



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

The Board of Directors (the "Board") of Luk Fook Holdings (International) Limited (the "Company" or "Luk Fook") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003 together with comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

	Note	Unaudited Six months ended 30th September	
		2003 HK\$'000	As restated 2002 HK\$'000
Turnover		622,482	658,740
Cost of sales	2	(489,024)	(522,869)
Gross profit		133,458	135,871
Other revenues		9,143	6,242
Selling and distribution costs		(109,822)	(105,262)
Administrative expenses		(11,353)	(12,324)
Other operating expenses		(1,420)	(1,783)
Operating profit	3	20,006	22,744
Finance costs		-	(1)
Profit before taxation		20,006	22,743
Taxation	4	(3,495)	(3,340)
Profit after taxation		16,511	19,403
Minority interests		(599)	(94)
Profit attributable to shareholders		15,912	19,309
Earnings per share	5		
Basic		3.34 cents	4.08 cents
Diluted		3.29 cents	3.99 cents

NOTES:

1. **Basis of preparation and accounting policies**
These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"). These interim accounts should be read in conjunction with the 2002/2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2003, except that the Group has changed certain of its accounting policies following its adoption of revised SSAP 12 "Income Taxes" issued by the HKSA to account for deferred taxation which is effective for accounting periods commencing on or after 1st January 2003.

Pursuant to the revised SSAP 12, deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

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

2. Revenue, turnover and segment information

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

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

No geographical analysis is presented as over 90% of the Group's revenues and results are derived from activities in Hong Kong during the periods ended 30th September 2002 and 2003.

3. Operating profit

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after charging the following:		
Cost of inventories sold	489,216	525,028
Depreciation of fixed assets	5,787	6,876

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

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

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

5. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,912,000 (2002: HK\$19,309,000) and the weighted average number of 475,891,151 (2002: 472,960,271) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$15,912,000 (2002: HK\$19,309,000) and the weighted average number of 483,332,508 (2002: 484,012,410) ordinary shares in issue during the period after adjusting for the effects of all potential dilutive ordinary shares deemed to be issued at no consideration if all outstanding share options granted under the share option scheme of the Company had been exercised.

INTERIM DIVIDEND

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

Operating Review

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

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

Industry Review

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

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

Business Review

Gold and Jewellery Operation

Hong Kong

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

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

- Participated in the "荃灣珠寶金飾坊" scheme and offered cash coupon rebate;
- Launched the "六福珠寶旅遊貴賓卡" offer with an aim to encourage the PRC visitors themselves and their relatives to spend in Luk Fook and they will have the chance of winning jewellery pieces worth HK\$30,000;
- Sponsored the Diamond Crown and some jewellery pieces for the winners of the 2003 Miss Hong Kong Pageant;
- Participated in the "Hong Kong Jewellery & Watch Fair 2003", displaying the Group's award-winning designs at various jewellery design competitions;
- To celebrate Luk Fook's 12th anniversary, the Group has launched "六福珠寶即買即賞無限獎" during the period under review with overwhelming responses received. With purchase of up to a certain amount, customers will receive cash coupon rebate and gifts. Rewards would be doubled if customers choose to pay their bills with EPS.

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

The PRC

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

Securities Operation

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

Awards and Merits

"Tahitian Pearl Trophy 2003"

Cultural Fusion Award: Pendant "Dragon"

Brooch Category: Winner - "Chopsticks"

Pendant Category: Winner - "Shimmer"

Earrings Category: Winner - "Water Screen"

Earrings Category: 1st runner up - "Flow"

Parure Category: 2nd runner up - "Wavelet"

Employees

As at 30th September 2003, the number of staff of the Group in Hong Kong was approximately 683 (2002: 640). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured to take into account the comparable level of the market. Bonus and other merit payments are linked to the success of the Group and performance of individual employee. The policy is to encourage employees to optimize business performance by providing them with financial incentives.

Prospects

Hong Kong Market

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

The PRC Market

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

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

Liquidity and Financial Resources

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

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30th September 2003 (31st March 2003: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 5th January 2004 to 6th January 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Central Registration Hong Kong Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 2nd January 2004.

AUDIT COMMITTEE

In compliance with paragraph 14 of the Code of Best Practice, the Board has established an audit committee comprising all independent non-executive directors, to monitor the accounting and financial reporting practices and internal control systems of the Company.

On 22nd July 2003, an audit committee meeting was held to consider matters including the 2002/2003 annual report of the Company and internal controls.

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

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30th September 2003 and the Group's auditors, PricewaterhouseCoopers, have carried out a review on the relevant unaudited condensed consolidated accounts for the six months ended 30th September 2003.

On 17th December 2003, an audit committee meeting was held to update on internal control matters and to review financial reporting with the directors in respect of the unaudited interim condensed consolidated accounts for the six months ended 30th September 2003 and the implications of the new accounting standards to the Group's financial reporting in 2003/2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the six months ended 30th September 2003.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed interim results announcement containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Wong Wai Sheung
Chairman

Hong Kong, 18th December 2003