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六福集團(國際)有限公司
LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with Limited Liability)
 Stock Code: 590

**INTERIM RESULTS ANNOUNCEMENT
 FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010**

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 2010 together with comparative figures for the corresponding period in 2009 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010**

		Unaudited for the six months ended 30th September	
	<i>Note</i>	2010 HK\$'000	2009 HK\$'000 (Restated)
Revenue	4	3,264,477	2,087,637
Cost of sales	5	<u>(2,497,220)</u>	<u>(1,562,319)</u>
Gross profit		767,257	525,318
Other income	6	28,332	20,187
Selling and distribution costs	5	(357,253)	(277,999)
Administrative expenses	5	(38,304)	(29,727)
Other losses, net	7	<u>(23,455)</u>	<u>(8,769)</u>
Operating profit		<u>376,577</u>	<u>229,010</u>
Finance income		2,978	1,823
Finance costs		<u>(2,548)</u>	<u>(2,164)</u>
Finance income/(costs), net	8	<u>430</u>	<u>(341)</u>
Share of results of an associate		<u>831</u>	<u>1,275</u>
Profit before taxation		377,838	229,944
Taxation	9	<u>(53,605)</u>	<u>(40,361)</u>
Profit for the period		<u>324,233</u>	<u>189,583</u>

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

		Unaudited	
		for the six months ended	
		30th September	
	<i>Note</i>	2010	2009
		HK\$'000	<i>HK\$'000</i>
			<i>(Restated)</i>
Profit attributable to:			
Equity holders of the Company		319,770	188,380
Non-controlling interests		4,463	1,203
		<u>324,233</u>	<u>189,583</u>
Earnings per share for profit attributable to equity holders of the Company	<i>10</i>		
– Basic		<u>HK64.93 cents</u>	<u>HK38.25 cents</u>
– Diluted		<u>HK64.93 cents</u>	<u>HK38.25 cents</u>

Details of dividend payable to equity holders of the Company attributable to the profit for the period are set out in Note 11.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	Unaudited	
	For the six months ended	
	30th September	
	2010	2009
	HK\$'000	HK\$'000
		(Restated)
Profit for the period	324,233	189,583
Other comprehensive income:		
Exchange differences	11,370	133
Revaluation surplus of property, plant and equipment upon transfer to investment properties, net of tax	16,114	–
Other comprehensive income for the period, net of tax	27,484	133
Total comprehensive income for the period	351,717	189,716
Attributable to:		
– Equity holders of the Company	346,909	188,385
– Non-controlling interests	4,808	1,331
Total comprehensive income for the period	351,717	189,716

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2010

	<i>Note</i>	Unaudited As at 30th September 2010 HK\$'000	Audited As at 31st March 2010 HK\$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		335,527	388,707
Land use rights		6,439	6,391
Investment properties		81,560	–
Interests in an associate		5,464	4,507
Trading licence		1,080	1,080
Rental deposits		33,158	31,411
Deferred tax assets		16,416	14,018
		<u>479,644</u>	<u>446,114</u>
Current assets			
Inventories		2,208,476	1,735,964
Trade receivables	12	80,004	73,806
Deposits, prepayments and other receivables		47,019	45,863
Amount due from an associate		32,896	7,962
Cash and cash equivalents		273,753	286,946
		<u>2,642,148</u>	<u>2,150,541</u>
Total assets		<u>3,121,792</u>	<u>2,596,655</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		49,250	49,250
Share premium		58,884	58,884
Reserves		1,761,415	1,552,408
		<u>1,869,549</u>	<u>1,660,542</u>
Non-controlling interests		27,753	22,945
Total equity		<u>1,897,302</u>	<u>1,683,487</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH SEPTEMBER 2010

		Unaudited	Audited
		As at	As at
		30th September	31st March
		2010	2010
	<i>Note</i>	HK\$'000	HK\$'000
			(Restated)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		14,069	6,623
Employee benefit obligations		12,398	12,266
		<u>26,467</u>	<u>18,889</u>
Current liabilities			
Trade payables, other payables and accruals	13	511,371	530,434
Bank borrowings		607,960	313,700
Taxation payable		78,692	50,145
		<u>1,198,023</u>	<u>894,279</u>
Total liabilities		<u>1,224,490</u>	<u>913,168</u>
Total equity and liabilities		<u>3,121,792</u>	<u>2,596,655</u>
Net current assets		<u>1,444,125</u>	<u>1,256,262</u>
Total assets less current liabilities		<u>1,923,769</u>	<u>1,702,376</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	<u>Attributable to equity holders of the Company</u>				Non-	Total
	Share	Share	Reserves	Subtotal	controlling	equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the period ended						
30th September 2010						
As at 1st April 2010, as previously reported	49,250	58,884	1,556,202	1,664,336	22,945	1,687,281
Effect of change in accounting policy (Note 3(c))	–	–	(3,794)	(3,794)	–	(3,794)
As at 1st April 2010, as restated	49,250	58,884	1,552,408	1,660,542	22,945	1,683,487
Comprehensive income						
Profit for the period	–	–	319,770	319,770	4,463	324,233
Other comprehensive income						
Exchange differences	–	–	11,025	11,025	345	11,370
Revaluation surplus of property, plant and equipment upon transfer to investment properties, net of tax	–	–	16,114	16,114	–	16,114
Total other comprehensive income	–	–	27,139	27,139	345	27,484
Total comprehensive income	–	–	346,909	346,909	4,808	351,717
Transaction with owners						
Dividends paid	–	–	(137,902)	(137,902)	–	(137,902)
As at 30th September 2010	49,250	58,884	1,761,415	1,869,549	27,753	1,897,302

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	<u>Attributable to equity holders of the Company</u>				Non-	Total
	Share	Share	Reserves	Subtotal	controlling	equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the period ended						
30th September 2009						
As at 1st April 2009, as previously reported	49,250	58,884	1,147,436	1,255,570	17,657	1,273,227
Effect of change in accounting policy (Note 3(c))	–	–	943	943	–	943
As at 1st April 2009, as restated	49,250	58,884	1,148,379	1,256,513	17,657	1,274,170
Comprehensive income						
Profit for the period	–	–	188,380	188,380	1,203	189,583
Other comprehensive income						
Exchange differences	–	–	5	5	128	133
Total comprehensive income	–	–	188,385	188,385	1,331	189,716
Transaction with owners						
Dividends paid	–	–	(59,101)	(59,101)	–	(59,101)
As at 30th September 2009	49,250	58,884	1,277,663	1,385,797	18,988	1,404,785

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	Unaudited	
	For the six months ended	
	30th September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(140,853)	113,674
Net cash used in investing activities	(31,596)	(285,963)
Net cash generated from financing activities	153,807	110,428
Decrease in cash and cash equivalents	(18,642)	(61,861)
Cash and cash equivalents at 1st April	286,946	280,125
Exchange differences	5,449	(380)
Cash and cash equivalents at 30th September	273,753	217,884

NOTES:

1 General information

Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the retailing and wholesaling of gold and jewellery products and licensing business.

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.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6th May 1997.

The condensed consolidated interim financial information are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. The condensed consolidated interim financial information have not been audited and were approved by Board of Directors for issue on 29th November 2010.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30th September 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March 2010, as described in those annual financial statements.

(a) Effect of adopting amendments to standards and interpretations

In 2010, the Group adopted HKAS 17 (Amendment), “Leases”, which is mandatory for the financial year beginning 1st April 2010.

HKAS 17 (Amendment), “Leases”, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold land and land use rights”, and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong and certain land leases in the PRC as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land and land use rights from operating leases to finance leases.

NOTES:

3 Accounting policies (Continued)

(a) Effect of adopting amendments to standards and interpretations (Continued)

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.
- If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as an investment property.

The effect of adoption of this amendment is analysed in note 3(c).

HK Int-5 “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause” has been applied retrospectively for annual periods beginning 1st April 2010. According to HK Int-5, if a term loan agreement includes an overriding repayment on demand clause (“callable feature”), which gives the lender a clear and unambiguous unconditional right to demand repayment at any time at its sole discretion, a borrower shall classify the term loan as a current liability in its balance sheet, as the borrower does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Accordingly the long-term portion of the Group’s mortgage loan of HK\$142,348,000 (As at 31st March 2010: HK\$150,878,000) was reclassified from non-current liabilities to current liabilities in the condensed consolidated balance sheet as at 30th September 2010.

The following amendments to standards and interpretations are mandatory for the financial year beginning 1st April 2010. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

HKFRSs (Amendment)	Improvements to HKFRSs 2009 (excluding HKAS 17 (Amendment) “Leases”)
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKFRS 5 (Amendment)	Non-current asset held for sale and discontinued operations
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners

(b) New standard, amendments to standards and interpretations that have been issued but are not effective

The following new standard, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st April 2010 and have not been early adopted:

HKFRSs (Amendment)	Improvements to HKFRSs 2010 ⁽¹⁾
HKFRS 9	Financial instruments ⁽²⁾
HKAS 24 (Revised)	Related party disclosures ⁽¹⁾
HKAS 32 (Amendment)	Classification of right issues ⁽¹⁾
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding equipment ⁽¹⁾
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1st April 2011

⁽²⁾ Effective for the Group for annual period beginning on 1st April 2013

The directors anticipate that the adoption of these new standard, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

NOTES:

3 Accounting policies (Continued)

(c) Change in accounting policy

In previous years, the Group's properties other than retail shops ("the Properties") were carried in the consolidated balance sheet at revaluation less subsequent depreciation (the "Revaluation Model"). With effect from 1st April 2010, the Group changed its accounting policy for the Properties to the cost model under HKAS 16 (the "Cost Model"). The change was made to increase the relevance of financial data to the users of the financial statements by taking into consideration the following factors:

- (a) The market values of the Properties are volatile and are influenced by various factors which are seldom associated with the underlying operation and performance of the Group. Adoption of the Cost Model will avoid fluctuations in the Group's financial statements resulting from the cyclical volatility associated with the Revaluation Model and the Group's financial performance could be more comparable on a year-on-year basis.
- (b) A majority of comparable companies within the Hong Kong and PRC retail industry adopt the Cost Model. Therefore, using the Cost Model can align the Group's accounting policy with industry peers and improve comparability of the Group's financial performance with industry peers.

The change in accounting policy has been accounted for retrospectively and the relevant comparative figures have been restated.

The effect of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated income statement is as follows:

	Unaudited six months ended 30th September 2010		Unaudited six months ended 30th September 2009	
	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for properties HK\$'000	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for properties HK\$'000
Increase in depreciation	2,513	6	914	69
Decrease in amortisation	(2,513)	–	(914)	–
Total decrease in profit for the period	–	6	–	69
Attributable to:				
Equity holders of the Company	–	6	–	69
Non-controlling interests	–	–	–	–
Decrease in basic earnings per share	–	HK0.001 cent	–	HK0.01 cent
Decrease in diluted earnings per share	–	HK0.001 cent	–	HK0.01 cent

NOTES:

3 Accounting policies (Continued)

(c) Change in accounting policy (Continued)

The effect of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated balance sheet is as follows:

	As at 30th September 2010		As at 31st March 2010		As at 1st April 2009	
	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for properties HK\$'000	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for properties HK\$'000	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for properties HK\$'000
Increase/(decrease) in property, plant and equipment	223,298	(4,706)	225,650	(4,627)	10,841	943
Decrease in leasehold land and land use rights	(223,298)	–	(225,650)	–	(10,841)	–
Increase in deferred tax assets	–	341	–	341	–	–
Decrease in deferred tax liabilities	–	(492)	–	(492)	–	–
Increase in exchange reserve	–	3,661	–	3,651	–	3,644
Decrease in revaluation reserve	–	(7,562)	–	(7,479)	–	(2,933)
Increase in retained earnings	<u>–</u>	<u>28</u>	<u>–</u>	<u>34</u>	<u>–</u>	<u>232</u>

NOTES:

4 Segment information

The Group is principally engaged in the retailing and wholesaling of gold and jewellery products and licensing business.

The chief operating decision-maker (“CODM”) has been identified as the Executive Directors. CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM considers the business by nature of business activities and assesses the performance of the following operating segments:

- i. Retailing – Hong Kong, Macau and overseas
- ii. Retailing – The People’s Republic of China (“PRC”)
- iii. Wholesaling
- iv. Licensing

CODM assesses the performance of the operating segments based on measure of segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

Assets of reportable segments exclude interests in an associate, certain land and buildings, investment properties, deferred tax assets and corporate assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Sales to external customers are after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated income statement.

NOTES:**4 Segment information (Continued)**

	For the six months ended 30th September 2010				
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Reportable segments Total HK\$'000
Revenue					
Sales of merchandises	2,447,058	170,558	1,240,542	–	3,858,158
Inter-segment sales	<u>(103,601)</u>	<u>(139)</u>	<u>(933,051)</u>	<u>–</u>	<u>(1,036,791)</u>
	2,343,457	170,419	307,491	–	2,821,367
Sales of scrap gold and platinum and gold bullion	<u>–</u>	<u>–</u>	<u>316,282</u>	<u>–</u>	<u>316,282</u>
Sales to external customers	2,343,457	170,419	623,773	–	3,137,649
Royalty income	–	–	–	110,562	110,562
Consultancy fee income	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,266</u>	<u>16,266</u>
Revenue from external customers	<u>2,343,457</u>	<u>170,419</u>	<u>623,773</u>	<u>126,828</u>	<u>3,264,477</u>
Results of reportable segments	<u>229,113</u>	<u>25,804</u>	<u>83,719</u>	<u>77,292</u>	<u>415,928</u>
A reconciliation of results of reportable segments to profit attributable to equity holders of the Company is as follows:					
Results of reportable segments					415,928
Unallocated income					1,779
Unallocated expenses					<u>(41,130)</u>
Operating profit					376,577
Finance income					2,978
Finance costs					(2,548)
Share of results of an associate					<u>831</u>
Profit before taxation					377,838
Taxation					<u>(53,605)</u>
Profit for the period					324,233
Non-controlling interests					<u>(4,463)</u>
Profit attributable to equity holders of the Company					<u>319,770</u>

NOTES:

4 Segment information (Continued)

For the six months ended 30th September 2010								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	11,325	4,180	4,702	-	-	20,207	3,805	24,012
Amortisation of land use rights	-	-	76	-	-	76	-	76
As at 30th September 2010								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	1,651,316	376,473	1,555,322	5,343	(877,610)	2,710,844	-	2,710,844
Interests in an associate							5,464	5,464
Land and buildings							196,528	196,528
Investment properties							81,560	81,560
Deferred tax assets							16,416	16,416
Other unallocated assets							110,980	110,980
Total assets per condensed consolidated balance sheet								3,121,792
As at 30th September 2010								
	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment liabilities	(744,147)	(326,478)	(171,036)	(116,092)	877,610	(480,143)	-	(480,143)
Deferred tax liabilities							(14,069)	(14,069)
Bank borrowings							(607,960)	(607,960)
Taxation payable							(78,692)	(78,692)
Other unallocated liabilities							(43,626)	(43,626)
Total liabilities per condensed consolidated balance sheet								(1,224,490)

NOTES:**4 Segment information (Continued)**

	For the six months ended 30th September 2009				
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i> (Restated)	Licensing <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i> (Restated)
Revenue					
Sales of merchandises	1,574,799	101,711	741,211	–	2,417,721
Inter-segment sales	(92,202)	–	(586,529)	–	(678,731)
	<u>1,482,597</u>	<u>101,711</u>	<u>154,682</u>	<u>–</u>	<u>1,738,990</u>
Sales of scrap gold and platinum and gold bullion	–	–	271,539	–	271,539
	<u>1,482,597</u>	<u>101,711</u>	<u>426,221</u>	<u>–</u>	<u>2,010,529</u>
Royalty income	–	–	–	68,346	68,346
Consultancy fee income	–	–	–	8,762	8,762
	<u>1,482,597</u>	<u>101,711</u>	<u>426,221</u>	<u>77,108</u>	<u>2,087,637</u>
Revenue from external customers					
	<u>1,482,597</u>	<u>101,711</u>	<u>426,221</u>	<u>77,108</u>	<u>2,087,637</u>
Results of reportable segments, as restated	<u>120,867</u>	<u>11,940</u>	<u>63,816</u>	<u>48,244</u>	<u>244,867</u>

A reconciliation of results of reportable segments to profit attributable to equity holders of the Company is as follows:

Results of reportable segments	244,867
Unallocated income	3,324
Unallocated expenses, as restated	(19,181)
Operating profit	229,010
Finance income	1,823
Finance costs	(2,164)
Share of results of an associate	1,275
Profit before taxation	229,944
Taxation	(40,361)
Profit for the period	189,583
Non-controlling interests	(1,203)
Profit attributable to equity holders of the Company	<u>188,380</u>

NOTES:

4 Segment information (Continued)

	For the six months ended 30th September 2009							
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i> (Restated)	Licensing <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i> (Restated)	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Depreciation of property, plant and equipment, as restated	9,337	3,866	4,256	–	–	17,459	2,083	19,542
Amortisation of land use rights, as restated	–	–	75	–	–	75	–	75
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31st March 2010							
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets, as restated	1,396,274	300,734	741,453	22,664	(248,453)	2,212,672	–	2,212,672
Interests in an associate							4,507	4,507
Land and buildings, as restated							267,070	267,070
Deferred tax assets, as restated							14,018	14,018
Other unallocated assets, as restated							98,388	98,388
							<u> </u>	<u> </u>
Total assets per condensed consolidated balance sheet								<u>2,596,655</u>
	As at 31st March 2010							
	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment liabilities	(227,060)	(259,662)	(140,061)	(104,694)	248,453	(483,024)	–	(483,024)
Deferred tax liabilities							(6,623)	(6,623)
Bank borrowings							(313,700)	(313,700)
Taxation payable							(50,145)	(50,145)
Other unallocated liabilities							(59,676)	(59,676)
							<u> </u>	<u> </u>
Total liabilities per condensed consolidated balance sheet								<u>(913,168)</u>

NOTES:

4 Segment information (Continued)

An analysis of the Group's revenue by location of customers is as follows:

	For the six months ended	
	30th September 2010 HK\$'000	2009 HK\$'000
Revenue		
Hong Kong	2,351,883	1,562,888
The PRC	584,896	313,008
Other locations	327,698	211,741
	<u>3,264,477</u>	<u>2,087,637</u>

An analysis of the Group's non-current assets (other than deferred tax assets) by location of assets is as follows:

	As at 30th September 2010				As at 31st March 2010			
	Hong Kong HK\$'000	The PRC HK\$'000	Other locations HK\$'000	Total HK\$'000	Hong Kong HK\$'000 (Restated)	The PRC HK\$'000 (Restated)	Other locations HK\$'000 (Restated)	Total HK\$'000 (Restated)
Non-current assets								
Property, plant and equipment	231,844	97,842	5,841	335,527	287,178	95,713	5,816	388,707
Land use rights	–	6,439	–	6,439	–	6,391	–	6,391
Investment properties	81,560	–	–	81,560	–	–	–	–
Interests in an associate	5,464	–	–	5,464	4,507	–	–	4,507
Trading licence	1,080	–	–	1,080	1,080	–	–	1,080
Rental deposits	31,352	462	1,344	33,158	29,035	408	1,968	31,411
	<u>351,300</u>	<u>104,743</u>	<u>7,185</u>	<u>463,228</u>	<u>321,800</u>	<u>102,512</u>	<u>7,784</u>	<u>432,096</u>

NOTES:

5 Expenses by nature

	For the six months ended 30th September	
	2010 HK\$'000	2009 HK\$'000 (Restated)
Cost of sales		
– cost of inventories sold	2,451,041	1,533,957
– cost of licensing business	46,179	28,362
	<u>2,497,220</u>	<u>1,562,319</u>
Staff costs (including directors' emoluments)	149,013	116,608
Operating lease rentals in respect of land and buildings	119,797	91,336
Advertising and promotion expenses	18,761	17,689
Commission expenses to credit card companies	26,175	16,350
Depreciation of property, plant and equipment	24,012	19,542
Amortisation of land use rights	76	75
Others	57,723	46,126
	<u>2,892,777</u>	<u>1,870,045</u>
Total		
	<u>2,892,777</u>	<u>1,870,045</u>
Representing:		
Cost of sales	2,497,220	1,562,319
Selling and distribution costs	357,253	277,999
Administrative expenses	38,304	29,727
	<u>2,892,777</u>	<u>1,870,045</u>

6 Other income

	For the six months ended 30th September	
	2010 HK\$'000	2009 HK\$'000
Rebate from import agents	–	1,850
Valued-added tax refund	21,290	12,796
Others	7,042	5,541
	<u>28,332</u>	<u>20,187</u>

NOTES:

7 Other losses, net

	For the six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
Losses on derivative financial instruments – trading of gold	(23,562)	(9,009)
Write back of provision for slow-moving inventories	107	240
	<u>(23,455)</u>	<u>(8,769)</u>

8 Finance income/(costs), net

	For the six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
Interest income	207	167
Net exchange gain	2,771	1,656
	<u>2,978</u>	<u>1,823</u>
Interest on bank borrowings	<u>(2,548)</u>	<u>(2,164)</u>
Finance income/(costs), net	<u>430</u>	<u>(341)</u>

9 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (For the six months ended 30th September 2009: 16.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	For the six months ended 30th September	
	2010	2009
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	28,080	23,249
– overseas taxation	23,661	13,612
Deferred taxation	1,864	3,500
	<u>53,605</u>	<u>40,361</u>

NOTES:

10 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\$319,770,000 (2009 (as restated): HK\$188,380,000) and the weighted average number of 492,507,850 (2009: 492,507,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September 2010 and 2009 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

11 Dividends

At a meeting held on 20th July 2010, the directors recommended a final dividend of HK\$0.28 per ordinary share for the year ended 31st March 2010. Such dividend was approved by the shareholders at the Annual General Meeting on 31st August 2010, paid during the period and had been reflected as an appropriation of retained earnings for the period ended 30th September 2010.

At a meeting held on 29th November 2010, the directors declared an interim dividend of HK\$0.26 per ordinary share, totalling HK\$128,052,041, for the year ending 31st March 2011. This dividend is not reflected as a dividend payable in these condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2011.

12 Trade receivables

The Group's sales comprise mainly cash sales and credit card sales. 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:

	As at 30th September 2010 <i>HK\$'000</i>	As at 31st March 2010 <i>HK\$'000</i>
0 – 30 days	65,302	49,351
31 – 60 days	10,566	19,197
61 – 90 days	2,698	5,258
91 – 120 days	870	–
Over 120 days	568	–
	<hr/> 80,004 <hr/>	<hr/> 73,806 <hr/>

The carrying amounts of trade receivables approximate their fair values.

During the six months ended 30th September 2010, no trade receivables were impaired (2009: Nil).

NOTES:

13 Trade payables, other payables and accruals

Included in trade payables, other payables and accruals are trade payables of HK\$247,100,000 (31st March 2010: HK\$274,141,000) and their ageing analysis is as follows:

	As at 30th September 2010 HK\$'000	As at 31st March 2010 HK\$'000
0 – 30 days	140,769	187,538
31 – 60 days	78,925	53,960
61 – 90 days	14,769	14,226
91 – 120 days	6,640	10,147
Over 120 days	5,997	8,270
	<u>247,100</u>	<u>274,141</u>

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 26.0 HK cents (2009: 15.0 HK cents) per share for the six months ended 30th September 2010. The interim dividend will be payable on 3rd January 2011 to shareholders whose names appear on the Register of Members of the Company on 21st December 2010.

INTERIM RESULTS

The revenue of the Group for the six months ended 30th September 2010 grew 56.37% from HK\$2,087,637,000 last year to approximately HK\$3,264,477,000. Profit attributable to shareholders of the Company was approximately HK\$319,770,000, which represented a 69.75% growth as compared to HK\$188,380,000 (as restated) in the previous year. Basic earnings per share were 64.93 HK cents (2009: 38.25 HK cents (as restated)).

During the period under review, driven by the increasing number of PRC tourists shopping in Hong Kong and their increased spending due to appreciation of Reminbi, the Group's overall performance was very encouraging. Our retail business, which accounted for 77.01% of total revenue, which contributed largely from the PRC tourists, amounted to HK\$2,513,876,000, registering an increase of 58.67% from the same period last year. Meanwhile, revenue from the wholesale business, which accounted for 19.11% of the total revenue recorded a growth of 46.35% from HK\$426,221,000 to HK\$623,773,000.

The Group has been putting great efforts to expand the PRC market share in recent years. During the period, the Group opened 89 new retail outlets in the PRC. As at 30th September 2010, the Group had a total of 646 retail outlets (including licensee shops) globally with 607 in the PRC, 31 in Hong Kong, 5 in Macau, 2 in Canada and 1 in the United States. During the period, the Group established its two-storey flagship store in Tsim Sha Tsui and its first OMEGA Watch counter, bringing the number of shops in Tsim Sha Tsui to five.

According to the figures from the World Gold Council, in the face of surging price levels, demand for gold jewellery in Greater China region rose 5% in the first half of 2010. Compared to the corresponding period of last year, the Group's revenue from the ordinary gold business recorded a 53.22% growth.

INDUSTRY REVIEW

As shown from the figures of the Hong Kong Tourism Board, in the first eight months in 2010, tourist arrivals from the PRC grew 28.7% compared to the same period last year. The improving global economy and the trend of appreciation of Reminbi boosted Mainland consumers' purchasing appetite and the Group continued to benefit from the growing number of PRC tourists who spent a great deal of money on purchasing gold and jewellery items in Hong Kong.

BUSINESS REVIEW

Hong Kong Market

For the period ended 30th September 2010, revenue from the Hong Kong market was HK\$2,351,883,000 (2009: HK\$1,562,888,000) representing a 50.48% increase from the same period last year.

As at 30th September 2010, the Group operated 31 shops in Hong Kong.

In April, 2010, the Group opened its flagship store situated at Haiphong Mansion, Tsim Sha Tsui, and its first OMEGA Watch counter which registered satisfactory sales performance.

During the period, the Group continued to market and promote the brand through a range of joint promotions, sponsorship and exhibition, and received satisfactory results.

PRC Market

The Group actively strengthened its presence and reinforced its position in the PRC's jewellery market.

During the period, the Group opened 89 new licensee shops in the PRC, accumulating its total number to 572 and had 35 self-operated shops in the PRC.

On account of our enlarging retail network and the strong growth of economy in the PRC, revenue from the PRC market, which accounted for 17.92% of the Group's total revenue, increased 86.86% to HK\$584,896,000.

Macau Market

As at 30th September 2010, the Group operated 5 shops in Macau.

Tourism in Macau continued to blossom. Tourist arrivals from the PRC achieved a significant growth of 26.8% in the first eight months. During the period under review, revenue from Macau shops amounted to HK\$315,439,000, which registered an increase of 57.02% from the same period last year.

During the period, the Group established a new shop at Rua de S. Domingos in Macau, a tourists' must-visit shopping district. The excellent location of the new shop is expected to further enhance the Group's retail business in Macau.

OVERSEAS DEVELOPMENT

In order to build up an international brand image as well as offer after-sales services to customers globally, the Group set up retail network overseas. At present, it had 2 shops (including 1 self-operated and 1 licensed) in Canada and 2 self-operated shops in the United States. Moreover, the Group is going to establish its first self-operated shop in Singapore.

MARKETING AND PROMOTION

The Group participated in a wide spectrum of marketing activities and publicity campaigns to strengthen its brand positioning.

During the period, the Group continued to actively design and execute various marketing plans. Below were some highlights:

- Sponsored the diamond crown and precious jewellery pieces to “Miss Hong Kong Pageant” for the 13th consecutive year
- Being the official sponsor of the crown and jewellery pieces for “Miss Asia Pageant” for consecutive years
- Sponsored “Miss Chinese Pageant” in Vancouver and Toronto, Canada for several years
- Acted as the exclusive jewellery sponsor in “TVS New Silk Road Model Contest”
- Invited celebrity Mr. Raymond Lam to be the ribbon-cutting guest for the grand opening of flagship store in Tsim Sha Tsui and to distribute “Lucky Tiger Gold Accessory” during Labour Day Promotion Period
- Invited celebrity Mr. Raymond Lam as the spokesperson of “Love Forever” Collection in the PRC

- Participated in “Hong Kong Wedding & Wedding Gifts Expo 2010” held in Hong Kong Convention and Exhibition Centre
- Broadcasted large volume of TV commercials through mainstream TV channels in Hong Kong and the PRC, and sponsored products for TV programmes and key dramas
- Invited renowned model Ms. Lynn Xiong to attend “Lukfook Jewellery K-gold elite New Product Launch” event
- Enhanced the advertising impact by strategically placed outdoor advertisement at the back of KMB buses of different routes throughout Hong Kong
- Sponsored prizes and souvenirs for “The Bun Carnival 2010” annually held in Cheung Chau
- Sponsored “Tiger Balm Lucky Draw”, “P&G Mother’s Day Promotion”, “McDonald’s Wedding Party Kickoff”, and “2010 Nestle Ice-Cream Summer Promotion”
- Sponsored the “2010 Summer Pop – Live in HK” concert held by Hong Kong Tourism Board and Ms. Rosanne Lui’s “Rosanne Lui in Concert 2010” held at Hong Kong Coliseum
- Sponsored the “Southern District Tourism and Culture Festival 2010-2011”
- Introduced key items and new products in festivals including Mother’s Day, Labour Day and National Day, stimulating consumers’ demand through publicity programmes in order to achieve better sales results
- Launched Lukfook Jewellery’s Giftcards with China Union Loyalty and invited famous models Ms. Jacquelin Ch’ng and Ms. Irene Wang to attend the “Lukfook Jewellery X China Union Loyalty Giftcards” cocktail reception
- Carried out joint promotion with various banks including HSBC, Citibank, Wing Lung Bank, Ping An Bank and China UnionPay
- Established the Gold Price Index and placed online advertisements & advertorial write-up on the wedding portal “weddingedlife.com”
- Broadcasted Jewellery Gold Price information in branches of China Travel Service, all Home Return Permit Service Centres and Bank of China Credit Card Centres

PRODUCTS

During the period, the Group diversified its portfolio by launching a series of new products with exclusive designs and craftsmanship featuring different celebrations and festivals. Promotional series are as follows:

- “Beauty of Love” Collection for Mother’s Day Promotion
- “K-gold elite” 18K Gold Collection jointly promoted with World Gold Council
- “Wedding” Collection for wedding couples
- Pure Gold “Xifu” Collection jointly promoted with World Gold Council
- “Love Forever” Collection with celebrity Mr. Raymond Lam as the spokesperson in the PRC
- Platinum “Beautiful Life” Collection jointly promoted with Platinum Guild International
- “Gold Charisma” Collection

AWARDS

Devotion to quality products and excellent services is always the core competence of the Group. During the period, the Group won the “PRC Consumers’ Most Favorable Hong Kong Brands 2010 – Gold Prize”, and attained “The Most Outstanding Brand 2010 (Greater China)”, organized by East Week Magazine in recognition of the Group’s contributions in the economic development of Greater China. Moreover, the Group’s TV Commercial “Love is beauty” was voted as “The Ten Most Popular TV Commercials” in “The 15th Annual Most Popular TV Commercial Awards” organized by aTV. Having been supportive to charity activities, the Group was awarded the first runner-up in “Ordering Oxfam Rice (Organization Category)” in “Oxfam Rice Sale 2010”.

DESIGN

The Group is famous for its stylish designs of jewellery products. With the Group’s outstanding and award-winning design team, the Group has designed over 20,000 fashionable jewellery products for customers’ selections. The Group was also enthusiastic in joining various local and international jewellery design competitions. During the period, the Group attained two awards in “The 11th Hong Kong Jewellery Design Competition”. Also, four of the Group’s designs were voted as finalist in “The 11th Buyers’ Favorite Jewelry Design Competition”.

PROSPECTS

The revival of the global economy coupled with PRC customers’ strong demand for luxurious items favours the growth of the Group’s business. We believe the jewellery retail market in Hong Kong and the PRC will continue to robust and thus hold an optimistic view on it.

Eyeing the encouraging business performance of the Group's OMEGA Watch counter, the Group taps the watch market through cooperation with more prestigious watch brands, so as to seize the business opportunity derived from the blooming tourism. At present, 7 brands of watches are sold in the Group's watch counter, including LONGINE, TISSOT, Philip Stein, MIDO, HAMILTON, BALL and OMEGA.

Looking ahead, the Group will continue to expand its retail network. The Group is determined to further increase its market share in the PRC and will rapidly expand its sales network in the region. Whereas in Hong Kong, the Group targets to open new shops in tourists' must-visit shopping districts. The Group will also strive to establish its presence in overseas markets when opportunities arise.

To maintain the competitive edge, the Group will continue to delicate efforts on brand building by sponsoring a wide range of marketing and promotion activities. Furthermore, the Group would endeavor to provide high quality jewellery, aiming to foster the Group's leading position as a jewellery retailer, bringing a high return to the shareholders.

EMPLOYEES

As at 30th September 2010, the Group had approximately 3,316 employees (31st March 2010: 3,053 employees). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured taking into account factors in comparable markets. Bonus and other merit payments are linked to the 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 2010, the Group's cash and cash equivalents reached approximately HK\$274 million (31st March 2010: approximately HK\$287 million). The Group's debt-to-equity ratio at the period-end, being the proportion of total bank loans of approximately HK\$608 million (31st March 2010: HK\$314 million) against total equity of approximately HK\$1,870 million (31st March 2010: HK\$1,661 million (as restated)), was 32.5% (31st March 2010: 18.9%). During the period, the capital expenditure of the Group was approximately HK\$32 million (2009: HK\$286.2 million).

As at 30th September 2010, the Group had banking facilities amounted to approximately HK\$942 million (31st March 2010: HK\$778 million) out of which HK\$608 million (31st March 2010: HK\$314 million) was utilised. The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

CONTINGENCY LIABILITIES

The Group did not have any significant contingent liabilities at 30th September 2010 and 31st March 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21st December 2010 to 23rd December 2010, 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 of Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 20th December 2010.

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 2010, the audit committee has held several meetings to consider matters including the 2009/10 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 2010, and the Group's IT control environment.

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

CORPORATE GOVERNANCE

The Board of Directors and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices 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 2010.

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 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

By Order of the Board
WONG Wai Sheung
Chief Executive

29th November 2010

As at the date of this announcement, the Company's executive directors are Mr. WONG Wai Sheung (Chief Executive), Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul, Mr. LAU Kwok Sum, Mr. WONG Ho Lung, Danny and Miss WONG Lan Sze, Nancy; 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. LO Mun Lam, Raymond (Chairman) and Mr. TAI Kwok Leung, Alexander.