



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

Website: www.lukfook.com.hk www.infocast.com.hk/listco/lukfook

(Stock Code: 590)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

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 2006 together with comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

		Unaudited Six months ended 30th September	
	Note	2006 HK\$'000	2005 HK\$'000
Turnover	3	1,403,982	816,355
Cost of sales		(1,139,600)	(630,757)
Gross profit		264,382	185,598
Other income	3	21,762	11,460
Selling and distribution costs		(163,444)	(149,144)
Administrative expenses		(16,532)	(15,440)
Other operating expenses		(1,569)	(1,677)
Operating profit	4	104,599	30,797
Finance costs		(110)	(30)
Profit before income tax		104,489	30,767
Income tax expense	5	(18,969)	(1,108)
Profit for the period		85,520	29,659
Profit attributable to:			
Equity holders of the Company		84,776	29,441
Minority interest		744	218
		85,520	29,659
Earnings per share for profit attributable to the equity holders of the Company, expressed in Hong Kong cents per share	6		
– Basic		17.29 cents	6.06 cents
– Diluted		17.29 cents	6.02 cents
Dividends		34,476	14,638

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2006

	<i>Note</i>	Unaudited 30th September 2006 HK\$'000	Audited 31st March 2006 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		114,312	105,107
Leasehold land and land use rights		7,657	12,835
Trading licence		1,080	1,080
Rental deposits		18,465	19,575
Deferred income tax assets		7,153	6,257
		148,667	144,854
Current assets			
Inventories		678,568	611,986
Trade receivables	7	18,148	12,144
Deposits, prepayments and other receivables		36,256	20,369
Property held for sale		7,390	850
Bank balances and cash		153,428	108,738
		893,790	754,087
Total assets		1,042,457	898,941
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	49,251	48,794
Share premium		58,884	57,789
Reserves		144,724	143,477
Retained earnings			
– Proposed dividends		34,476	34,156
– Others		480,928	430,948
		768,263	715,164
Minority interests		11,322	13,028
Total equity		779,585	728,192
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		558	623
Current liabilities			
Trade and other payables	8	193,988	161,641
Taxation payable		28,326	8,485
Short-term bank loans, unsecured		40,000	–
		262,314	170,126
Total equity and liabilities		1,042,457	898,941
Net current assets		631,476	583,961
Total assets less current liabilities		780,143	728,815

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

Unaudited

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Minority interest HK\$'000	
At 1st April 2006	48,794	57,789	135,713	6,158	1,606	465,104	13,028	728,192
2005/2006 final dividend paid	-	-	-	-	-	(34,476)	-	(34,476)
Profit for the period	-	-	-	-	-	84,776	744	85,520
Repayment of advance from minority interest	-	-	-	-	-	-	(980)	(980)
Advance to minority interest in proportion to their interests in subsidiary	-	-	-	-	-	-	(1,470)	(1,470)
Exchange differences	-	-	-	-	1,247	-	-	1,247
Issue of shares	457	1,095	-	-	-	-	-	1,552
At 30th September 2006	<u>49,251</u>	<u>58,884</u>	<u>135,713</u>	<u>6,158</u>	<u>2,853</u>	<u>515,404</u>	<u>11,322</u>	<u>779,585</u>
At 1st April 2005, as previously reported as equity	48,544	57,189	135,713	8,752	(269)	424,099	-	674,028
At 1st April 2005, as previously reported as minority interest	-	-	-	-	-	-	9,249	9,249
	<u>48,544</u>	<u>57,189</u>	<u>135,713</u>	<u>8,752</u>	<u>(269)</u>	<u>424,099</u>	<u>9,249</u>	<u>683,277</u>
Reversal of revaluation reserve for leasehold land and land use rights	-	-	-	(8,752)	-	-	-	(8,752)
Opening adjustment for the adoption of HKAS 17	-	-	-	-	-	(1,216)	-	(1,216)
At 1st April 2005, as restated	48,544	57,189	135,713	-	(269)	422,883	9,249	673,309
2004/2005 final dividend paid	-	-	-	-	-	(38,836)	-	(38,836)
Profit for the period	-	-	-	-	-	29,441	218	29,659
Exchange differences	-	-	-	-	(183)	-	-	(183)
Issue of shares	250	600	-	-	-	-	-	850
At 30th September 2005	<u>48,794</u>	<u>57,789</u>	<u>135,713</u>	<u>-</u>	<u>(452)</u>	<u>413,488</u>	<u>9,467</u>	<u>664,799</u>

NOTES:

1 Basis of preparation

This Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the 2005/2006 annual financial statements for the year ended 31st March 2006.

2 Accounting policies

The accounting policies and methods of computation used in the preparation of this Interim Financial Information are consistent with those of the annual financial statements for the year ended 31st March 2006, as described in the annual financial statements for the year ended 31st March 2006.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31st March 2007.

- Amendment to HKAS 19 “Actuarial gains and losses, group plans and disclosures” is effective for annual periods beginning on or after 1st January 2006. The Group decided to retain its former accounting policy regarding the recognition of actuarial gains and losses;

- Amendment to HKAS 39 “The fair value option” is effective for annual periods beginning on or after 1st January 2006. This amendment does not have any impact on the classification and valuation of the Group’s financial instruments classified as at fair value through profit and loss prior to 1st January 2006;
- Amendment to HKAS 21 “Net investment in a foreign operation” is effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39 “Cash flow hedge accounting of forecast intragroup transactions” is effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39 and HKFRS 4 “Financial guarantee contracts” is effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant to the Group;
- HKFRS 6 “Exploration for and evaluation of mineral resources” is effective for annual periods beginning on or after 1st January 2006. This standard is not relevant to the Group;
- HK(IFRIC)-Int 4 “Determining whether an arrangement contains a lease” is effective for annual periods beginning on or after 1st January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with HKAS 17 “Leases”. The adoption of this interpretation has no financial impact to the Group’s financial statements;
- HK(IFRIC)-Int 5 “Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds” is effective for annual periods beginning on or after 1st January 2006. This interpretation is not relevant to the Group;
- HK(IFRIC)-Int 6 “Liabilities arising from participating in a specific market – waste electrical and electronic equipment” is effective for annual periods beginning on or after 1st December 2005. This interpretation is not relevant to the Group; and
- HK(IFRIC)-Int 7 “Applying the Restatement Approach under HKFRS 29” is effective for annual periods beginning on or after 1st March 2006. This interpretation is not relevant to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for 2006/2007 and have not been early adopted:

- HK(IFRIC)-Int 8 “Scope of HKFRS 2” is effective for annual periods beginning on or after 1st May 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group’s operations;
- HK(IFRIC)-Int 9 “Reassessment of Embedded Derivatives” is effective for annual periods beginning on or after 1st June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group has already assessed if embedded derivative should be separated using principles consistent with HK(IFRIC)-Int 9; and
- HKFRS 7 “Financial instruments: Disclosures” is effective for annual periods beginning on or after 1st January 2007. HKAS 1 “Amendments to capital disclosures” is effective for annual periods beginning on or after 1st January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning on or after 1st January 2007.

3 Turnover, other income and segment information

	Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
Turnover		
Sales of goods (<i>note</i>)	1,403,982	816,355
Other income		
Quality control service income	11,164	6,799
Consultancy service income	6,196	3,335
Interest income	893	167
Web hosting service income	–	48
Others	3,509	1,111
	21,762	11,460
Turnover and other income	1,425,744	827,815

Note:

Included in total sales of goods is sales of HK\$381,013,000 (For the six months ended 30th September 2005: HK\$143,418,000) which was settled by the receipt of gold bullion. This gold bullion was in turn used for settlement of trade payables.

Primary reporting format – business segments

	Six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Sales to external customers	751,111	619,573	652,521	196,442	350	340	-	-	1,403,982	816,355
Inter-segment sales	24,534	14,172	247,698	205,806	-	-	(272,232)	(219,978)	-	-
Other income from external customers	67	83	17,693	10,296	3,105	914	-	-	20,865	11,293
Inter-segment other income	-	-	-	-	287	459	(287)	(459)	-	-
Total	775,712	633,828	917,912	412,544	3,742	1,713	(272,519)	(220,437)	1,424,847	827,648
Segment results	61,664	25,090	58,380	22,251	2,651	(592)	(4,264)	(823)	118,431	45,926
Interest income									893	167
Unallocated costs									(14,725)	(15,296)
Operating profit									104,599	30,797
Finance costs									(110)	(30)
Profit before income tax									104,489	30,767
Income tax expense									(18,969)	(1,108)
Profit for the period									85,520	29,659

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

	Six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Depreciation										
- allocated	5,838	3,743	2,848	1,724	94	332	-	-	8,780	5,799
- unallocated									1,945	2,414
									10,725	8,213
Amortisation										
- allocated	-	11	61	68	11	63	-	-	72	142
- unallocated									6	16
									78	158

The segment assets and liabilities at 30th September 2006 and 31st March 2006 and capital expenditure of each of the six months ended 30th September 2006 and 2005 are as follows:

	Six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment assets	633,563	550,222	623,745	579,997	16,407	15,370	(328,187)	(313,009)	945,528	832,580
Unallocated assets	-	-	-	-	-	-	-	-	96,929	66,361
Total assets									1,042,457	898,941
Segment liabilities	(433,263)	(396,872)	(91,615)	(64,790)	(4,911)	(2,575)	328,187	313,009	(201,602)	(151,228)
Unallocated liabilities	-	-	-	-	-	-	-	-	(61,270)	(19,521)
Total liabilities									(262,872)	(170,749)

	Six months ended 30th September									
	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure										
– allocated	11,915	4,938	9,568	3,984	–	367	–	–	21,483	9,289
– unallocated									1,071	696
									<u>22,554</u>	<u>9,985</u>

Secondary reporting format – geographical segments

The geographical analysis is divided into three regions:

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

Total assets and capital expenditures, allocated based on where the assets are located, are as follows:

	Total assets		Capital expenditure	
	At 30th September 2006	At 31st March 2006	For the six months ended 30th September 2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	795,540	653,202	9,899	4,525
The PRC	187,251	195,084	10,453	3,983
Other countries	59,666	50,655	2,202	1,477
	<u>1,042,457</u>	<u>898,941</u>	<u>22,554</u>	<u>9,985</u>

No geographical analysis on segment revenue and result is presented as less than 10% of the Group's turnover and less than 10% of the Group's consolidated results were attributable to markets outside Hong Kong during the six months ended 30th September 2005 and 2006.

4 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Crediting		
Write back of provision for slow-moving inventories	1,282	3,941
Charging		
Amortisation of leasehold land and land use rights	78	158
Cost of inventories sold	1,140,882	634,698
Depreciation of property, plant and equipment	10,725	8,213
Operating lease rentals in respect of land and buildings	49,514	42,776

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (For the six months ended 30th September 2005: 17.5%) on the estimated assessable profit for the period.

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

	Six months ended 30th September	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current	15,306	5,189
– over-provision in prior year	(872)	(3,725)
Overseas taxation	5,497	1,261
Deferred taxation	(962)	(1,617)
	<u>18,969</u>	<u>1,108</u>

6 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\$84,776,000 (2005: HK\$29,441,000) and the weighted average number of 490,238,320 (2005: 485,539,478) 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\$84,776,000 (2005: HK\$29,441,000) and the weighted average number of 490,238,320 (2005: 489,438,082) 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.

7 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:

	At 30th September 2006 HK\$'000	At 31st March 2006 HK\$'000
0 – 30 days	17,375	11,885
31 – 60 days	541	–
61 – 90 days	1	–
91 – 120 days	–	6
Over 120 days	231	253
	18,148	12,144

The carrying amounts of trade receivables approximate their fair values.

8 Trade and other payables

Trade payables included in the trade and other payables account amounting to HK\$108,035,000 (At 31st March 2006: HK\$92,460,000) and their ageing analysis is as follows:

	At 30th September 2006 HK\$'000	At 31st March 2006 HK\$'000
0 – 30 days	71,852	50,000
31 – 60 days	25,917	29,486
61 – 90 days	6,646	8,066
91 – 120 days	3,084	4,186
Over 120 days	536	722
	108,035	92,460

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

9 Share capital

	At 30th September 2006 HK\$'000	At 31st March 2006 HK\$'000
<i>Authorised:</i> 800,000,000 (At 31st March 2006: 800,000,000) ordinary shares of HK\$0.1 each	80,000	80,000
<i>Issued and fully paid:</i> 492,507,850 (At 31st March 2006: 487,943,850) ordinary shares of HK\$0.1 each	49,251	48,794

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 7.0 HK cents (2006: 3.0 HK cents) per share for the year ended 31st March 2007. The interim dividend will be payable on 12th January 2007 to shareholders whose names appear on the Registrar of Members of the Company on 5th January 2007.

OPERATION REVIEW

The turnover of the Group for the six months ended 30th September 2006 increased to HK\$1,403,982,000 (six months ended 30th September 2005: HK\$816,355,000), representing an increase of 72% of the same period of last year. In particular, turnover in the retail sector increased by approximately 21% mainly because of i) the strong growth in the Hong Kong economy and rising income of consumers; ii) sales of gold products stimulated by the traditional good-for-marriage year; and iii) the satisfactory growth in sales performance during the

Golden Week in May 2006. Besides, turnover in the wholesale sector increased by approximately 232% owing to substantial increase in the quantity of gold jewellery items purchased by the Group from retail customers and then resold to gold merchants in bulk quantities, as a result of drastic surges in gold prices during the second half of the financial period.

Profit attributable to shareholders reached approximately HK\$84,776,000 (six months ended 30th September 2005: HK\$29,441,000). Basic earnings per share were 17.29 HK cents (six months ended 30th September 2005: 6.06 HK cents).

INDUSTRY REVIEW

Boosting tourism is often favorable to retail business because of the huge spending brought by visitors, especially from PRC visitors in recent years. According to the statistics of the HKSAR government for the first 3 quarters of 2006, the overall number of visitors to Hong Kong has increased by 9.5% as compared to last year, of which about 55% is from the PRC. Also, the total number of PRC visitors has also increased by 11%, compared with the same period of last year. Thus, with half of the Group's customer source from the PRC, the increase in visitor number has undoubtedly benefited the Group's business.

BUSINESS REVIEW

Hong Kong Market

The Group has been actively expanding its sales network during the period under review. The new Mongkok branch was opened in August 2006. It is the Group's 7th branch on Nathan Road. With the gradual recovery in the Hong Kong economy, consumer spending has been on the rebound. Consumers' purchasing appetite generally improved. In view of the good business performance in our Mongkok branches, we opened a new shop in this busy district to cope with the higher demand from customers.

Since September 2005, the Group has invested in shop renovation projects in a bid to boost the shop image, as well as to give our customers a brand new shopping experience and a more comfortable shopping time. Till now, the Group has already renovated most shops. The new shop image is well received by the customers.

In line with the new shop image, the Group launched a new series of TV commercial featuring awarded products of Luk Fook in a trendy and classy mood.

During the period, the Group continued to sponsor beauty contests such as "Miss Hong Kong Pageant" for the 9th consecutive years and "Miss Asia Pageant" for a few years. The marketing strategies, which included launching new TV and print advertisements, were also proved effective in arousing the Group's brand awareness among customers.

PRC Market

The Group's expansion in the PRC has been going on in a satisfactory progress. As at 30th September 2006, the Group has set up more than 220 Luk Fook brand shops, reaching farther areas such as Xinjiang, Inner Mongolia, etc. Apart from the sales network in the first-tier cities such as Beijing, Shanghai and Guangzhou, the Group has further enlarged its sales network into the PRC, penetrating deeper into second-tier cities with good development potential, for example, Harbin, Wuhan and Chengdu.

In view of the booming China's economy, the consumers' demand for high-quality and fashionable jewellery continues to increase. To cope with the large consumer spending on luxuries in the PRC in recent years, we have also opened 2 new shops in Beijing in an attempt to seize opportunities arisen from the Beijing Olympics.

During the period under review, the Group's jewellery manufacturing plant in Panyu, Guangdong was running in good condition. Meanwhile, the newly built diamond processing factory has also started operation during the period.

Furthermore, as different world-famous product brands are developing rapidly in the PRC, we believe it is the excellent time to catch the strong growth of the PRC economy and secure our position in the PRC market by broadening our points of sales. For that reason, our target is to increase the number of Luk Fook brand shop in the PRC by 20% per year. in the next few years to further capture larger market share and more importantly, raising Luk Fook's brand awareness in the PRC.

Macau Market

With the booming economic development of Macau facilitated by the flourishing gaming business and the entrance of new casinos supported by giant financial group, for instance, Wynn Casino, the Group's two shops on the main street of Macau successfully captured a great number of customers, especially tourists who took up almost 60% of the turnover in the Macau shops. According to the figures from the Hong Kong Tourism Board,

in the first 9 months of 2006, visitors to Macau rose by 15.4% compared to the same period of last year. Hence, the Group will soon be expanding its network to one of the shopping arcades of those newly built casinos and keeps watching closely at the market conditions and the appropriate spots for setting up more branches in order to grasp the enormous consumption opportunities driven by visitors.

OVERSEAS DEVELOPMENT

The Group is at all times devoted to expediting new business developments in various regions. The Group's first U.S. shop, "Luvina Jewelers", located in San Jose of California has started business since July of this year. The opening of a new branch in the U.S. signifies the first move of the Group to step into the U.S. mainstream community.

REWARDS AND HONORS

Luk Fook's persistent efforts on improving and enhancing product quality and design have never stopped. During the period under review, the Group was ranked one of the top 10 retailers for "Other Retailers" category based on the performance in total sales turnover in the Third Retail Asia Pacific Top 500 in 14 economies. The award truly signifies the Group's continual efforts in increasing the sales volume.

Apart from the remarkable sales performance, the Group continues to gain various awards for its innovative and trendy designs. For example, the Group was awarded "Jewelry Design Excellence Award ("JDE Award"): Overall Beauty Award", "JDE Award: Craftmanship Award" and Merit Award under "Professional Category" for Jewelry Designs "Layers", "Dandelion" and "Born Gifts" in "2006 International Jewelry Design Innovation Competition" respectively.

PROSPECTS

Looking forward, The Group aims at increasing its penetration not only in Hong Kong, Macau and the PRC markets, but also the overseas markets. With the new shop "Luvina Jewelers" set up in the U.S. mainstream community in August this year as a trial point of sales in the market, the Group is working hard to set up more shops in other locations, for example, South-East Asia.

Starting from 1st January 2007, the further relaxation of 5 more cities for the "Individual Visit Scheme" will allow a total number of 250 million populations from 49 cities traveling to Hong Kong. Hence, the support from the PRC consumers will be significant. We believe, together with the new tourist attractions and projects of the Hong Kong Government, the sales brought by the tourists will continue to contribute to the Group's good sales performance in the foreseeable future.

EMPLOYEES

As at 30th September 2006, the Group had approximately 1,757 employees (including staff and workers) (31st March 2006: 1,726). 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 others 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 2006, the Group's cash and bank balances reached approximately HK\$153,000,000 (31st March 2006: HK\$109,000,000). The Group's debt to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$263,000,000 (31st March 2006: HK\$171,000,000) against total equity of approximately HK\$768,000,000 (31st March 2006: HK\$715,000,000), was 34.2% (31st March 2006: 23.9%). During the period, the capital investment of the Group was approximately HK\$23,000,000 (2005: HK\$10,000,000).

As at 30th September 2006, the Group had banking facilities amounted to approximately HK\$94,540,000 (31st March 2006: HK\$125,740,000) out of which HK\$40,000,000 (31st March 2006: Nil) 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 2006 and 31st March 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 4th January 2007 to 5th January 2007, 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 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 3rd January 2007.

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 2006, the audit committee has held several meetings to consider matters including the 2006 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 2006, and the Group's IT control environment.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30th September 2006, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, except for the following deviations from certain code provisions:

1. Code Provision A.4.2

Code: All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation: In accordance with the Company's Bye-laws, all directors appointed to fill a casual vacancy is subject to election by shareholders at the next annual general meeting after their appointment. Moreover, one-third of the directors shall retire from office by rotation save any director holding office as Chairman or Managing Director.

Remedy: A special resolution was passed at the Company's annual general meeting held on 24th August 2006 to amend the Company's Bye-laws in order that one-third of all the directors shall retire from office by rotation, and that all directors appointed to fill a casual vacancy is subject to election by shareholders at the next general meeting after their appointment.

2. Code Provisions B.1.4 & C.3.4

Code: The Remuneration Committee and the Audit Committee should make available their terms of reference, explaining their role and the authority delegated to them by the Board.

Deviation: During the period ended 30th September 2006, such terms of reference were not available to the public.

Remedy: At present, such terms of reference are displayed in the Company's official web site at www.lukfook.com.hk and are available to the public.

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 2006.

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.

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 and Mr. LAU Kwok Sum; 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. CHIU Wai Mo, and Mr. LO Mun Lam, Raymond (Chairman).

By Order of the Board
WONG Wai Sheung
Chief Executive

18th December 2006

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