



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 590)

Website: www.lukfook.com.hk

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

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 2008 together with comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

		Unaudited	
		For the six months ended	
		30th September	
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	1,762,965	1,360,565
Cost of sales	5	(1,419,549)	(1,038,952)
Gross profit		343,416	321,613
Other income		68,997	43,751
Selling and distribution costs	5	(250,485)	(207,838)
Administrative expenses	5	(26,109)	(20,090)
Other gain	6	224	433
Operating profit		136,043	137,869
Finance income		267	3,181
Finance costs		(4,877)	(158)
Finance (costs)/income, net	7	(4,610)	3,023
Share of results of an associate		1,998	–
Profit before taxation		133,431	140,892
Taxation	8	(8,608)	(20,014)
Profit for the period		124,823	120,878
Profit attributable to:			
Equity holders of the Company		123,033	118,496
Minority interests		1,790	2,382
		124,823	120,878
Earnings per share for profit attributable to equity holders of the Company, expressed in Hong Kong cents per share			
– Basic	9	24.98 cents	24.06 cents
– Diluted		24.98 cents	24.06 cents
Dividends	10	24,625	49,251

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2008

	<i>Note</i>	Unaudited As at 30th September 2008 HK\$'000	Audited As at 31st March 2008 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		120,172	117,463
Leasehold land and land use rights		17,225	17,035
Interests in an associate		2,557	874
Trading licence		1,080	1,080
Rental deposits		26,298	24,624
Deferred income tax assets		15,879	14,915
		<u>183,211</u>	<u>175,991</u>
Current assets			
Inventories		1,353,072	1,245,500
Trade receivables	<i>11</i>	47,287	33,533
Deposits, prepayments and other receivables		61,114	45,712
Amount due from an associate		42,854	19,888
Bank balances and cash		159,946	185,380
		<u>1,664,273</u>	<u>1,530,013</u>
Total assets		<u>1,847,484</u>	<u>1,706,004</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		1,001,564	897,843
Proposed dividends		24,625	76,339
		<u>1,134,323</u>	<u>1,082,316</u>
Minority interests		18,044	16,049
Total equity		<u>1,152,367</u>	<u>1,098,365</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		109	74
Current liabilities			
Trade and other payables	<i>12</i>	354,352	293,454
Short-term bank loans, unsecured		300,000	273,000
Taxation payable		40,656	41,111
		<u>695,008</u>	<u>607,565</u>
Total liabilities		<u>695,117</u>	<u>607,639</u>
Total equity and liabilities		<u>1,847,484</u>	<u>1,706,004</u>
Net current assets		<u>969,265</u>	<u>922,448</u>
Total assets less current liabilities		<u>1,152,476</u>	<u>1,098,439</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

	Unaudited					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000	Minority interests HK\$'000	
For the period ended						
30th September 2008						
As at 1st April 2008	49,250	58,884	974,182	1,082,316	16,049	1,098,365
Exchange differences	–	–	5,277	5,277	205	5,482
Profit for the period	–	–	123,033	123,033	1,790	124,823
Dividends paid	–	–	(76,339)	(76,339)	–	(76,339)
Surplus on revaluation of other properties	–	–	36	36	–	36
As at 30th September 2008	<u>49,250</u>	<u>58,884</u>	<u>1,026,189</u>	<u>1,134,323</u>	<u>18,044</u>	<u>1,152,367</u>
For the period ended						
30th September 2007						
As at 1st April 2007	49,250	58,884	741,962	850,096	12,789	862,885
Exchange differences	–	–	4,820	4,820	121	4,941
Profit for the period	–	–	118,496	118,496	2,382	120,878
Dividends paid	–	–	(54,176)	(54,176)	–	(54,176)
Surplus on revaluation of other properties	–	–	12	12	–	12
As at 30th September 2007	<u>49,250</u>	<u>58,884</u>	<u>811,114</u>	<u>919,248</u>	<u>15,292</u>	<u>934,540</u>

NOTES:

1 General information

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

The Company’s ordinary 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 (“Interim Financial Information”) is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The Interim Financial Information for the six months ended 30th September 2008 is unaudited and has been reviewed by the independent auditor and the audit committee of the Company and approved for issue by the board of directors on 18th December 2008.

2 Basis of preparation

The Company has a financial year end date of 31st March. The Interim Financial Information for the six months ended 30th September 2008 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st March 2008.

3 Accounting policies

The accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31st March 2008, except as mentioned below:

- (a) The following interpretations and amendment to standards are mandatory for financial year ending 31st March 2009:

HK(IFRIC)-Int 12	“Service Concession Arrangements”
HK(IFRIC)-Int 14	“HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction”
Amendment to HKAS 39 and HKFRS 7	“Reclassification of Financial Assets”

The adoption of the above interpretations and amendment to standards did not have any material financial impact to the Interim Financial Information.

- (b) The following new standards, amendments to standards and interpretations have been issued but are not effective for period beginning on 1st April 2008 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	“Presentation of Financial Statements”	1st January 2009
HKAS 23 (Revised)	“Borrowing Costs”	1st January 2009
HKAS 27 (Revised)	“Consolidated and Separate Financial Statements”	1st July 2009
HKAS 32 and HKAS 1 (Amendments)	“Puttable Financial Instruments and Obligations arising on Liquidation”	1st January 2009
HKAS 39 (Amendment)	“Eligible Hedged Items”	1st July 2009
HKFRS 1 and HKAS 27 (Amendments)	“Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate”	1st January 2009
HKFRS 2 (Amendment)	“Share-based Payment – Vesting Conditions and Cancellations”	1st January 2009
HKFRS 3 (Revised)	“Business Combinations”	1st July 2009
HKFRS 8	“Operating Segments”	1st January 2009
HK(IFRIC)-Int 13	“Customer Loyalty Programmes”	1st July 2008
HK(IFRIC)-Int 15	“Agreements for the Construction of Real Estate”	1st January 2009
HK(IFRIC)-Int 16	“Hedges of a Net Investment in a Foreign Operation”	1st October 2008

The effect that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1st January 2010. The directors anticipate that the adoption of other new standards, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

- (c) The following improvements to HKFRS have been published but are not effective for period beginning on 1st April 2008 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	“Presentation of Financial Statements”	1st January 2009
HKAS 2	“Inventories”	1st January 2009
HKAS 7	“Cash Flow Statements”	1st January 2009
HKAS 8	“Accounting Policies, Changes in Accounting Estimates and Errors”	1st January 2009
HKAS 10	“Events After the Balance Sheet Date”	1st January 2009
HKAS 16	“Property, Plant and Equipment”	1st January 2009
HKAS 18	“Revenue”	1st January 2009
HKAS 19	“Employee Benefits”	1st January 2009
HKAS 20	“Accounting for Government Grants and Disclosure of Government Assistance”	1st January 2009
HKAS 23 (Revised)	“Borrowing Costs”	1st January 2009
HKAS 27	“Consolidated and Separate Financial Statements”	1st January 2009
HKAS 28	“Investments in Associates”	1st January 2009
HKAS 29	“Financial Reporting in Hyperinflationary Economies”	1st January 2009
HKAS 31	“Interests in Joint Ventures”	1st January 2009
HKAS 34	“Interim Financial Reporting”	1st January 2009
HKAS 36	“Impairment of Assets”	1st January 2009

		Effective for annual periods beginning on or after
HKAS 38	“Intangible Assets”	1st January 2009
HKAS 39	“Financial Instruments: Recognition and Measurement”	1st January 2009
HKAS 40	“Investment Property”	1st January 2009
HKAS 41	“Agriculture”	1st January 2009
HKFRS 5	“Non-current Assets Held for Sale and Discontinued Operations”	1st July 2009
HKFRS 7	“Financial Instruments: Disclosures”	1st January 2009

The directors anticipate that the adoption of the above improvements to HKFRS will not result in a significant impact on the results and financial position of the Group.

4 Segment information

The Group is principally engaged in the sourcing, designing, retailing and wholesaling of gold jewellery and gold ornaments, diamond, jadeite, gemstones and other accessory items.

Turnover represents invoiced sales of goods and includes an amount of HK\$228,888,000 (2007: HK\$222,827,000) which was settled by gold bullion and the gold bullion was in turn used for settlement of trade payables.

Primary reporting format – business segments

The Group is organised mainly in Hong Kong and the PRC into two major business segments:

- Retailing of jewellery
- Manufacturing and wholesaling of jewellery, including the provision of technical support and consultancy services, and quality control of jewellery products to certain licensees.

Other operations of the Group mainly represent investments and services relating to internet and software development.

	For the six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers										
– Sales of merchandises	1,393,697	1,025,429	139,577	110,668	-	-	-	-	1,533,274	1,136,097
– Sales of scrap gold and platinum and gold bullion	-	-	228,888	222,827	-	-	-	-	228,888	222,827
– Others	-	-	-	-	803	1,641	-	-	803	1,641
	<u>1,393,697</u>	<u>1,025,429</u>	<u>368,465</u>	<u>333,495</u>	<u>803</u>	<u>1,641</u>	<u>-</u>	<u>-</u>	<u>1,762,965</u>	<u>1,360,565</u>
Inter-segment sales	44,100	34,069	423,833	362,605	-	-	(467,933)	(396,674)	-	-
Other income from external customers	255	221	66,947	41,482	1,795	2,048	-	-	68,997	43,751
Inter-segment other income	-	-	-	-	396	298	(396)	(298)	-	-
	<u>1,438,052</u>	<u>1,059,719</u>	<u>859,245</u>	<u>737,582</u>	<u>2,994</u>	<u>3,987</u>	<u>(468,329)</u>	<u>(396,972)</u>	<u>1,831,962</u>	<u>1,404,316</u>
Segment results	<u>52,413</u>	<u>81,934</u>	<u>109,014</u>	<u>83,374</u>	<u>481</u>	<u>1,755</u>	<u>(7,418)</u>	<u>(10,943)</u>	<u>154,490</u>	<u>156,120</u>
Interest income									267	1,233
Unallocated costs									(18,447)	(16,303)
									<u>136,310</u>	<u>141,050</u>
Finance costs									(4,877)	(158)
Share of results of an associate									1,998	-
									<u>133,431</u>	<u>140,892</u>
Profit before taxation									(8,608)	(20,014)
Taxation										
									<u>124,823</u>	<u>120,878</u>

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

	For the six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation										
– allocated	11,007	8,981	4,861	4,222	4	7	-	-	15,872	13,210
– unallocated									1,327	2,081
									<u>17,199</u>	<u>15,291</u>
Amortisation										
– allocated	8	8	164	69	4	4	-	-	176	81
– unallocated									6	6
									<u>182</u>	<u>87</u>

The segment assets and liabilities as at 30th September 2008 and 31st March 2008, and capital expenditure for each of the six months ended 30th September 2008 and 2007 are as follows:

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group		
	As at 30th September 2008 HK\$'000	As at 31st March 2008 HK\$'000	As at 30th September 2008 HK\$'000	As at 31st March 2008 HK\$'000	As at 30th September 2008 HK\$'000	As at 31st March 2008 HK\$'000	As at 30th September 2008 HK\$'000	As at 31st March 2008 HK\$'000	As at 30th September 2008 HK\$'000	As at 31st March 2008 HK\$'000	
	Segment assets	1,049,196	1,053,815	1,183,272	1,011,018	10,967	11,678	(496,821)	(478,324)	1,746,614	1,598,187
	Unallocated assets									100,870	107,817
Total assets									1,847,484	1,706,004	
Segment liabilities	(667,748)	(610,127)	(178,234)	(157,732)	(3,764)	(774)	496,821	478,324	(352,925)	(290,309)	
Short-term bank loans									(300,000)	(273,000)	
Unallocated liabilities									(42,192)	(44,330)	
Total liabilities									(695,117)	(607,639)	

	For the six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
	Capital expenditure	14,559	19,412	3,974	2,456	-	-	-	-	18,533
- allocated									864	1,625
- unallocated									19,397	23,493

Secondary reporting format – geographical segments

The geographical analysis is divided into three regions:

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

	Turnover		Total assets		Capital expenditure	
	For the six months ended 30th September		As at 30th September		For the six months ended 30th September	
	2008	2007	2008	As at 31st March 2008	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,443,701	1,187,934	1,073,475	1,057,684	10,495	18,151
PRC	198,056	113,722	661,238	529,450	7,943	4,029
Others	121,208	58,909	112,771	118,870	959	1,313
	<u>1,762,965</u>	<u>1,360,565</u>	<u>1,847,484</u>	<u>1,706,004</u>	<u>19,397</u>	<u>23,493</u>

5 Expenses by nature

	For the six months ended 30th September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	1,419,549	1,038,952
Operating lease rentals in respect of land and buildings	78,468	58,490
Depreciation of property, plant and equipment	17,199	15,291
Amortisation of leasehold land and land use rights	182	87
Others	180,745	154,060
Total	<u>1,696,143</u>	<u>1,266,880</u>
Representing:		
Cost of sales	1,419,549	1,038,952
Selling and distribution costs	250,485	207,838
Administrative expenses	26,109	20,090
	<u>1,696,143</u>	<u>1,266,880</u>

6 Other gain

	For the six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Write back of provision for slow-moving inventories	<u>224</u>	<u>433</u>

7 Finance (costs)/income, net

	For the six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Interest income	267	1,233
Net exchange gain	<u>–</u>	<u>1,948</u>
	-----	-----
	267	3,181
Interest on short-term bank loans	(3,882)	(158)
Net exchange loss	<u>(995)</u>	<u>–</u>
	-----	-----
	(4,877)	(158)
Finance (costs)/income, net	<u>(4,610)</u>	<u>3,023</u>

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (For the six months ended 30th September 2007: 17.5%) 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	
	2008	2007
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current	11,972	19,134
– (over)/under-provision in prior year	(3,291)	866
Overseas taxation	855	2,297
Deferred taxation	<u>(928)</u>	<u>(2,283)</u>
	-----	-----
	<u>8,608</u>	<u>20,014</u>

9 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\$123,033,000 (2007: HK\$118,496,000) and the weighted average number of 492,507,850 (2007: 492,507,850) 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\$123,033,000 (2007: HK\$118,496,000) and the weighted average number of 492,507,850 (2007: 492,507,850) 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.

10 Dividends

	For the six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
2007/2008 final, paid, of HK\$0.155 (2006/2007 final, paid, of HK\$0.11) per ordinary share (note (i))	76,339	54,176
2008/2009 interim, proposed, of HK\$0.05 (2007/2008 interim, paid: HK\$0.10) per ordinary share (note (ii))	24,625	49,251

Notes:

- (i) At a meeting held on 23rd July 2008, the directors declared a final dividend of HK\$0.155 per ordinary share for the year ended 31st March 2008, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2008.
- (ii) At a meeting held on 18th December 2008, the directors proposed an interim dividend of HK\$0.05 per ordinary share, totalling HK\$24,625,000, for the year ending 31st March 2009. This proposed dividend is not reflected as a dividend payable in the Interim Financial Information, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2009.

11 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:

	As at 30th September 2008 HK\$'000	As at 31st March 2008 HK\$'000
0 – 30 days	36,232	26,978
31 – 60 days	8,393	3,874
61 – 90 days	1,430	2,488
91 – 120 days	1,048	–
Over 120 days	184	193
	47,287	33,533

The carrying amounts of trade receivables approximate their fair values.

During the six months ended 30th September 2008, no trade receivables were impaired (2007: Nil).

12 Trade and other payables

Included in trade and other payables are trade payables of HK\$180,733,000 (31st March 2008: HK\$142,434,000) and their ageing analysis is as follows:

	As at 30th September 2008 <i>HK\$'000</i>	As at 31st March 2008 <i>HK\$'000</i>
0 – 30 days	117,466	91,607
31 – 60 days	45,628	33,889
61 – 90 days	12,509	11,185
91 – 120 days	3,278	3,316
Over 120 days	1,852	2,437
	<u>180,733</u>	<u>142,434</u>

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 5.0 HK cents (2007: 10.0 HK cents) per share for the six months ended 30th September 2008. The interim dividend will be payable on 16th January 2009 to shareholders whose names appear on the Registrar of Members of the Company on 8th January 2009.

INTERIM RESULTS

The turnover of the Group for the six months ended 30th September 2008 grew by HK\$402,400,000 to HK\$1,762,965,000 (2007: HK\$1,360,565,000), representing an increase of 29.6% from the corresponding period of last year. However, the gross profit % of the period decreased from 23.6% to 19.5%, mainly caused by the downward trend of gold and platinum prices during the current period; as the inventory cost is determined by the first-in, first out basis, the continuous downward trend of gold and platinum prices resulted in low gross profit percentage of gold and platinum sales for the current period. Profit attributable to shareholders was approximately HK\$123,033,000 (2007: HK\$118,496,000) representing an increase of 3.8% from last year. Basic earnings per share were 24.98 HK cents (2007: 24.06 HK cents).

Our retail business contributed HK\$1,393,697,000 to our total turnover, registering an increase of 35.9% from the same period of last year. During the period, the overall performance was satisfactory even signs of slowdown of Hong Kong economy surfaced during the period. On the other hand, thanks to the appreciation of Renminbi, the purchasing power of the PRC customers is improved. Turnover from wholesale business recorded a growth of 10.5% from HK\$333,495,000 to HK\$368,465,000. Also, consumers prefer gold to currency during global credit crises, which increased the demand for gold. Compared to the corresponding period of last year, turnover of gold grew by 40.1%. According to the figures from the World Gold Council, the demand for gold in Greater China region increased by 10% in the first half of 2008.

INDUSTRY REVIEW

The slowing down of the economy, inflation and the fluctuating stock market in the first half of 2008 weakened consumer confidence. Hence, the growth of retail sales in Hong Kong was slowed down.

Tourism in Hong Kong remained stable during the period, shown from the figure of Hong Kong Tourism Board, for the first nine months in 2008, tourist arrivals from the PRC accumulated to 12.5 million, representing a growth of 10.5% from the same period of last year. The spending by the PRC visitors is increasing and the Group benefited from the growing number of the PRC tourists who spend on luxury jewellery items in Hong Kong.

BUSINESS REVIEW

Hong Kong Market

As at 30th September 2008, the Group had a total of 421 retail outlets in the PRC, Hong Kong, Macau, Canada and the United States. Of which, 30 shops are in Hong Kong, 384 are in the PRC, 3 in Macau, 2 in Canada and 2 in the United States. During the period, the Group opened 1 self-operated shop in Tseung Kwan O, Hong Kong. The Group has mostly finished all re-imaged outlets in Hong Kong, upgrading the shop image and enhancing customers' shopping experience in Luk Fook.

Continued to benefit from the Individual Visit Scheme, over 50% of Hong Kong sales were contributed by the PRC tourists. Notwithstanding economic slowdown has weakened the purchasing desire of consumers, jewellery is still the most popular item among the PRC tourists with PRC remains to head GDP growth globally.

During the period, the Group continued to market and promote the brand through a range of joint promotion, sponsorship and exhibition.

PRC Market

The snow storm coupled with Sichuan earthquake occurred early this year, distressed the overall retail industry in the PRC for the period under review. Nevertheless jewellery retailing has not shrunk due to Beijing Olympics and relatively strong growth in economy of the PRC. During the period of the Beijing Olympics, total same store sales growth of self operated shops in Beijing recorded about 116%. The Group is envisioned to develop the PRC market as the major market contributor in the long run.

As at 30th September 2008, the Group operated 367 licensee shops in the PRC. While expanding our licensee shop network, the Group continues to steadily set up self-operated shops as image display for Luk Fook brand and to enhance strategic foothold in high potential locations in first tier cities. As at 30th September 2008, the Group had 17 self-operated shops in the PRC, of which 6 new shops were opened in Beijing, Wuhan, Hangzhou and Nanjing.

Macau Market

The growth in the Macau tourism industry might be affected in the near future by the financial tsunami as compared with the same period of last year, making impact on the growth of jewellery retail industry. Besides, the retail industry will be confronted by high inflation, rise in labour cost and low consumption desire in the coming six months. However, during the period under review, turnover from the Macau shops amounted to HK\$110,226,000, representing an increase of 91.1% from the same period of last year.

OVERSEAS DEVELOPMENT

In order to achieve the brand building strategy of “Brand of Hong Kong Sparkling the World”, we decided not only to continue to expand our retail network in local, Macau and PRC market, but also look for opportunities to further broaden our network internationally.

AWARDS

Dedication to quality services and being customer oriented is always the core competence of the Group. During the period, the Group obtained a number of awards in recognition of its outstanding achievements in brand management and sales performance, as follows:

- “Capital Weekly Service Awards 2008”;
- “Most Favorable Enterprise with Good Credibility” and “Consumers’ Most Favorable Hong Kong Brands” in the “PRC Consumers’ Most Favorable Hong Kong Brands Campaign 2008” for 3 consecutive years;
- “The 5th Hong Kong Merchants of Integrity Award” for 4 consecutive years;
- “The 5th Macau Merchants of Integrity Award”;
- “My Favourite Top Ten Brands of Hong Kong” for 4 consecutive years;
- “My Favourite Top Ten Brands of Macau”;
- “The Best Brand Enterprise Award 2008 (Greater China)” for 3 consecutive years; and
- “The Most Outstanding Brand 2008 (Greater China)”

PROSPECTS

The slowdown in Hong Kong economy may deepen as the global financial crisis hurts exports and domestic consumptions and prompts companies to slash profit forecasts and cut investments. Even with the severe cut in interest rates, the businesses cut back led to anticipated increase in unemployment rate. The hope for the blessings rests on the economic growth in the PRC.

Survival of the fittest is always the golden rule in market slump. On the one hand, the Group actively takes a series of measures to lower the inventory levels and secures adequate bank facilities to meet the anticipated economic blow from negative chain reactions of banks amid a credit crunch that began with the collapse of the US subprime-mortgage market last year and worsened by the bankruptcy of Lehman Brothers Holdings Inc.

On the other hand, the Group will put more resources in brand building in order to enlarge its market share under such poor economic conditions. As rental is sensitive to the economic landscape, the Group will seize the opportunity of emerging shop vacancies available at prime locations to relocate or open new outlets.

Nevertheless, the Group will continue to expand the PRC market with the assumption that appreciation of Renminbi will lift the spending power of the PRC customers and relative strong GDP growth.

Also, during the past years, the Group recorded an increase expenditure on single purchase from the PRC customers and sales from the PRC visitors accounted for over 50% of the total turnover. The Group will also speed up the opening of self-operated shops.

Riding on the position of Macau as a gaming, entertainment and tourist city, the Group is confident that Macau is a long term strategic foothold to develop parallel to Hong Kong. It scheduled to open a new shop in the middle of December 2008.

EMPLOYEES

As at 30th September 2008, the Group had approximately 2,725 employees (including staff and workers) (31st March 2008: 2,377). 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 other 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 2008, the Group's cash and bank balances reached approximately HK\$160 million (31st March 2008: HK\$185 million). The Group's debt to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$300 million (31st March 2008: HK\$273 million) against total equity of approximately HK\$1,134 million (31st March 2008: HK\$1,082 million), was 26.5% (31st March 2008: 25.2%). During the period, the capital expenditure of the Group was approximately HK\$19.4 million (2007: HK\$23.5 million).

As at 30th September 2008, the Group had banking facilities amounted to approximately HK\$485 million (31st March 2008: HK\$355 million) out of which HK\$301 million (31st March 2008: HK\$274 million) 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 2008 and 31st March 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 6th January 2009 to 8th January 2009, 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 Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5th January 2009.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30th September 2008, 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	Spouse	Controlled Corporation	Beneficiary of Trust	Total Interest	% of Shares
Mr. WONG Wai Sheung	3,943,162	50,000 <i>note (d)</i>	244,820,176 <i>note (a) & (b)</i>	1,511,050 <i>note (c)</i>	250,324,388	50.83%
Mr. TSE Moon Chuen	457,344	–	244,820,176 <i>note (a) & (b)</i>	–	245,277,520	49.80%
Mr. WONG Koon Cheung	2,678,090	–	244,820,176 <i>note (a) & (b)</i>	–	247,498,266	50.25%
Mr. CHAN Wai	3,899,022	–	244,820,176 <i>note (a) & (b)</i>	–	248,719,198	50.50%
Mr. LEE Shu Kuan	6,370,229	–	247,406,800 <i>note (a), (b), (e) & (f)</i>	–	253,777,029	51.53%
Mr. WONG Ho Lung, Danny	420,000	22,000 <i>note (g)</i>	1,511,050 <i>note (c)</i>	–	1,953,050	0.40%
Miss WONG Lan Sze, Nancy	162,000	–	1,511,050 <i>note (c)</i>	–	1,673,050	0.34%

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 12,962,176 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, Ms. LUK Chui Yee, Mr. WONG Ho Lung, Danny, and Miss WONG Lan Sze, Nancy 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 1,511,050 shares of the Company.

Note (d) Mr. WONG Wai Sheung's spouse, Ms. LUK Chui Yee, held 50,000 shares of the Company.

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 630,624 shares of the Company.

Note (f) 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 (g) Mr. WONG Ho Lung, Danny's spouse, Ms. CHEUNG Irene, held 22,000 shares of the Company.

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

Name of Director	Beneficial Owner	Spouse	Controlled Corporation	Beneficiary of Trust	Total Interest	% of Shares
Mr. WONG Wai Sheung	3,481,551	–	–	36,724,007 <i>note (a)</i>	40,205,558	40.21%
Mr. TSE Moon Chuen	406,556	82,853 <i>note (b)</i>	–	–	489,409	0.49%
Mr. LAU Kwok Sum	1,600	–	–	–	1,600	0.002%
Mr. WONG Koon Cheung	–	–	4,585,920 <i>note (c)</i>	–	4,585,920	4.59%
Mr. CHAN Wai	6,639,130	–	–	–	6,639,130	6.64%
Mr. LEE Shu Kuan	7,291,338	–	1,093,575 <i>note (d)</i>	–	8,384,913	8.38%
Miss YEUNG Po Ling, Pauline	60,000	–	–	–	60,000	0.06%
Mr WONG Ho Lung, Danny	–	–	–	36,724,007 <i>note (a)</i>	36,724,007	36.72%
Miss WONG Lan Sze, Nancy	–	–	–	36,724,007 <i>note (a)</i>	36,724,007	36.72%

Note (a) Mr. WONG Wai Sheung, Ms. LUK Chui Yee, Mr. WONG Ho Lung, Danny, and Miss WONG Lan Sze, Nancy 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 36,724,007 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 4,585,920 shares of Luk Fook (Control) Limited.

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 1,093,575 shares of Luk Fook (Control) Limited.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2008, 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%
First State Investments (Hong Kong) Limited	34,002,000 <i>note (a)</i>	–	34,002,000	6.90%
Commonwealth Bank of Australia	–	34,002,000 <i>note (a)</i>	34,002,000	6.90%

Note (a) Commonwealth Bank of Australia was a 100% indirect controlling shareholder of First State Investments (Hong Kong) Limited ("FSHK"). In turn, FSHK held 34,002,000 shares of the Company in the capacity as investment manager. By virtue of the SFO, Commonwealth Bank of Australia was deemed to be interested in those shares of the Company and relevant disclosures were therefore duplicated.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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.

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 2008, the audit committee has held several meetings to consider matters including the 2007/08 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 2008, and the Group's IT control environment.

The interim results have been reviewed by the independent auditor and the audit committee of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors and the 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 2008.

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 2008.

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 share during the period.

By Order of the Board
WONG Wai Sheung
Chief Executive

18th December 2008

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.