



# 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 2002

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 2002 together with the comparative figures for the corresponding period in 2001 as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

		Unaudited Six months ended 30th September	
	Note	2002 HK\$'000	2001 HK\$'000
Turnover	1	658,740	690,754
Cost of sales		<u>(522,869)</u>	<u>(541,669)</u>
Gross profit		135,871	149,085
Other revenues		6,242	6,583
Selling and distribution costs		(105,262)	(106,189)
Administrative expenses		(12,324)	(12,115)
Other operating expenses		<u>(1,783)</u>	<u>(2,412)</u>
Operating profit	2	22,744	34,952
Finance costs		<u>(1)</u>	<u>(10)</u>
Profit before taxation		22,743	34,942
Taxation	3	<u>(3,998)</u>	<u>(5,771)</u>
Profit after taxation		18,745	29,171
Minority interests		<u>(94)</u>	<u>(410)</u>
Profit attributable to shareholders		<u>18,651</u>	<u>28,761</u>
Earnings per share	4		
Basic		<u>3.94 cents</u>	<u>6.18 cents</u>
Diluted		<u>3.85 cents</u>	<u>6.07 cents</u>

NOTES:

**1 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									
	Retailing		Wholesaling		Other operations		Eliminations		Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	613,977	661,285	44,763	29,469	-	-	-	-	658,740	690,754
Inter-segment sales	2,070	1,371	126,792	130,000	-	-	(128,862)	(131,371)	-	-
Other revenues from external customers	50	33	3,880	4,440	1,682	561	-	-	5,612	5,034
Inter-segment other revenues	-	-	-	-	236	236	(236)	(236)	-	-
<b>Total</b>	<b>616,097</b>	<b>662,689</b>	<b>175,435</b>	<b>163,909</b>	<b>1,918</b>	<b>797</b>	<b>(129,098)</b>	<b>(131,607)</b>	<b>664,352</b>	<b>695,788</b>
Segment results	31,382	39,550	5,905	5,313	(1,926)	(2,486)	-	-	35,361	42,377
Inter-segment transactions	116	124	(2,097)	1,953	(236)	(236)	-	-	(2,217)	1,841
Contribution from operations	31,498	39,674	3,808	7,266	(2,162)	(2,722)	-	-	33,144	44,218
Interest income									630	1,549
Unallocated costs									(11,030)	(10,815)
Operating profit									22,744	34,952
Finance costs									(1)	(10)
Profit before taxation									22,743	34,942
Taxation									(3,998)	(5,771)
Profit after taxation									18,745	29,171
Minority interests									(94)	(410)
Profit attributable to shareholders									18,651	28,761

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 2001 and 2002.

**2 Operating profit**

Six months ended 30th September	
2002	2001
HK\$'000	HK\$'000

Operating profit is stated after charging the following:

Cost of inventories sold	525,028	545,246
Depreciation of fixed assets	6,876	7,840

**3 Taxation**

Taxation represents Hong Kong profits tax provided at the rate of 16% (2001: 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\$18,651,000 (2001: HK\$28,761,000) and the weighted average number of 472,960,271 (2001: 465,593,659) 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\$18,651,000 (2001: HK\$28,761,000) and the weighted average number of 484,012,410 (2001: 473,448,336) 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 (2001: 2.5 HK cents) per share for the financial year ending 31st March 2003. The interim dividend will be payable on 15th January 2003 to shareholders whose names appear on the Register of Members of the Company on 6th January 2003.

## Operating Review

### *Results for the Six Months Ended 30th September 2002*

For the six months ended 30th September 2002, the Group has recorded a turnover of approximately HK\$658,740,000 representing a decrease of 4.6% from HK\$690,754,000 over the corresponding period last year. Profit before taxation reached approximately HK\$22,743,000 (2001: HK\$34,942,000). Earnings per share were 3.94 HK cents (2001: 6.18 HK cents).

During the period, although tourists from the People's Republic of China ("PRC") stimulated the consumption market of Hong Kong, this could not counteract the negative influences brought by the overall weak sentiment of the consumption market, as well as other external factors.

## Industry Review

During the period under review, Hong Kong's retail market has been hampered by the continuous deflation, the high unemployment rate and the global uncertain political situation. Although there was a surge in the number of tourists visiting Hong Kong during the period, however, the total sales value of the overall retail market in September 2002 recorded a drop of 4.6% over the corresponding period last year. This reflected the continuous shrank in local internal demand. The sales quantity of luxury goods, like jewellery, recorded a 15.4% decrease as compared with the same period last year. As the public continued to be prudent in their consumption attitude, it is expected that the Hong Kong retail market would remain competitive in the short run.

After PRC's accession to the World Trade Organization ("WTO"), the tariff on jewellery will be lowered progressively and the import system of gold jewellery will also be lessened gradually. These would undoubtedly be favourable for the foreign investors to tap into the PRC jewellery market. Besides, with the enormous demand for overseas advanced facilities, technology, design and management model by the PRC jewellery refining enterprises, this provides substantial business opportunities for Hong Kong and overseas jewellery operators.

## Business Review

### – Gold and Jewellery Operation

#### **Hong Kong**

- For the period ended 30 September 2002, the Group has a total of 22 retail outlets with 20 under the brand name of Luk Fook and 2 under the brand name of Ice g. During the period, the Group has opened two outlets at the Peak Galleria and the Landmark North in Sheung Shui with a total floor area of 2,100 square feet. To project a fresh look to the customers, the new shops have incorporated the innovative design concept of Ice g.

- To celebrate Luk Fook's 11th anniversary and as a token of appreciation to customers' support, the Group has launched a contest named “六福珠寶閃亮11週年大獎賞” during the period under review, which includes “揭揭卡即揭即中獎”, a lucky draw and a gift redemption of Winnie the Pooh jewellery cleansing machine and Tigger jewellery box. The lucky draw received overwhelming responses with over 30,000 participants. Besides, the Group has placed advertisements in several popular newspapers, magazines, MTR light boxes, TV, public vehicles' TV channels and on the body of buses, to promote the Group's brandname and the aforementioned celebration activities.
- During the period, the Group sponsored various public activities, which include:
  - The concert of Louie Castro in April;
  - The “Elva Live 2002” in August; and
  - The Diamond Crown and some jewellery pieces for the winners of the 2002 Miss Hong Kong Pageant.
- In the period under review, the Group has organized various sales promotion activities as follows:
  - a large-scale road show, the 「六福珠寶至愛媽咪靚靚珠寶首飾展」 at UNY, Taikoo Shing
  - road shows at the Jusco Store in Tseung Kwan O and the New Jade Shopping Arcade in Chai Wan
  - the road show 「重燃愛火魅力」 at the Jusco Store in Lok Fu Shopping Centre
  - a roadshow at the basement of the Jusco Store in Tai Po
- During the period, the Group launched a pearl and jade collection, specially catered for Mother's Day, and has actively promoted the Hiru-Padparadscha collection.
- To play a part in the boost up of Hong Kong Tourism, the Group has participated in the “Mega Hong Kong Sale” organized by the Hong Kong Tourism Board during the period.
- Mainland tourists are fond of purchasing jewellery in Hong Kong and with the increasing number of PRC tours, the Group therefore benefited from the Labour Day holidays' Golden Week. During the 1st week of May 2002, the sales value of gold and other kinds of jewellery have risen approximately 30% and 50% respectively as compared with that in the 1st week of April, 2002 which in turn enhanced the sales volume of the Group.

## China

- The Group provided technical support and consultancy services to over 70 jewellery retailers in the PRC, in order to be better prepared for the opening up of the PRC jewellery market.
- During the period under review, the Group bought a land with an area of 35,000 square meters in Panyu for the construction of a large-scale jewellery-refining factory to further expand the production scale.
- During the period, the Group participated in the 1st Guangzhou (Panyu) International Jewellery Fair with overwhelming responses received.

## – Jewellery Portal Operation

- The Group has established the portal “jewellworld.com” to provide gateway for the global jewellery industry. It serves the purpose of providing a business-to-business trading platform among jewellery manufacturers, wholesalers and retailers around the world, as well as an additional promotion channel for the Group.
- The Group believes that jewellers will use the jewellery portal more frequently to view samples and purchase jewellery in order to streamline their operation procedures. It would undoubtedly become a trend in Hong Kong as well as the PRC's 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 REXCAPITAL Securities Limited (formerly OSK Asia Securities Limited) in organizing periodical seminars and distributing reports to the clients. However it suffered from the drying up of securities turnover in financial markets during the period.

– Awards and Merits

**“The 1st Greater China Trophy for International Jadeite Jewellery Design Competition”**

Finished Product Category :	Premium Award – necklace “Leaves”
Finished Product Category :	Silver Medal Award – head accessory “Great Pagoda”
Finished Product Category :	Bronco Medal Award – bracelet “Maze”
Finished Product Category :	Bronco Medal Award – necklace “Butterfly”
Finished Product Category :	Bronco Medal Award – earrings “Together”
Finished Product Category :	Creative Idea Award – necklace “The Green Fairy”
Finished Product Category :	Creative Idea Award – necklace “Snowflakes”
Drawing Category :	Silver Medal Award – “Break”

**“5th The Buyers Favorite Diamond Jewellery Design Competition”**

Necklace Section :	Gold Award – “打開心靡”
Earring Section :	Gold Award – “落葉”
Bracelet & Brooch Section :	Gold Award – “異度”
Bracelet & Brooch Section :	Silver Award – “Catching Life”
Creative Section :	Bronze Award – “襯衣”

**Employees**

As at 30th September 2002, the number of staff of the Group in Hong Kong was approximately 640 (2001: 580). Remuneration policies are reviewed and approved by management on 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 financial incentives.

**Prospects**

*Hong Kong Market*

- As the quota system that restricted the daily number of mainland visitors had been abolished in January 2002, the mainland long public holidays would become a golden week for the retail industry of Hong Kong. The influx of mainland visitors coupled with their huge spending volume (especially in purchasing gold and diamond jewellery), would probably bring forth great business opportunities for the Group.

*Ice g. Collection*

- To capture the constantly growing youth market, the Group will continue to open more Ice g. retail chains, so as to promote and project a younger Group’s image. More New Ice g. shops will be opened, in addition to those opened in Tuen Mun, Mongkok and Tsuen Wan subsequent to September 2002, and the Group expects to increase the number of Ice g. retail chains to 7.

*PRC Market*

- The abolishment of import tariff on diamonds in the PRC since this year, and the opening of the PRC gold market after the commencement of operation of Shanghai Gold Exchange, would bring forth greater opportunities for the investment and development in the PRC market. It is also expected that the Group’s business in the PRC would be further consolidated.

- As the living standard of the people in the PRC is rising continuously, gold and jewellery have become their daily commodities, which leads to a rapid growth in the demand for gold and jewellery in the PRC. The Group will grasp this enormous opportunity and continue to develop its jewellery franchise business in the PRC.

#### *Macau Market*

- In order to develop the jewellery retail market in Macau the Group has opened two retail shops in Macau.

#### *Overseas Market*

- The Group planned to explore the overseas market in the short run and the first retail shop in Canada is expected to be opened in Ontario province.

### **Liquidity and Financial Resources**

The Group's core business is gold and jewellery retailing. As at 30th September 2002, the Group's cash on hand reached approximately HK\$116,843,000 (31st March 2002: HK\$135,542,000). The Group's debt-to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$93,252,000 (31st March 2002: HK\$91,867,000) against total shareholders' equity of approximately HK\$507,081,000 (31st March 2002: HK\$510,680,000), was 18.4% (31st March 2002: 18.0%).

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 2002 (31st March 2001: nil).

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of members of the Company will be closed from 6th January 2003 to 7th January 2003, 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 Company 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 3rd January 2003.

### **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 2002, an audit committee meeting was held to consider matters including the 2001/2002 annual report of the Company and internal controls.

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30th September 2002 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 2002.

On 13th December 2002, 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 condensed consolidated accounts for the six months ended 30th September 2002 and the implications of the new accounting standards to the Group's financial reporting in 2002/2003.

## **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 six months ended 30th September 2002.

## **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, 18th December 2002

*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>*

“Please also refer to the published version of this announcement in The Standard”