



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with Limited Liability)

Website: <http://www.lukfook.com.hk>, <http://www.irasia.com/listco/hk/lukfook>

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2001

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 2001 together with comparative figures for the corresponding period in 2000 as follows:

	Note	Unaudited Six months ended 30th September	
		2001 HK\$'000	2000 HK\$'000
Turnover	1	690,754	747,248
Cost of sales		(541,669)	(597,577)
Gross profit		149,085	149,671
Other revenues		6,583	3,620
Selling and distribution costs		(106,189)	(107,626)
Administrative expenses		(12,115)	(10,058)
Other operating expenses		(2,412)	(1,177)
Operating profit	2	34,952	34,430
Finance costs		(10)	(55)
Profit before taxation		34,942	34,375
Taxation	3	(5,771)	(5,008)
Profit after taxation		29,171	29,367
Minority interests		(410)	80
Profit attributable to shareholders		28,761	29,447
Earnings per share	4		
Basic		6.18 HK cents	6.45 HK cents
Fully diluted		6.07 HK cents	6.35 HK cents

Notes:

1 Turnover and segment information

The Group is principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones, and other accessory items in Hong Kong. An analysis of the Group's turnover and contribution to operating profit/(loss) by principal activity during the period is as follows:

	Turnover Six months ended 30th September		Operating profit/(loss) Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Retailing	661,285	718,444	32,056	32,108
Wholesaling	29,469	28,804	5,366	4,808
Others	-	-	(2,470)	(2,486)
	690,754	747,248	34,952	34,430

No geographical analysis is provided as less than 10% of the turnover and operating profit of the Group are attributable to markets outside Hong Kong.

2 Operating profit

Operating profit is stated after charging depreciation of fixed assets of HK\$7,840,000 (2000: HK\$6,961,000).

3 Taxation

Taxation represents Hong Kong profits tax provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

4 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$28,761,000 (2000: HK\$29,447,000) and the weighted average number of 465,593,659 (2000: 456,799,702) 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\$28,761,000 (2000: HK\$29,447,000) and the weighted average number of 473,448,336 (2000: 463,898,054) 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.

5 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation. The changes included the reclassification of expenses previously classified as administrative and other operating expenses to selling and distribution costs. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's operating result.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2.5 HK cents (2000: 2.5 HK cents) per share for the financial year ending 31st March 2002. The interim dividend will be payable on 10th January 2002 to shareholders whose names appear on the Register of Members of the Company on 4th January 2002.

Operating Review

Results for the Six Months Ended 30 September 2001

For the six months ended 30th September 2001, the Group has achieved a turnover of approximately HK\$690,754,000 representing a decrease of 7.6% from HK\$747,248,000 over the same period last year. Profit before taxation recorded approximately HK\$34,942,000 (2000: HK\$34,375,000). As at 30th September 2001, cash on hand reached approximately HK\$113,433,000 and earnings per share was 6.18 HK cents.

Market sentiment during the period suffered from global economic uncertainty which has affected the results of the Group.

Industry Overview

During the period under review, the local retail industry in Hong Kong was hampered by the weak economic conditions and the unstable political conditions in the U.S. The retail market for luxury goods, like jewellery, recorded a 9.4% decrease in sales in September 2001. Since consumer confidence remained weak, the jewellery industry has thus been heavily influenced.

As the China Jewellery market will be deregulated and the import tariffs will be lowered after the World Trade Organization ("WTO") accession, many Hong Kong jewellery retailers eyed this opportunity and have been building up contacts and establishing their brand images in China during the year through partnerships with local wholesalers or retailers.

Business Overview

Gold and Jewellery Operation

Hong Kong

- For the period under review, the Group has 18 retail shops.
- To celebrate Luk Fook's 10th anniversary, the Group has launched a lucky draw campaign "六福10週年擦出卡裝美鑽旅遊獎上獎" as a token of appreciation to its customers.

China

- The Group provided technical support and consultancy services to over 60 jewellery retailers in China with an objective to gather market intelligence in China.
- The Group had attended the 2001 Shenzhen International Jewellery Fair during the period under review. Responses received were positive.

Jewellery Portal Operation

- The Group, through its subsidiary, jewellworld.com Limited develops an online trading platform known as jewellworld.com for suppliers, wholesalers and retailers of the gold and jewellery industry worldwide.

- The Group believes that jewellers will use jewellery portal more frequently to view product samples and to order jewellery in order to streamline their operation procedures. It would undoubtedly become a trend in Hong Kong as well as the China jewellery industry.

Securities Operation

- Currently, Luk Fook Securities Limited has established two outlets. In the period under review, the Group has been working closely with OSK Asia Securities Limited. Periodical seminar and reports are distributed to customers.

Awards and Merits

- In the period under review, the Group has won 4 Awards in the "2001 Grand Competition of Taiwan & Hong Kong Jade Jewelry Design".
- In "The Fourth Buyers' Favorite Diamond Jewelry Design Competition 2001", the Group has been awarded a Silver Prize in the 'Set Group' Section and an Award of Merit in the 'Brooch Group' Section.

Employees

As at 30th September 2001, the total number of staff of the Group in Hong Kong was approximately 580 as compared with 650 of last year. In the period under review, the Group has continued to provide training for its staff.

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 successful performance 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

- As the quota system which restricts the daily number of mainland visitors would be abolished in January 2002, it was believed that this would draw a substantial number of mainland visitors to Hong Kong. This would undoubtedly bring about positive influences to the Group's business.

Ice g. Collection

- To cater for the growing younger generation market, the Group would open a series of retail chains to launch its new Ice g. Collection in the coming year. A retail shop situated in West Kowloon with about 690 sq. feet is targeted to open by end of December.

- The new young line specializes in innovative European style quality products, providing caring and professional image styling.

China Market

- China's accession to the WTO will undoubtedly bring in substantial business opportunities for the Hong Kong jewellery retailers. The Group will therefore continue to expand its network in order to capture the vast jewellery retail market in China.

- The databank for culture and taste of customers throughout China which cultivated in the past few years start to yield promising results for the Group when the jewellery retailing in China is deregulated and beneficial policy for Hong Kong investors are stipulated.

Export Business

- Due to the "911 Incident" happened in the U.S., the Group has postponed its exploration to the Southeast Asia export market as planned.

Liquidity and Financial Resources

The Group's gearing ratio at the period end, being the proportion of total trade debts of approximately HK\$91,255,000 (31st March 2001: HK\$74,311,000) against total shareholders' equity of approximately HK\$485,477,000 (31st March 2001: HK\$479,559,000), was 18.8% (31st March 2001: 15.5%).

Contingent Liabilities

The Group did not have any significant contingent liabilities at 30th September 2001 (31st March 2001: nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 3rd January 2002 to 4th January 2002, 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 2002.

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 20th July 2001, an audit committee meeting was held to consider matters including the 2000/2001 annual report of the Company, internal controls and the implications of the new accounting standards to the Group's financial reporting in 2001/2002.

On 12th December 2001, 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 2001.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

By Order of the Board
Wong Wai Sheung
Chairman

Hong Kong, 17th December 2001

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website as soon as possible.

The full text of the Company's announcement of interim results can be accessed through internet at: <http://www.irasia.com/listco/hk/lukfook>