%
Mr. WONG Koon Cheung	–	–	4,553,433 <i>note (c)</i>	–	4,553,433	4.55%
Mr. CHAN Wai	6,606,643	–	–	–	6,606,643	6.61%
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%
Ms. YEUNG Po Ling, Pauline	60,000	–	–	–	60,000	0.06%

Note (a) Mr. WONG Wai Sheung and his family were discretionary beneficiaries of the WONG's family Trust (the "Trust"). The Trust was the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Company Limited which was the beneficial owner of 35,263,052 shares of Luk Fook (Control) Limited.

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

Note (c) Mr. WONG Koon Cheung together his spouse, Ms. SO Lai Sheung, controlled the entire issued share capital of WKC Investments Limited which in turn held 4,553,433 shares of Luk Fook (Control) Limited.

Note (d) The estate of Ms. FONG Chi Ling (deceased) held 645,307 shares of Luk Fook (Control) Limited. Ms. Fong was the spouse of Mr. LEE Shu Kuan.

Note (e) Mr. LEE Shu Kuan held 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn held 1,093,575 shares of Luk Fook (Control) Limited.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2006, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholder	Beneficial Owner	Controlled Corporation	Total Interest	% of Shares
Luk Fook (Control) Limited	231,858,000	–	231,858,000	47.08%

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 period 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.



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 2006, the maximum number of shares available for issue is 9,093,000, representing approximately 1.8% of the issued share capital of the Company as at 30th September 2006.

(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 10th 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 period:

Eligible persons	Options held at 1st April 2006	Options exercised during the period 30th September 2006	Options held at 30th September 2006	Exercise date
Executive director				
Mr. WONG Wai Sheung	4,564,000	4,564,000	–	8th June 2006

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 prices of the shares immediately before the dates on which options were exercised were HK\$1.11 in relation to the options exercised by an executive director.

During the period, no options were granted, cancelled or lapsed. The share options granted are not recognised in the financial statements 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 the Code of Best Practice applicable before 1st January 2005, 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 2006, the audit committee has held several meetings to consider matters including the 2006 annual report of the Company, internal controls and the implications of the new accounting standards to the Group's financial reporting, the unaudited condensed consolidated interim financial information for the six months ended 30th September 2006, and the Group's IT control environment.

The interim results have been reviewed by external auditors and the audit committee of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30th September 2006, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, except for the following deviations from certain code provisions:

1. Code Provision A.4.2

Code: All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation: In accordance with the Company's Bye-laws, all directors appointed to fill a casual vacancy is subject to election by shareholders at the next annual general meeting after their appointment. Moreover, one-third of the directors shall retire from office by rotation save any director holding office as Chairman or Managing Director.

Remedy: A special resolution was passed at the Company's annual general meeting held on 24th August 2006 to amend the Company's Bye-laws in order that one-third of all the directors shall retire from office by rotation, and that all directors appointed to fill a casual vacancy is subject to election by shareholders at the next general meeting after their appointment.

2. Code Provisions B.1.4 & C.3.4

Code: The Remuneration Committee and the Audit Committee should make available their terms of reference, explaining their role and the authority delegated to them by the Board.

Deviation: During the period ended 30th September 2006, such terms of reference were not available to the public.

Remedy: At present, such terms of reference are displayed in the Company's official web site at www.lukfook.com.hk and are available to the public.

REMUNERATION COMMITTEE

In compliance with the Code, the Board on 7th April 2005 established a remuneration committee comprising three independent non-executive directors and two executive directors. The remuneration committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; to determine the specific remuneration packages; to review and approve performance based remuneration; to review and approve the compensation payable in connection with any loss or termination of office or appointment of directors and senior management; to oversee any major changes in employee benefits structures throughout the Company or the Group; and to review the ongoing appropriateness and relevance of the remuneration policy.

MODEL CODE ON SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions in relation to the six months ended 30th September 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

By Order of the Board
WONG Wai Sheung
Chief Executive

18th December 2006

As at the date of this report, the Company's executive directors are Mr. WONG Wai Sheung (Chief Executive), Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul 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 (Chairman).



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)

Stock Code 股份代號 : 590

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